6-Month Report

2011

united internet

Selected key figures acc. to IFRS

	2011 Jan. – June	2010 Jan. – June
Sales in € million	1,009.4	930.8
Earnings before interest, taxes, depreciation and amortization (EBITDA) in € million	200.9	182.0
Earnings before interest and taxes (EBIT) in € million	160.0	142.2
Earnings before taxes (EBT) in € million	144.2	117.3
Employees at end of June	5,204	4,724
Share price at end of June (Xetra) in €	14.50	9.03
Earnings per share (EPS) in €	0.48	0.34

Quarterly development in € million

	Q3/2010	Q4/2010	Q1/2011	Q2/2011	Q2/2010
Sales	478.2	498.1	498.6	510.8	468.0
EBITDA	88.8	86.9	90.5	110.4	91.7
EBIT	68.4	60.9	70.3	89.7	71.5
EBT	64.3	34.2	64.8	79.4	60.2

Development of customer contracts

	June 30, 2011	June 30, 2010
Access contracts, total	3.79	3.50
of which DSL complete (ULL)	2.41	2.01
of which Mobile Internet	0.48	0.09
of which narrowband / T-DSL / R-DSL	0.90	1.40
Applications contracts, total	6.37	5.94
of which “domestic”	3.79	3.59
of which “foreign” “	2.58	2.35
Ad-financed accounts, total	28.50	26.60

Content

Dear shareholders, employees and friends of United Internet,

United Internet AG can look back on a very successful first six months of 2011. For the first time in our history, we reached half-year sales of over € 1 billion and raised fee-based customer contracts to over 10 million. For the year as a whole, we are well on track to easily achieving the targets we set ourselves for 2011.

In the first six months of 2011, we raised consolidated sales to the new record level of € 1,009.4 million. This represents growth of 8.4% over the first six months of 2010. We also achieved strong growth in customer contracts: with the addition of 400,000 new contracts to 10.16 million, we easily exceeded growth in the first half of 2010 (290,000 new contracts). Despite heavy hardware subsidizing in our Mobile Internet business and high costs for the development of new products and our ongoing international expansion, we succeeded in posting very healthy earnings. Earnings before interest, taxes, depreciation and amortization (EBITDA) reached € 200.9 million (prior year: € 182.0 million) while earnings before interest and taxes (EBIT) rose to € 160.0 million (prior year: € 142.2 million). Both figures were thus well above their corresponding prior-year levels. Earnings before taxes (EBT) grew by 22.9% from € 117.3 million to € 144.2 million. These earnings figures include a positive net balance of € 16.3 million from the sale of our Versatel shares, the valuation of call options received, and the negative at-equity result of Versatel included for the last time in our consolidated figures. Our earnings per share (EPS) rose by 41.2% from € 0.34 last year to € 0.48 for the first six months of 2011.

In our “Access” segment, the number of fee-based contracts grew by 160,000 to 3.79 million in the first six months of 2011 – following stagnating customer figures in the first six months of 2010. As a result of this encouraging development in customer figures, sales of our “Access” segment grew strongly by 9.1% to € 657.2 million in the first six months of 2011. Despite a significant increase in costs for new customer acquisition, especially due to the additional marketing – compared to the first half of 2010 – of our Mobile Internet products, EBITDA and EBIT remained virtually unchanged from the previous year at € 65.5 million (prior year: € 66.2 million) and € 51.0 million (prior year: € 53.2 million), respectively.

We also invested heavily in customer growth in our “Applications” segment during the first six months of 2011. The number of fee-based contracts world-wide grew by 240,000 to 6.37 million (of which 2.58 million were abroad) as of June 30, 2011. This growth in contracts resulted from 180,000 new Business Applications contracts and 60,000 new Consumer Application contracts, raising their respective totals to 4.48 million and 1.89 million. At the same time, the number of ad-financed accounts grew from 28.0 million to 28.5 million. In addition to this successful new customer acquisition, we continued to drive our international expansion with the launch of fee-based products in Poland and entry into the Canadian and Argentinean markets. Thanks to stable global customer growth, sales in the “Applications” segment rose sharply by 7.3% to € 352.0 million in the first six months of 2011. As expected, however, segment EBITDA was down on the previous year at € 111.4 million (prior year: € 118.9 million) while segment EBIT reached € 85.1 million (prior year: € 92.3 million). This was due to high expenditure for the development of new Cloud products, international expansion, and greatly increased marketing expenses especially for the additional marketing – compared to the first half of 2010 – of our new Do-it-Yourself Homepage.

In view of the successful first six months of 2011, we have raised our sales guidance and now expect consolidated sales of around € 2.050 billion. In the remaining six months, the strong progress of our business and special items such as the lack of Versatel losses in our consolidated result will give us additional financial scope. We intend to use this scope to strengthen our customer acquisition efforts and launch an extensive marketing campaign in five foreign markets. The campaign will cost around € 35 million and aims to raise awareness of our 1&1 brand and clearly position it as a solution-provider for small companies. At the same time, the number of new customers is expected to grow further. Specifically, we have raised our customer growth forecast for 2011 by 20%, from 700,000 contracts to 840,000. This will broaden the basis for a successful performance in the years ahead. Despite strongly increased sales and marketing budgets, we expect EBITDA to reach approx. € 350 million and have upheld our EBT guidance of around € 250 million and our EPS forecast of around € 0.80/share.

We are excellently placed for the next steps in our corporate development and optimistic about the challenges ahead. In view of our success in the first six months of 2011, we would like to express our gratitude to all employees for their dedicated efforts, and thank our shareholders for their continued trust in the United Internet Group.

Montabaur, August 16, 2011

Ralph Dommermuth

Group management report for the first six months of 2011

Economic environment

IMF warns against increased financial risks

In its June update on financial stability ("Global Financial Stability Report"), the International Monetary Fund (IMF) states that financial risks have grown strongly again in several nations and regions over the past few months. In particular, the IMF notes that market fears about the stability of state finances have generally grown, support for the reform process in certain problem nations of the Euro zone has declined, and further countries are in danger of being infected by the Euro crisis. The IMF is also increasingly critical of the financial situation in the two major economic nations: USA and Japan. Moreover, the Fund fears that low interest rates in numerous countries could once again tempt people into making risky investments.

Against the backdrop of these risks, the IMF also presents a mixed outlook in its latest "World Economic Outlook" (June update): compared to April, the IMF has slightly downgraded its forecast for global economic growth by 0.1 percentage points to 4.3%. The Fund expects growth in the USA to be 0.3 percentage points slower at 2.5%. For Germany, however, the IMF now forecasts an increase in economic activity of 3.2% for 2011 – and has thus upgraded its April forecast by 0.7 percentage points. In view of strong growth expected in Germany and France, the IMF has also raised its forecast for the Euro zone as a whole by 0.4 percentage points to 2.0%.

Three quarters of all high-tech companies expect increased sales

In the wake of expanding economies and strong demand, 74% of Germany's high-tech companies expect their sales to increase in 2011. 14% forecast stable and 12% falling revenues. These are the findings of a survey conducted by the German ICT association BITKOM in early July 2011.

66% of companies surveyed increased their sales in the second quarter, compared with the same period last year. According to BITKOM's barometer of sector mood, business is particularly buoyant in the IT Services sector (IT consulting, outsourcing services etc.): 76% of companies in this segment reported an increase in revenue in the second quarter.

Companies in the IT Services sector in particular are also optimistic about their prospects for the year as a whole. 82% expect rising sales. BITKOM believes that these companies are benefiting strongly from the growing interest in cloud computing. According to BITKOM calculations, B2B and B2C cloud sales are likely to grow to a total of € 3.5 billion this year.

Business development of the Group

Overview of United Internet

United Internet AG is the leading European internet specialist with over 10 million fee-based customer contracts and over 28 million ad-financed free accounts. The operating activities of United Internet AG are divided into the segments “Access” and “Applications”.

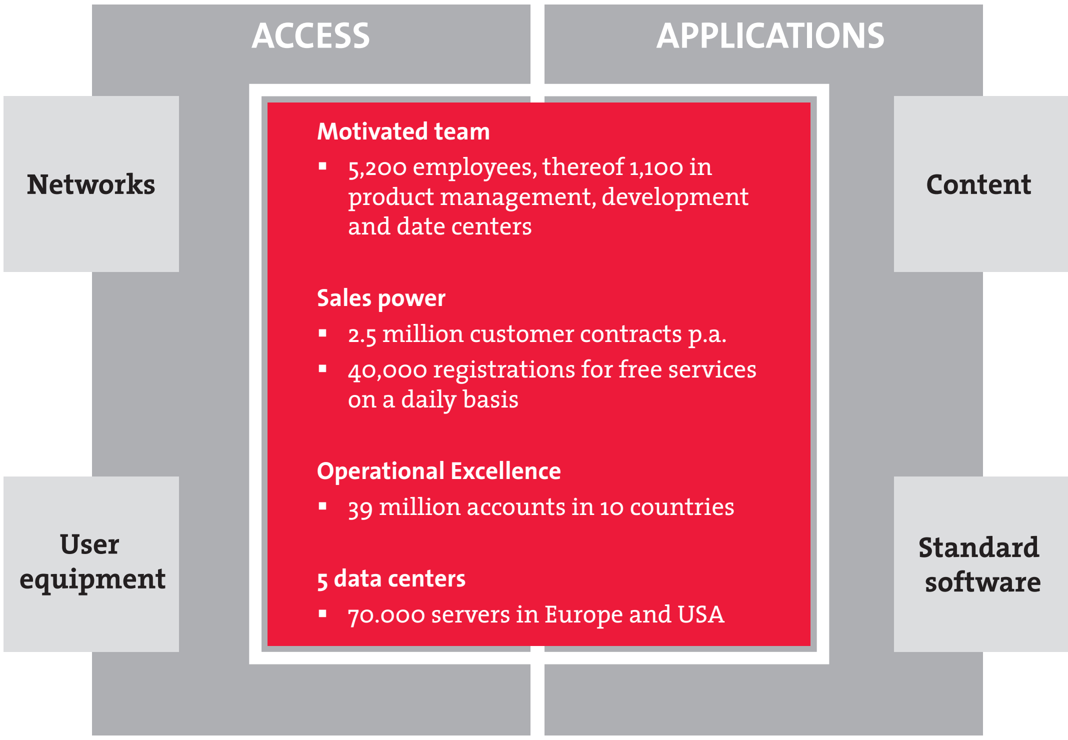
The “Access” segment comprises the company’s fee-based fixed-line and mobile access products, including the respective applications (such as home networks, online storage, telephony and entertainment). We operate solely in Germany in this segment, where we are one of the leading providers. We remain independent of network providers by procuring standardized network services from various pre-service providers. These are then enhanced with end-user devices, self-developed applications and services from our own “Internet Factory” in order to differentiate ourselves from the competition. Access products are marketed by our strong brands GMX, WEB.DE and 1&1, which reach a mass market while also targeting specific customer groups.

The “Applications” segment comprises our application business – whether ad-financed or via fee-based subscriptions. These applications include websites and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage and office software. The applications are developed in our own “Internet Factory” or in cooperation with partner firms and run at our data centers. Applications are marketed to various target groups via our brands GMX, WEB.DE, 1&1, united-domains, Fasthosts and InterNetX. We also offer our customers performance-based advertising and sales possibilities via Sedo and affilinet.

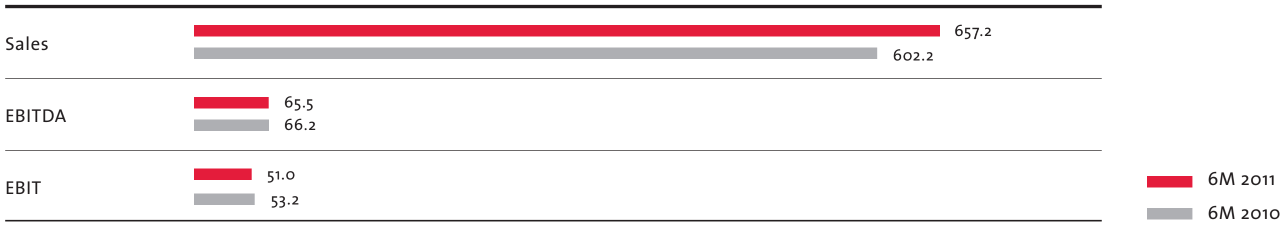
Development of “Access” segment

In line with the positive development of customer figures, sales of the “Access” segment grew strongly by 9.1% to € 657.2 million in the first six months of 2011. Despite greatly increased costs for new customer acquisition, especially for the additional marketing – compared to the first half of 2010 – of our Mobile Internet products, EBITDA and EBIT remained virtually unchanged from the previous year at € 65.5 million (prior year: € 66.2 million) and € 51.0 million (prior year: € 53.2 million), respectively. All customer acquisition costs, as well as costs for the migration of resale DSL connections to complete packages (ULL), continue to be charged directly as expenses.

UNITED INTERNET – „INTERNET FACTORY“



Financial figures for "Access" segment in € million



Quarterly development in € million

	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q2 2010
Sales	310.8	317.1	321.2	336.0	301.4
EBITDA	36.4	20.0	31.1	34.4	34.5
EBIT	29.6	9.2	23.8	27.2	28.0

The number of fee-based contracts in this segment grew by 160,000 in the first six months of 2011 to reach a total of 3.79 million as of June 30, 2011. In our Mobile Internet business we were able to activate 210,000 new customer contracts and thus raise the total number of customers to 480,000. We also achieved growth in complete DSL contracts (of particular importance for us), adding a further 90,000 customer relationships to reach a total of 2.41 million. As expected, the number of customer contracts for those business models gradually being phased out (narrowband, T-DSL and R-DSL) continued to fall in the first six months of 2011 (-140,000 customer relationships).

Development of customer contracts in the first six months of 2011

"Access" customer contracts	Dec. 31, 2010	June 30, 2011	Change
Access, total	3.63 million	3.79 million	+ 160,000
of which DSL complete (ULL)	2.32 million	2.41 million	+ 90,000
of which Mobile Internet	0.27 million	0.48 million	+ 210,000
of which narrowband / T-DSL / R-DSL	1.04 million	0.90 million	– 140,000

Development of customer contracts in the second quarter of 2011

"Access" customer contracts	March 31, 2011	June 30, 2011	Change
Access, total	3.71 million	3.79 million	+ 80,000
of which DSL complete (ULL)	2.37 million	2.41 million	+ 40,000
of which Mobile Internet	0.37 million	0.48 million	+ 110,000
of which narrowband / T-DSL / R-DSL	0.97 million	0.90 million	– 70,000

Product highlights in the first six months of 2011

In the first six months of 2011, we focused mainly on our upgraded DSL products as well as on new end-user devices for our Mobile Internet business:

- **Cloud storage for 1&1 DSL Home Network:** As of January 2011, our 1&1 brand provides 100 GB of free online storage space for all DSL premium tariffs. Data can be archived via any computer in the customer's home network. The files are securely stored at one of 1&1's high-performance data centers. With the aid of a password, this Personal Cloud Storage data can not only be accessed from all PCs in the home network, but also from outside the home via the internet – as easily as using a local hard drive. Moreover, users can also share holiday photos with friends and acquaintances, for example, with password protection. If necessary, the storage space can also be expanded.
- **1&1 Mobile secures exclusive German launch of LG OPTIMUS BLACK:** In late March 2011, the new high-end smartphone LG OPTIMUS BLACK was launched by 1&1 and is available for € 0 in connection with the 1&1 All-Net-Flat tariff.

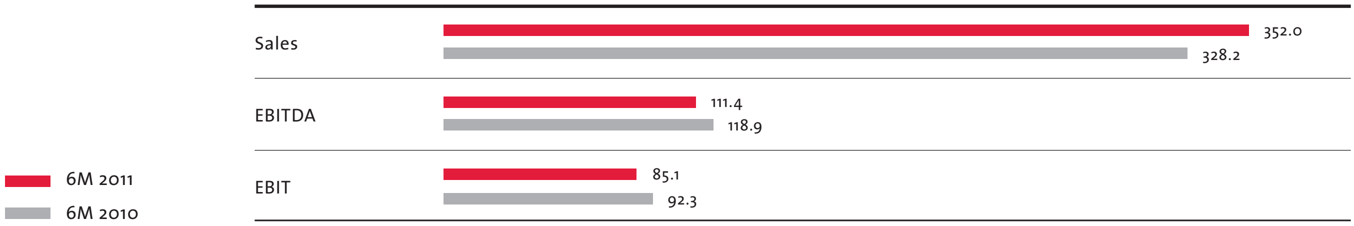
Outlook

In the field of fixed-line products, we aim to enhance customer retention by migrating them to complete packages (ULL) with the aid of our personalized service as well as transparent and flexible products. Moreover, we aim to raise average revenue per contract and generate further growth by integrating additional features and new applications. Customer growth in this segment will be driven mainly by our mobile internet applications.

Development of "Applications" segment

Thanks to stable international customer growth, sales of the "Applications" segment rose strongly by 7.3% to € 352.0 million in the first six months of 2011 (adjusted for currency effects 8.0%). Business outside Germany grew by 11.4% and contributed a total of € 107.3 million (prior year: € 96.3 million) to segment sales. As expected, however, segment EBITDA was down on the previous year at € 111.4 million (prior year: € 118.9 million) while segment EBIT reached € 85.1 million (prior year: € 92.3 million). This was due to high expenditure for the development of new Cloud products, international expansion, and greatly increased marketing expenses, especially for the additional marketing – compared to the first half of 2010 – of our new Do-it-Yourself Homepage.

Financial figures for "Applications" segment in € million



Quarterly development in € million

	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q2 2010
Sales	167.3	181.0	177.3	174.7	166.4
EBITDA	53.9	59.9	58.9	52.5	58.4
EBIT	40.2	44.8	46.0	39.1	44.9

We also invested heavily in customer growth in the "Applications" segment during the first six months of 2011. The number of fee-based contracts world-wide grew by 240,000 to 6.37 million (of which 2.58 million were abroad). This growth in contracts resulted from 180,000 new Business Applications contracts and 60,000 new Consumer Application contracts, raising their respective totals to 4.48 million and 1.89 million. At the same time, the number of ad-financed accounts grew from 28.0 million to 28.5 million. In addition to this successful customer acquisition, we continued to drive our international expansion with the launch of fee-based products in Poland and entry into the Canadian and Argentinean markets.

Development of customer contracts in the first six months of 2011

"Applications" customer contracts	Dec. 31, 2010	June 30, 2011	Change
Total fee-based contracts	6.13 million	6.37 million	+ 240,000
of which "domestic"	3.68 million	3.79 million	+ 110,000
of which "foreign"	2.45 million	2.58 million	+ 130,000
Ad-financed accounts	28.0 million	28.5 million	+ 500,000

Development of customer contracts in the second quarter of 2011

"Applications" customer contracts	March 31, 2011	June 30, 2011	Change
Total fee-based contracts	6.26 million	6.37 million	+ 110,000
of which "domestic"	3.74 million	3.79 million	+ 50,000
of which "foreign"	2.52 million	2.58 million	+ 60,000
Ad-financed accounts	28.3 million	28.5 million	+ 200,000

Product highlights in the first six months of 2011

In the first six months of 2011, activities focused on the expansion of our sales activities for Business Applications, the launch of new Consumer Applications, and the geo-redundant operation of our applications:

- **1&1 rolls out indirect sales for hosting and cloud products:** United Internet's 1&1 brand aims to enhance its appeal for professional sales partners with a new marketing and support program. 1&1 plans to extend its indirect sales activities to hosting and cloud products. The 1&1 Hosting Partner concept targets professional internet service providers and aims to support the sale of websites, domains, e-shops, mail and server solutions, for example, by offering attractive services and individualized partner support. 1&1 partners include IT companies which focus on the SoHo/SMB customer segment, especially web agencies, IT service providers, smaller computer retailers and full-service internet providers. 1&1 provides these business partners with a product range which not only comprises a wide range of services but also offers attractive commissions.
- **WEB.DE mailbox becomes Online Office:** The new WEB.DE Online Office is a free office solution with programs for word processing, spreadsheet calculations and presentations. WEB.DE users can thus access all common office applications via their mailbox and open, create or edit documents, presentations and tables without installing any additional software. The service supports all standard office formats, such as doc, docx, ppt and xls. Files can be easily edited – even if they were created with other office applications – without having to be downloaded. A spell-check function is available for numerous languages. WEB.DE Online Office applications can access both local hard drives on the

respective computer and the virtual WEB.DE SmartDrive. Users who store their documents online on the WEB.DE SmartDrive can also securely view, save, edit and mail them from any PC with an internet connection.

- **Double protection with geo-redundancy:** These days, companies simply cannot afford to have a website which cannot be accessed by its customers. As the first major provider world-wide, 1&1 is now offering the double protection of geo-redundant server technology also for freelancers, the self-employed and mid-sized companies. Such location-independent redundancy was previously the exclusive domain of financially strong users, such as banks and insurance companies, as it ensures maximum availability 365 days per year. In order to guarantee such geo-redundancy, 1&1 uses so-called geo-cluster systems. All data and processes are mirrored "live" and synchronously via cloud technology at various separately located data centers in Germany. Should any unexpected problems arise at one of the sites, such as a power cut or server failure, any requests received are automatically taken over by a different data center.

Outlook

With our strong brands and existing customer relations with millions of private users, freelancers and small businesses, we are also excellently positioned in this business segment.

In the field of Business Applications, we will continue our international expansion and target further growth with the aid of new, higher-priced cloud applications which will open up new business opportunities on the internet for our customers and help them digitize their corporate processes. In our Consumer Applications business, we believe that our increasingly wide range of products will enable us to convert ever more ad-financed users into paying customers. As Germany's leading email provider, we also intend to enter the field of legally secure email communication (De-Mail) in fiscal year 2011 and drive the internationalization of our Consumer Applications via Mail.com.

Result of operations, financial position and net assets of the Group

Consolidated earnings

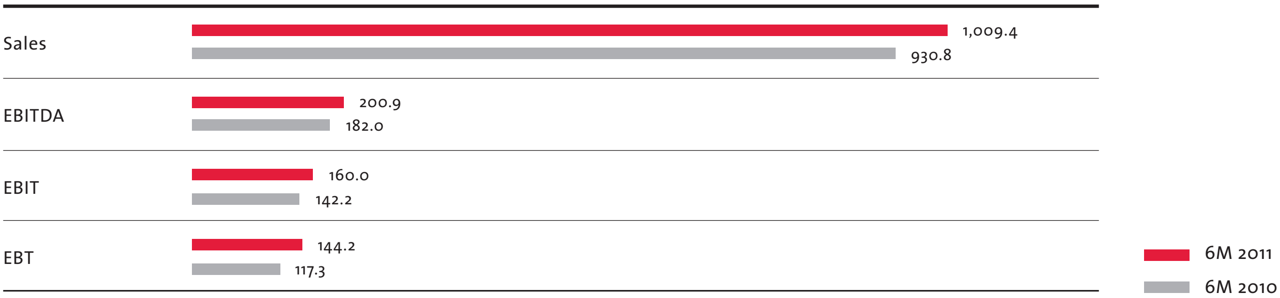
United Internet can look back on a successful first six months of 2011. Consolidated sales of United Internet AG grew by 8.4% in the period under review, from € 930.8 million last year to € 1,009.4 million. In the "Access" segment, sales rose by 9.1% from € 602.2 million last year to € 657.2 million, and in the "Applications" segment sales increased by 7.3% from € 328.2 million last year to € 352.0 million.

Consolidated gross margin fell from 37.2% in the same period last year to 33.2%. This was mainly due to increased purchases of pre-services as a result of strong customer growth in our Access business (+160,000 new contracts in the first six months of 2011 compared to stagnating customer figures in the first half of 2010), as well as the complete recognition of hardware subsidies for our fast growing Mobile Internet business (only launched in the second half of 2010; +210,000 new contracts in the first half of 2011) with a corresponding effect on earnings, and the resulting change in the overall product mix.

Sales and marketing expenses rose from € 141.7 million (15.2% of sales) in the previous year to € 150.2 million (14.9% of sales) in the period under review. Administrative expenses increased more slowly than sales to € 46.4 million in the period under review (4.6% of sales), compared to € 45.0 million (4.8% of sales) in the previous year.

Despite a significant increase in the cost of sales, earnings before interest, taxes, depreciation and amortization (EBITDA) and earnings before interest and taxes (EBIT) were both up strongly on the previous year at € 200.9 million (prior year: € 182.0 million) and € 160.0 million (prior year: € 142.2 million), respectively. Earnings before taxes (EBT) grew by 22.9% from € 117.3 million to € 144.2 million. These earnings figures include a positive net balance of € 16.3 million from the sale of our Versatel shares, the valuation of call options received, and the negative at-equity result of Versatel included for the last time in our consolidated figures. Earnings per share (EPS) rose by 41.2% from € 0.34 last year to € 0.48 for the first six months of 2011.

Group financial figures in € million



Quarterly development in € million

	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q2 2010
Sales	478.2	498.1	498.6	510.8	468.0
EBITDA	88.8	86.9	90.5	110.4	91.7
EBIT	68.4	60.9	70.3	89.7	71.5
EBT	64.3	34.2	64.8	79.4	60.2

Cash flow, investment and finance

The increase in cost of sales and marketing expenses resulting from much stronger customer growth – especially due to the additional marketing of new Mobile Internet products compared to the first six months of 2010 – led to a decline in operative cash flow from € 143.7 million to € 127.3 million and in net cash flow from operating activities from € 156.8 million to € 137.2 million in the period under review.

Net cash flow for investing activities amounted to € -13.8 million in the period under review (prior year: € -20.0 million). This resulted mainly from expenses of € 19.9 million (prior year: € 32.6 million) for investments in intangible assets and property, plant and equipment as well as proceeds of € 6.0 million (prior year: € 23.0 million) from the sale of investments belonging to the EFF funds.

Net cash flow for financing activities in the first six months of 2011 was dominated by a cash outflow of € 155.5 million for the purchase of treasury shares (prior year: € 111.6 million) and of € 42.0 million for the dividend payment (prior year: € 88.0 million), as well as a cash inflow of € 67.9 million from the assumption of loans (prior year: € 18.8 million).

Assets and equity

Compared with December 31, 2010, the Group's balance sheet total fell from € 1,271.3 million to € 1,247.2 million as of June 30, 2011. Non-current assets remained virtually constant at € 983.9 million. Of this total, goodwill of the highly profitable Applications segment accounted for € 399.9 million and was thus largely unchanged (€ 402.9 million as of December 31, 2010).

Due to the purchase of treasury shares, cash and cash equivalents fell from € 96.1 million to € 86.8 million, despite the reduction of other assets with an effect on liquidity. At the same time, net bank liabilities rose from € 273.3 million to € 350.5 million, mainly due to share buybacks. The number of treasury shares held by United Internet AG as of June 30, 2011 – and thus after the cancellation of 15,000,000 shares from the company's holdings in February 2011 – amounted to 17,469,672 (compared to 20,563,522 as of December 31, 2010).

After deduction of these treasury shares, the Group's equity ratio amounted to 23.4% as of June 30, 2011 (compared to 30.1% as of December 31, 2010).

Sale of Versatel investment to KKR / receipt of call options

Sale of Versatel investment to KKR
On May 19, 2011, VictorianFibre Holding GmbH, a holding company of Kohlberg Kravis Roberts & Co. L.P. (KKR), announced its intention to make a public offer to all shareholders of Versatel. United Internet AG had previously undertaken – as had the two other major shareholders Apax and Cyrte – to sell the Versatel shares it held (11,492,000 units) to VictorianFibre Holding at a price of € 5.50 per share. The total purchase price of € 63.2 million consists of a cash component of € 3.4 million and an interest-free vendor loan of € 59.8 million, payment of which is deferred until the expiry of 17 months from completion of the transaction.

Receipt of call options
United Internet also received a call option to purchase 25.1% of shares in the holding company founded by KKR for the Versatel acquisition at the same conditions as KKR on expiry of 17 months from completion of the transaction. In addition, United Internet received a second call option for 100% of shares in the purchasing company founded by KKR for the acquisition. This option runs for a period of 17 months from completion of the transaction and can be exercised during specific exercise windows.

A net positive balance of € 16.3 million was recognized in EBT from the sale of Versatel shares, the recognition of call options, and the negative at-equity result of Versatel included for the last time in the consolidated figures.

Share and dividend

The Annual Shareholders' Meeting of United Internet AG on May 26, 2011 voted to accept the proposal of the Management Board and Supervisory Board to pay a dividend of € 0.20 per share. The total dividend payment of € 42.0 million was made on May 27, 2011.

The United Internet AG share closed on June 30, 2011 at € 14.50 and thus 19.1% up on December 31, 2010 (€ 12.17). Despite the dividend discount, our share easily outperformed the blue-chip DAX and comparative TecDAX tech stock indices, which rose by 6.7% and 5.1% respectively in the first six months of 2011.

Employees

At the end of June 2011, United Internet employed a total of 5,204 people (December 31, 2010: 5,018), of which 1,098 were employed outside Germany (December 31, 2010: 999).

Risk report

Over and above the statutory requirements, United Internet AG attaches great importance to its comprehensive risk management system. The aim of this risk management system is to systematically and regularly identify significant risks of danger to the company's continued existence, to uniformly assess their possible effects and to swiftly introduce and monitor possible or necessary measures. We not only regard efficient and forward-looking risk management as an important tool to anticipate dangerous developments, but as an important and value-adding responsibility.

In the first six months of 2011, the overall risk situation remained mostly stable compared with the risk report provided in the annual financial statements 2010. The major operating risks for the company's current and future assets, liabilities, financial position and profit or loss continue to focus on the threat potential of the internet, market regulation, competition, the use of hardware and software systems, and acquisitions. By continually expanding the risk management system at our domestic and foreign subsidiaries, we attempt to counter these risks pro-actively and to limit them to a minimum by implementing specific measures, wherever sensible. Depending on the further share price performance of our listed investments, there may be (non-cash) burdens in our non-operating business from write-downs/impairment.

There were no risks which directly jeopardized the continued existence of United Internet in the period under review, neither from individual risks nor from the aggregated overall risk situation.

Subsequent events

Based on the authorization granted by the Annual Shareholders' Meeting of United Internet AG on May 26, 2011 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Executive Board resolved on August 15, 2011 to cancel a total of 10,000,000 shares from the company's stock of treasury shares, purchased in the course of share buyback programs, and thus reduce the company's capital stock by € 10 million, from € 225 million to € 215 million. The capital reduction was aimed at optimizing the company's balance sheet and capital structure. In execution of this resolution, 10,000,000 registered no-par value shares with a notional share of capital stock of € euro each are to be cancelled. Following the cancellation of these 10,000,000 shares, United Internet AG will still hold 12,194,384 treasury shares. This corresponded to 5.67% of the reduced capital stock of € 215 million. At the same time, capital stock will be reduced by € 10,000,000 from € 225,000,000 at present to € 215,000,000. The number of shares issued will decrease correspondingly from 225,000,000 shares to 215,000,000 shares. Issued shares will continue to represent a notional share of capital stock of € 1 each. United Internet AG expects the capital reduction to become effective on August 16, 2011.

The Management Board of United Internet AG has also resolved to launch a new share buyback program which will begin once the cancellation and capital reduction have become effective. In the course of this new share buyback program, up to 9,300,000 company shares (corresponding to 4.33% of the reduced capital stock of € 215 million) are to be bought back via the stock exchange. The buyback follows an authorization of the Annual Shareholders' Meeting of May 26, 2011 to buy back shares representing up to 10% of the company's capital stock. The authorization was issued for the period up to November 26, 2012. Treasury shares can be used for all purposes stated in the authorization of the Annual Shareholders' Meeting of May 26, 2011, in particular for current and future employee stock ownership plans and/or as an acquisition currency, but may also be cancelled.

There were no further significant events subsequent to the balance sheet date which may have resulted in a different representation of the Company's assets, financial position and earnings.

Forecast report

Despite increased risks, global economy still on growth trajectory

Despite the increased financial risks from the Euro crisis and the US budget and debt crisis, the International Monetary Fund (IMF) states in its updated global economic outlook of June 2011 that it expects healthy economic growth – viewed globally – and forecasts an increase in global economic output of 4.3% in 2011 and 4.5% in 2012. The IMF expects the upturn in the emerging nations (6.6% in 2011 and 6.4% in 2012) to easily outpace growth in the classic industrialized nations (2.2% in 2011 and 2.6% 2012).

Despite the ongoing debt problems of the Euro zone, the IMF upgraded its growth forecasts for the EU nations in its June outlook by 0.4 percentage points to 2.0% for 2011 – although the Fund still expects significant regional differences. The forecast for 2012 was downgraded slightly by 0.1 percentage points to 1.7%.

The IMF raised its forecast for Germany by as much as 0.7 percentage points and now expects growth of 3.2% for 2011 and 2.0% for 2012.

Further growth also forecast for ICT sector

Following the turnaround of the global and German ICT market in 2010, the German ICT association BITKOM is optimistic about the sector's future prospects. Specifically, the association expects the global ICT market to grow by 4.5% in 2011 and by as much as 5.3% in 2012. BITKOM is not quite as upbeat about the overall ICT market in Germany, but still expects solid growth of 2.0% in both 2011 and 2012.

In the field of information technology, BITKOM expects growth of 4.4% to € 68.8 billion in 2011. The hardware segment, demand for software and IT services are all expected to benefit strongly from the ongoing economic upswing.

In the field of telecommunications, BITKOM expects only slight growth of 0.3% to € 64.3 billion. This barely visible increase conceals some significant changes in individual segments: revenue from fixed line phone calls has been falling steadily for years – due in part to the rising share of VoIP calls. Revenue from mobile voice services is also falling. According to BITKOM, this is mainly due to the restrictions of the regulation authorities. This loss of revenue in voice services is in stark contrast to the high growth rates of fixed line and especially mobile data transmission. The success of the mobile internet is clearly illustrated by the massive growth in data volumes (100% in 2010) transmitted via the mobile phone networks. A key factor for this growth is the boom in smartphones.

For the third major ICT market segment, digital entertainment electronics, BITKOM expects a modest decline of 1.6% to € 12.5 billion in 2011. Flat-screen TVs account for almost half of this market. Following brisk trade in 2010 – the year of the FIFA World Cup – sales of flat-screen TVs are likely to remain stable at € 6.5 billion in 2011. In addition to this lack of momentum from TV sets, there is also a further negative effect: classic products from the two other segments, such as tablet PCs and smartphones, are capturing market share from consumer entertainment devices (such as MP3 players, mobile games consoles or navigation devices).

Outlook for United Internet's most important sub-markets

Of particular importance to United Internet are the German broadband and mobile internet market in the subscription-financed segment "Access" and the cloud computing market and online advertising market in the subscription- and ad-financed segment "Applications".

"Access" segment

Growth in German broadband market primarily qualitative

In view of the comparatively high level of household coverage of over 67% already achieved, moderate growth is expected for the German broadband market. Much stronger growth, however, is expected for applications used via such broadband connections. Around 11.2 million users in Germany are expected to make regular phone calls via the internet in 2011. This corresponds to growth of 13.5% compared to 2010, according to sector association BITKOM and based on current data of the European Information Technology Observatory (EITO).

Dynamic growth in German mobile internet market

All experts continue to predict dynamic growth for the mobile internet market. Following market growth of 18.2% to € 6.5 billion in 2010, BITKOM also expects growth of 14.0% and 10.4% in 2011 and 2012, respectively. This growth will be driven above all by low – and thus for the consumer attractive – tariffs, as well as by the boom in smartphones and the respective applications (or apps). BITKOM forecasts additional sales of 39% to 10 million sold smartphones in 2011 (following 7.2 million in 2010), as well as related sales growth of 35% to € 2.2 billion (compared to € 1.6 billion in 2010).

Growth of German mobile internet market

	2010	2011e	2012e
Growth	18.2%	14.0%	10.4%
Sales (in € billion)	6.5	7.4	8.2

Source: BITKOM

"Applications" segment

Further growth in online advertising market

Due to the modest increase in online advertising during the crisis year 2009, the strong online presence of advertisers in 2010 led to higher-than-average growth in this segment. In view of the good level of gross advertising spending already achieved (over € 5.3 billion), the Online Marketing Group (Online-Vermarkterkreis - OVK) forecasts further growth for 2011. With an assumed growth rate of 16%, gross ad spending in 2011 would break the 6-billion-euro mark for the first time and thus underline the growing relevance of online advertising.

Growth of German online advertising market in € billion

	2010	2011e	Growth
Classic online advertising	3.151	3.781	20.0%
Search word marketing	1.867	2.076	11.2%
Affiliate networks	0.339	0.373	10.0%
Total gross advertising spend	5.357	6.230	16.3%

Source: BVDW

Megatrend cloud computing

For many experts and the press in general, 'cloud computing' is currently the most hyped topic in the business. In a survey published in June 2010, IDC forecasts that the cloud market will triple in volume from 2009 to 2013 to a total of USD 44.9 billion. Based on a study of the Experton Group, the sector association BITKOM expects consumer and business cloud sales in Germany to grow by around 55% to € 3.5 billion in 2011 and reach € 13 billion by 2015. This means that cloud technologies will account for around 10% of total IT expenditure in Germany (compared to 1.5% in 2010). Double-digit growth is expected during the entire period.

Growth of cloud computing in Germany

	2011e	2012e	2013e
Sales (in € billion)	3.5	5.3	7.4
of which consumers	1.6	2.2	3.0
of which business	1.9	3.1	4.4

Source: BITKOM

Outlook and forecast

In view of the successful first six months of 2011, we have raised our sales guidance and now expect consolidated sales of around € 2.050 billion. In the remaining six months, the strong progress of our business and special items such as the lack of Versatel losses in our consolidated result will give us additional financial scope. We intend to use this scope to strengthen our customer acquisition efforts and launch an extensive marketing campaign in five foreign markets. The campaign will cost around € 35 million and aims to raise awareness of our 1&1 brand and clearly position it as a solution-provider for small companies. At the same time, the number of new customers is expected to grow further. Specifically, we have raised our customer growth forecast for 2011 by 20%, from 700,000 contracts to 840,000. This will broaden the basis for a successful performance in the years ahead. Despite strongly increased sales and marketing budgets, we expect EBITDA to reach approx. € 350 million and have upheld our EBT guidance of around € 250 million and our EPS forecast of around € 0.80/share.

Forward-looking statements and forecasts

This Management Report contains forward-looking statements based on current expectations, assumptions, and projections of the Management Board of United Internet AG and currently available information. These forward-looking statements are not to be construed as guarantees of the future developments and results stated within. Such future developments and results are dependent on numerous factors. They involve various risks and uncertainties and are based upon assumptions as to future events that may not prove to be accurate. United Internet does not assume any obligation to adjust or update the forward-looking statements contained in this report.

Financial Statements

Balance Sheet

as of June 30, 2011 in €k

	June 30, 2011	December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	86,767	96,091
Accounts receivable and other assets	104,153	97,987
Inventories	18,999	16,912
Prepaid expenses	39,094	36,536
Other assets	14,232	28,297
	263,245	275,823
Non-current assets		
Shares in associated companies / joint ventures	32,377	84,079
Other financial assets	213,701	145,274
Property, plant and equipment	99,371	108,675
Intangible assets	202,922	221,415
Goodwill	399,873	402,868
Deferred tax asset	35,688	33,194
	983,932	995,505
Total assets	**1,247,177**	**1,271,328**

	June 30, 2011	December 31, 2010
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade accounts payable	197,158	213,509
Liabilities due to banks	178,504	178,167
Advance payments received	7,564	7,146
Accrued taxes	44,271	43,071
Deferred revenue	141,703	138,209
Other accrued liabilities	4,859	5,836
Other liabilities	69,231	59,603
	643,290	645,541
Non-current liabilities		
Liabilities due to banks	258,808	191,233
Deferred tax liabilities	28,994	28,483
Other liabilities	24,750	23,648
	312,552	243,364
Total liabilities	**955,842**	**888,905**
Equity		
Capital stock	225,000	240,000
Additional paid-in capital	19,451	41,649
Accumulated profit	242,669	326,663
Treasury stock	–214,209	–240,977
Revaluation reserves	33,840	25,442
Currency translation adjustment	–25,511	–20,038
Equity attributable to shareholders of the parent company	**281,240**	**372,739**
Non-controlling interests	10,095	9,684
Total equity	**291,335**	**382,423**
Total liabilities and equity	**1,247,177**	**1,271,328**

Income Statement

from January 1 to June 30, 2011 in €k

	2011 January – June	2010 January – June
Sales	1,009,391	930,785
Cost of sales	–674,285	–584,589
Gross profit	**335,106**	**346,196**
Selling expenses	–150,356	–141,725
General administrative expenses	–46,419	–44,998
Other operating income / expense	28,946	–7,502
Amortization of intangible assets resulting from company acquisitions	–7,291	–9,764
Operating result	**159,986**	**142,207**
Financial result	–5,312	–9,062
Result from at-equity companies	–10,503	–15,891
Pre-tax result	**144,171**	**117,254**
Income taxes	–41,947	–40,452
Net income (from continued operations)	**102,224**	**76,802**
Result from discontinued operations	0	851
Net income (after discontinued operations)	**102,224**	**77,653**
Attributable to		
- non-controlling interests	456	482
- shareholders of United Internet AG	101,768	77,171

	2011 January – June	2010 January – June
Result per share of shareholders of United Internet AG (in €)		
- basic	0.48	0.34
- diluted	0.47	0.34
thereof result per share (in €) – from continued operations		
- basic	0.48	0.34
- diluted	0.47	0.34
thereof result per share (in €) – from discontinued operations		
- basic	0.00	0.00
- diluted	0.00	0.00
Weighted average shares (in million units)		
- basic	213.58	225.02
- diluted	215.49	226.89
Statement of comprehensive income		
Net income	102,224	77,653
Results directly included in equity		
- currency translation adjustment	–5,458	10,878
- market value changes of available-for-sale financial instruments after taxes financial instruments after taxes	8,686	–1,323
- changes in associated companies after taxes not affecting net income	–288	–153
	2,940	9,402
Total net income	**105,164**	**87,055**
Attributable to		
- non-controlling interests	471	482
- shareholders of United Internet AG	**104,693**	**86,573**

Cash Flow

from January 1 to June 30, 2011 in €k

	2011 January – June	2010 January – June
Cash flow from operating activities		
Net income (from continued operations)	102,224	76,802
Net income (from discontinued operations)	0	851
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization		
Depreciation and amortization of intangible assets and property, plant and equipment	33,625	29,992
Amortization of intangible assets resulting from company acquisitions	7,291	9,764
Compensation expenses from employee stock option plans	1,244	2,842
Results of at-equity companies	10,503	15,891
Distributed profit of associated companies	730	983
Income from deconsolidation of affiliated companies	–1,995	0
Profit from disposal of disposal of associated companies	–17,525	0
Change in deferred taxes	–1,982	3,366
Non-cash expenses / income	–6,863	3,182
Operative cash flow	**127,252**	**143,673**
Change in assets and liabilities		
Change in receivables and other assets	11,305	29,903
Change in inventories	–2,087	150
Change in deferred expenses	–2,559	–7,265
Change in trade accounts payable	–16,368	–10,125
Change in advance payments received	419	–37
Change in other accrued liabilities	–978	1,557
Change in accrued taxes	1,200	–10,835
Change in other liabilities	11,220	2,753
Change in deferred income	7,770	7,025
Change in assets and liabilities, total	**9,922**	**13,126**
Cash flow from operating activities	**137,174**	**156,799**

	2011 January – June	2010 January – June
Cash flow from investing activities		
Capital expenditure for intangible assets and property, plant and equipment	–19,855	–32,571
Purchase of shares in affiliated companies less cash received	0	12
Purchase of shares in associated companies	–2,260	–904
Repayment from deconsolidation of financial assets	6,040	13,774
Investments in other financial assets	–25	–264
Payments of loans granted	0	–9,775
Payments from disposal of assets	2,263	472
Refunding from shares in associated companies	0	9,254
Cash flow from investment activities	**–13,837**	**–20,002**
Cash flow from financing activities		
Purchase of treasury stock	–155,496	–111,600
Change in bank liabilities	67,913	18,834
Dividend payments	–42,000	–88,000
Dividend payments to minority interests	–907	–1,148
Repayment from convertible bonds	0	–3
Cash flow from financing activities	**–130,490**	**–181,917**
Net decrease in cash and cash equivalents	–7,153	–45,120
Cash and cash equivalents at beginning of fiscal year	96,091	116,812
Currency translation adjustments of cash and cash equivalents	–2,171	1,530
Cash and cash equivalents at end of period	**86,767**	**73,222**

Changes in Shareholders' Equity

from January 1, 2011 to June 30, 2011

	Capital stock		Additional paid-in capital	Accumulated profit	Capital stock	
	Share	€k	€k	€k	Share	€k
Balance as of January 1, 2010	**240,000,000**	**240,000**	**39,971**	**285,546**	**10,272,371**	**–123,786**
Net income				77,171		
Other net income						
Total net income				**77,171**		
Issue of treasury shares			–60		–81,525	982
Purchase of treasury shares					9,809,154	–111,600
Employee stock ownership programme Sedo Holding			95			
Employee stock ownership programme United Internet			1,800			
Dividend payments				–88,000		
Distribution of profits						
Change amount of holding						
Balance as of June 30, 2010	**240,000,000**	**240,000**	**41,806**	**274,717**	**20,000,000**	**–234,404**
Balance as of January 1, 2011	**240,000,000**	**240,000**	**41,649**	**326,663**	**20,563,522**	**–240,977**
Net income				101,768		
Other net income						
Total net income				**101,768**		
Issue of treasury shares				–3,727	–305,616	3,727
Concellation of treasury shares	–15,000,000	–15,000	–23,502	–140,035	–15,000,000	178,537
Purchase of treasury shares					12,211,766	–155,496
Employee stock ownership programme Sedo Holding			–231			
Employee stock ownership programme United Internet			1,535			
Dividend payments				–42,000		
Balance as of June 30, 2011	**225,000,000**	**225,000**	**19,451**	**244,669**	**17,469,672**	**–214,209**

Revaluation reserves	Currency translation	Equity attributable to shareholders of the parent company	Minority interests	Total equity
€k	€k	€k	€k	€k
12,717	**–24,326**	**430,122**	**9,640**	**439,762**
		77,171	482	77,653
–1,476	10,878	9,402	0	9,402
–1,476	**10,878**	**86,573**	**482**	**87,055**
		922		922
		–111,600		–111,600
		95	25	120
		1 ,800		1,800
		–88,000		–88,000
		0	–151	–151
		0	–16	–16
11,241	**–13,448**	**319,912**	**9,980**	**329,892**
25,442	**–20,038**	**372,739**	**9,684**	**382,423**
		101,768	456	102,224
8,398	–5,473	2,925	15	2,940
8,398	**–5,473**	**104,693**	**471**	**105,164**
		0		0
		0		0
		–155,496		–155,496
		–231	–60	–291
		1,535		1,535
		–42,000		–42,000
33,840	**–25,511**	**281,240**	**10,095**	**291,335**

Notes

1. Information on the company

United Internet AG is a service company operating in the telecommunication and information technology sector with registered offices at Elgendorfer Strasse 57, 56410 Montabaur, Germany. The company is registered at the district court of Montabaur under HR B 5762.

2. Significant accounting, valuation and consolidation principles

As was the case with the consolidated financial statements as of December 31, 2010, the interim report of United Internet AG as of June 30, 2011 complies with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the EU.

The condensed consolidated interim report for the period from January 1, 2011 to June 30, 2011 was prepared in accordance with IAS 34 *Interim Financial Reporting*.

A condensed reporting format was chosen for the presentation of this consolidated interim report, as compared with the consolidated financial statements, and is thus to be read in conjunction with the consolidated financial statements as of December 31, 2010. With the exception of the mandatory new standards described below, the accounting and valuation principles applied in the condensed consolidated interim report generally comply with the methods applied in the previous year.

Mandatory adoption of new accounting standards

There were no significant amendments to the accounting and valuation methods applied in the Group's reporting from the initial adoption of amended standards from the Annual Improvement Project 2010 (AIP 2010) nor from IAS 24 *"Related Party Disclosures"*, IAS 32 *"Financial Instruments: Presentation"* (February 10, 2010), IFRIC 14 *"IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"* and IFRIC 19 *"Extinguishing Financial Liabilities with Equity Instruments"* (July 1, 2010).

There was no premature adoption of new or amended standards and interpretations released by the International Accounting Standards Board (IASB) which are not yet mandatory.

The IASB's newly released standard IFRS 10 *"Consolidated Financial Statements"*, which replaces the consolidation requirements of IAS 27 *"Consolidated and Separate Financial Statements"* and SIC 12 *"Consolidation – Special Purpose Entities"*, is applicable for reporting years beginning on or after January 1, 2013. The Group is currently evaluating the effects of the new standards on the consolidated financial statements. The following new or amended released standards, which are not yet mandatory, are expected to have no or only insignificant effects on the consolidated financial statements:

- IAS 19 *"Employee Benefits"*
- IFRS 11 *"Joint Arrangements"*
- IFRS 12 *"Disclosure of Interests in Other Entities"*
- IFRS 13 *"Fair Value Measurement"*

Use of estimates and assumptions

The preparation of the condensed consolidated interim report requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, the uncertainty associated with these assumptions and estimates could lead to results which require material adjustments to the carrying amount of the asset or liability affected in future periods.

Changes in the reporting unit

On May 19, 2011, VictorianFibre Holding GmbH, a holding company of Kohlberg Kravis Roberts & Co. L.P. (KKR), announced its intention to make a public offer to all shareholders of Versatel. United Internet AG had previously undertaken – as had the two other major shareholders – to sell the Versatel shares it held (11,492,000 units) to KKR at a price of € 5.50 per share. The corresponding contracts were signed on May 19, 2011. The total purchase price of € 63.2 million consists of a cash component of € 3.4 million and an interest-free vendor loan of € 59.8 million, payment of which is deferred until the expiry of 17 months from completion of the transaction.

United Internet also received a call option to purchase 25.1% of shares in the holding company founded by KKR for the Versatel acquisition at the same conditions as KKR on expiry of 17 months from completion of the transaction.

In addition, United Internet received a call option for 100% of shares in the purchasing company founded by KKR for the acquisition. This option runs for a period of 17 months from completion of the transaction and can be exercised during specific exercise windows.

Miscellaneous

The consolidated interim report includes all subsidiaries and associated companies.

Moreover, the consolidated group remained unchanged from that stated in the consolidated financial statements as of December 31, 2010.

This consolidated interim report was not audited according to Sec. 317 HGB nor reviewed by an auditor.

Explanations of items in the statement of comprehensive income

3. Segment reporting

According to IFRS 8, the identification of operating segments to be included in the reporting process is based on the so-called management approach. External reporting should therefore be based on the Group's internal organization and management structure, as well as internal financial reporting to the "Chief Operating Decision Maker". In the United Internet Group, the Management Board is responsible for assessing and controlling the success of the various segments.

January – June 2011	"Access" segment €k	"Applications" segment €k	Head Office/ Investments €k	Reconciliation €k	United Internet Group €k
Total revenues	657,957	353,061	1,708	–	–
- thereof internal revenues	718	1,054	1,563	–	–
External revenues	657,239	352,007	145	–	1,009,391
- thereof domestic	657,239	244,680	145	–	902,064
- thereof non-domestic	0	107,327	0	–	107,327
EBITDA	65,512	111,407	23,983	0	200,902
EBIT	51,032	85,053	23,901	0	159,986
Financial result			–3,905	–1,407	–5,312
Results from at-equity companies			–10,536	33	–10,503
EBT			9,460	134,711	144,171
Tax expense				–41,947	–41,947
Net income (from continued operations)					**102,224**
Results from discontinued operations				–	–
Net income (from discontinued operations)					**102,224**
Investments in intangible assets, property, plant and equipment	2,689	17,133	33	–	19,855
Amortization / depreciation	14,480	26,354	82	–	40,916
- thereof intangible assets, property, plant and equipment	14,480	19,063	82	–	33,625
- thereof intangible assets capitalized during company acquisitions	0	7,291	0	–	7,291
Number of employees	1,716	3,459	29	–	5,204
- thereof domestic	1,645	2,432	29	–	4,106
- thereof non-domestic	71	1,027	0	–	1,098

The Management Board of United Internet AG mainly controls operations on the basis of key earnings figures. The Management Board of United Internet AG measures segment success primarily on the basis of sales revenues, earnings before interest, taxes, depreciation and amortization (EBITDA) and the result of ordinary operations (EBIT). Transactions between segments are charged at market prices. Sales revenues outside Germany stated for information purposes is allocated to the country in which the company is domiciled.

The reconciliation of earnings before taxes (EBT) represents the corresponding EBT contribution of the “Access” and “Applications” segments.

Segment reporting of United Internet AG in the reporting period of 2011 and 2010 was as is shown in the tables below.

January – June 2010	**“Access” segment €k**	**“Applications” segment €k**	**Head Office/ Investments €k**	**Reconciliation €k**	**United Internet Group €k**
Total revenues	602,916	330,605	1,987	–	–
- thereof internal revenues	671	2,411	1,641	–	–
External revenues	602,245	328,194	346	–	930,785
- thereof domestic	602,245	231,901	346	–	834,492
- thereof non-domestic	0	96,293	0	–	96,293
EBITDA	66,249	118,874	–3,160	0	181,963
EBIT	53,163	92,283	–3,239	0	142,207
Financial result			–8,296	–766	–9,062
Results from at-equity companies			–11,040	–4,851	–15,891
EBT			–22,575	139,829	117,254
Tax expense				–40,452	–40,452
Net income (from continued operations)					**76,802**
Results from discontinued operations	–	–	–	851	851
Net income (from discontinued operations)	**–**	**–**	**–**	**–**	**77,653**
Investments in intangible assets, property, plant and equipment	11,413	21,134	24	–	32,571
Amortization / depreciation	13,086	26,591	79	–	39,756
- thereof intangible assets, property, plant and equipment	13,086	16,827	79	–	29,992
- thereof intangible assets capitalized during company acquisitions	0	9,764	0	–	9,764
Number of employees	1,675	3,023	26	–	4,724
- thereof domestic	1,601	2,159	0	–	3,786
- thereof non-domestic	74	864	0	–	938

4. Personnel expenses

Personnel expenses amounted to € 109,397k (prior year: € 97,370k) in the reporting period of 2011. At the end of June 2011, United Internet employed a total of 5,204 people, of which 1,098 were employed outside Germany. The number of employees at the end of June 2010 amounted to 4,724, of which 938 were employed outside Germany.

5. Depreciation and amortization

Depreciation and amortization of intangible assets and property, plant and equipment amounted to € 33,625k (prior year: € 29,992k).

Amortization of capitalized intangible assets resulting from business combinations amounted to € 7,291k (prior year: € 9,764k).

Total depreciation and amortization thus amounted to € 40,916k in the reporting period of 2011 (prior year: € 39,756k).

6. Other operating expenses / income

In the period under review, other operating income was significantly affected by the disposal of shares held in Versatel AG (€ 17,525k). The sale of these shares resulted in disposal proceeds of € 63,206k. A major proportion of these proceeds was deferred, resulting in a discounting effect of € -3,239k.

The positive fair values of the received call options resulted in the recognition of other operating income of € 7,280k. We refer to Note 2.

Explanations of balance sheet items

Explanations are only given for those items which display notable changes in the amounts presented as compared with the last consolidated financial statements.

7. Shares in associated companies

The following table gives an overview of the development of shares in associated companies:

	2011 €k
Carrying amount at the beginning of the fiscal year	84,079
Additions	2,260
Adjustments	
- Dividends	–730
- Shares in result	–10,503
- Others	–288
Disposals	–42,441
	32,377

The shares in results refer to the corresponding profit contributions of associated companies.

Disposals refer to the sale of shares in Versatel AG. We refer to Note 2.

8. Other financial assets

The development of these shares was as follows:

			Amortization of revaluation reserve not recognized in income			
	Jan 1, 2011 €k	Additions €k	Recycling €k	Addition €k	Disposal €k	June 30, 2011 €k
Goldbach shares	28,120			–2,469		25,651
Hi-media shares	16,762			2,794		19,556
Afilias shares	6,755					6,755
freenet shares	50,367			10,520		60,887
Portfolio companies of EFF No. 3	26,630		–1,995		–4,045	20,590
Purchase price receivable	9,163					9,163
Purchase price receivable	0	56,561				56,561
Call optionens	0	7,280				7,280
Others	7,477	16			–235	7,258
	145,274	**63,857**	**–1,995**	**10,845**	**–4,280**	**213,701**

The outstanding purchase price receivable of € 56,561k results from the sale of shares in Versatel AG. We refer to Notes 2 and 6.

The subsequent valuation of listed shares in Goldbach, Hi-media and freenet to fair value as of the balance sheet date led to a net increase in the revaluation reserve without recognition in income.

The decline results mainly from the sale of shares from the EFF fund No. 3.

9. Property, plant and equipment, intangible assets and goodwill

A total of € 19,855k (prior year: € 32,571k) was invested in property, plant and equipment and intangible assets during the interim reporting period. Investments focused mainly on the expansion of infrastructure and the data centers.

Goodwill of € 399,873k consists solely of assets belonging to the "Applications" segment.

10. Liabilities due to banks

Liabilities due to banks result mainly from a syndicated loan with a total credit line of originally € 500 million. The syndicated loan agreement was signed on September 14, 2007. The entire credit line is divided into a Tranche A amounting to € 300 million and a Tranche B of originally € 200 million.

Tranche A has a term of five years and is to be redeemed from March 14, 2010 in six equal half-yearly installments. As of December 30, 2009 the first partial amount of Tranche A amounting to € 50 million was repaid prematurely. The second and third contractual repayments of € 50 million each were made in the third quarter of 2010 and the first quarter of 2011. As of June 30, 2011, € 150 million has thus been used from Tranche A, of which € 100 million is disclosed under current liabilities due to banks. Tranche B was a revolving syndicated loan expiring on September 13, 2012, which was prematurely redeemed in connection with the conclusion of a new syndicated loan with a total amount committed of € 480 million.

The new syndicated loan was concluded on June 7, 2011. The entire credit line is divided into a Tranche A amounting to € 120 million and a Tranche B of € 360 million. Tranche A is a bullet loan with a term of five years. Tranche B is a revolving syndicated loan which is also used to refinance Tranche B of the syndicated loan of September 14, 2007. The syndicated loan expires on June 6, 2016. As of June 30, 2011, € 120 million have been used from Tranche A and € 20 million from Tranche B.

A promissory note loan ("Schuldscheindarlehen") of € 150.0 million was negotiated on July 23, 2008. The loan is redeemable on maturity and divided into a Tranche A of € 78.0 million with a term until July 23, 2011 and a Tranche B of € 72.0 million with a term until July 23, 2013. Tranche A is disclosed under current liabilities due to banks.

11. Other current liabilities

Other current liabilities consist mainly of liabilities due to the tax office, as well as salary and social security liabilities.

12. Other non-current liabilities

Non-current liabilities result mainly from minority interests of the partnerships European Founders No. 2 and European Founders No. 3, from an interest hedging transaction, and from the option agreement (put option) from the purchase of remaining shares in united-domains AG.

13. Capital stock / Treasury shares

As of June 30, 2011, fully paid capital stock amounted to € 225,000,000 divided into 225,000,000 registered shares each having a theoretical share in the capital stock of € 1.

Based on the authorization granted by the Annual Shareholders' Meeting of United Internet AG on June 2, 2010 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Executive Board resolved on February 22, 2011 to cancel a total of 15,000,000 shares from the company's stock of treasury shares, purchased in the course of share buyback programs, and thus reduce the company's capital stock by € 15,000,000.00, from € 240,000,000.00 to € 225,000,000.00. In execution of this resolution, 15,000,000 registered no-par value shares with a notional share of capital stock of € 1 each were cancelled.

In connection with the employee stock ownership plan of United Internet AG, a total of 305,616 treasury shares were issued to employees during the period under review.

The transactions were charged to capital reserves and accumulated consolidated profit.

As of June 30, 2011, the Company held a total of 17,469,672 treasury shares or 7.76% of current capital stock. Treasury shares reduce equity capital and are not entitled to dividend payments.

14. Revaluation reserve

The change in revaluation reserves resulted mainly from the subsequent valuation of shares in Goldbach, Hi-media and freenet. Profits and losses from subsequent valuation to fair value are recognized directly in equity capital at net value, i.e. less deferred taxes. Please see Note 8 for details.

Other items

15. Employee stock ownership plans

The employee stock ownership plan of the United Internet AG Group employs virtual stock options (so-called Stock Appreciation Rights - SARs). The changes in the virtual stock options granted and outstanding are shown in the following table:

	United Internet AG		Sedo Holding AG	
	SAR	Average strike price (€)	SAR	Average strike price (€)
Outstanding of December 31, 2010	8,420,000	8.93	490,000	11.48
Issued	80,000	12.12	–	–
Issued	500,000	12.03	–	–
Issued	400,000	13.43	–	–
Expired	–150,000	5.52	–30,000	18.15
Expired	–	–	–100,000	3.72
Expired	–	–	–200,000	17.41
Exercised	–300,000	9.89	–	–
Exercised	–570,250	5.52	–	–
Outstanding of June 30, 2011	8,379,750	9.62	160,000	7.67

16. Transactions with related parties

United Internet AG is subject to significant influence, as defined by IAS 24, from Mr. Ralph Dommermuth, the major shareholder, as well as from the members of the Management Board and Supervisory Board.

There is no change in the circle of related parties as compared with the consolidated financial statements as at December 31, 2010.

The number of shares and subscription rights in United Internet AG held by members of the Management Board and Supervisory Board is shown in the following table:

	June 30, 2011 Shares (units)	Subscription rights (units)
Management Board		
Ralph Dommermuth	92,000,000	–
Norbert Lang	442,877	1,400,000
Total	**92,442,877**	**1,400,000**
Supervisory Board		
Kurt Dobitsch (Chairman)	–	–
Kai-Uwe Ricke	–	–
Michael Scheeren	700,000	–
Total	**700,000**	**–**

In connection with the employee stock ownership plan of United Internet AG, Mr. Norbert Lang exercised 200,000 subscription rights in the reporting period 2011.

United Internet's premises in Montabaur are leased from Mr. Ralph Dommermuth. The resulting rent expenses are customary and amounted to € 1,195k in the reporting period of 2011 (prior year: € 1,089k).

The United Internet Group can also exert a material influence on its associated companies.

No significant transactions took place.

17. Subsequent events

Based on the authorization granted by the Annual Shareholders' Meeting of United Internet AG on May 26, 2011 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Executive Board resolved on August 15, 2011 to cancel a total of 10,000,000 shares from the company's stock of treasury shares, purchased in the course of share buyback programs, and thus reduce the company's capital stock by € 10 million, from € 225 million to € 215 million.

There were no further significant events subsequent to the balance sheet date which may have resulted in a different representation of the Company's assets, financial position and earnings.

Montabaur, August 16, 2011

Ralph Dommermuth

Norbert Lang

Responsibility statement

To the best of our knowledge, and in accordance with the applicable interim reporting principles, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining fiscal year.

Montabaur, August 16, 2011

The Management Board

Ralph Dommermuth

Norbert Lang

Income Statement

Quarterly development in € million

	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q2 2010
Sales	478.2	498.1	498.6	510.8	468.0
Cost of sales	–296.7	–344.8	–327.1	–347.2	–292.9
Gross profit	**181.5**	**153.3**	**171.5**	**163.6**	**175.1**
Selling expenses	–85.3	–79.2	–80.3	–70.0	–71.7
General administrative expenses	–22.9	–26.8	–21.5	–24.9	–22.6
Other operating income / expense	0.0	18.7	4.3	24.6	–4.3
Amortization of intangible assets resulting from company acquisitions	–4.9	–4.9	–3.7	–3.6	–5.0
Amortization of goodwill	0.0	–0.2	0.0	0.0	0.0
Operating result	**68.4**	**60.9**	**70.3**	**89.7**	**71.5**
Financial result	–0.2	–0.9	–2.5	–2.8	–2.9
Results from associated companies	0.0	–13.8	0.0	0.0	0.0
Result from at-equity companies	–3.9	–12.0	–3.0	–7.5	–8.4
Pre-tax result	**64.3**	**34.2**	**64.8**	**79.4**	**60.2**
Income taxes	–23.5	–24.1	–20.8	–21.2	–21.9
Net income (from continued operations)	**40.8**	**10.1**	**44.0**	**58.2**	**38.3**
Result from discontinued operations	0.2	0.8	0.0	0.0	0.8
Net income (after discontinued operations)	**41.0**	**10.9**	**44.0**	**58.2**	**39.1**
Attributabel to					
- minority interests	0.1	–0.2	0.2	0.2	0.3
- shareholders of United Internet AG	40.9	11.1	43.8	58.2	38.8
Result per share of shareholders of United Internet AG (in €)					
- basic	0.19	0.05	0.20	0.28	0.17
- diluted	0.18	0.05	0.20	0.27	0.17
thereof result per share (in €) – from continued operations					
- basic	0.19	0.04	0.20	0.28	0.17
- diluted	0.18	0.04	0.20	0.27	0.17
thereof result per share (in €) – from discontinued operations					
- basic	0.00	0.01	0.00	0.00	0.00
- diluted	0.00	0.01	0.00	0.00	0.00

Financial Calendar

March 24, 2011	Annual financial statements for fiscal year 2010
March 24, 2011	Press and analyst's conference
May 12, 2011	3-Month Report 2011
May 26, 2011	Annual Shareholders' Meeting, Alte Oper Frankfurt/Main
August 16, 2011	6-Month Report 2011
August 16, 2011	Press and analyst's conference
November 10, 2011	9-Month Report 2011

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This report is available in German and English. Both versions can be downloaded from www.united-internet.de. In all cases of doubt, the German version shall prevail.

Disclaimer
This report contains certain forward-looking statements which reflect the current views of United Internet AG's management with regard to future events. These forward looking statements are based on our currently valid plans, estimates and expectations. The forward-looking statements made in this Annual Report are only based on those facts valid at the time when the statements were made. Such statements are subject to certain risks and uncertainties, as well as other factors which United Internet often cannot influence but which might cause our actual results to be materially different from any future results expressed or implied by these statements. Such risks, uncertainties and other factors are described in detail in the Risk Report section of the Annual Reports of United Internet AG. United Internet does not intend to revise or update any forward-looking statements set out in this Annual Report.

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