



Corporate Governance Report

United Internet's corporate governance is based on internationally and nationally recognized standards of sound and responsible management. In accordance with Sec. 3.10 of the German Corporate Governance Code, the Management Board and Supervisory Board have prepared the following joint report concerning the corporate governance of United Internet:

Management and Corporate Structure

In accordance with its legal status, United Internet AG operates a dual management and monitoring structure comprising two corporate bodies: the Management Board and the Supervisory Board. The third body is the Shareholders' Meeting. All three bodies are committed to serving the company's interests.

The Supervisory Board is elected by the Shareholders' Meeting and currently consists of three members. The Supervisory Board is generally elected for a period of five years. Members of the Supervisory Board and Management Board should generally not be older than 70. The Supervisory Board is involved in all decisions of material importance for the company. It monitors and advises the Management Board in the management of the company. The Supervisory Board regularly discusses business development, planning, strategy and its implementation. Together with the Management Board, it discusses the quarterly and half-year reports before publication and approves annual budgets as well as the annual financial statements of the parent company and the group. In doing so, it also takes the reports of the company's external auditors into account. The Supervisory Board's responsibilities also include appointing members of the Management Board as well as determining and regularly monitoring their remuneration. The Management Board is the body charged with managing the group's operations and currently consists of two persons. It manages operations in accordance with its legal and statutory obligations as well as the rules of procedure approved by the Supervisory Board. It is responsible for preparing the quarterly and annual financial statements as well as for appointing key managers within the company. The Annual Shareholders' Meeting is the body which formulates and expresses the interests of the company's shareholders. At the Annual Shareholders' Meeting, the annual financial statements are presented to our shareholders. The shareholders decide on the appropriation of the balance sheet profit and vote on resolutions concerning other statutory topics. Each share entitles the owner to one vote. All shareholders who register in time and are listed in the Share Register on the day of the Annual Shareholders' Meeting are entitled to attend. Our shareholders may also exercise their rights at the Annual Shareholders' Meeting by means of a proxy vote.

Composition of the Management Board and Supervisory Board

The Supervisory Board appoints and dismisses the members of the Management Board and appoints one member of the Management Board as Chairman or Speaker. In the case of new appointments, it takes account of diversity aspects as defined by the German Corporate Governance Code. In particular, it strives to ensure that women are appropriately represented.

The Supervisory Board of United Internet AG is composed in such a way that its members together have the knowledge, skills and professional experience necessary for them to carry out their tasks correctly. The members of the Supervisory Board also have considerable business experience in countries other than Germany. The Supervisory Board comprises an adequate number of independent members, who have no business or personal relationship with the company or its Management Board. Moreover, these independent members do not exercise functions on a management body of or perform advisory duties at major competitors.

Members of the Supervisory Board complete the training and further education measures required for their tasks on their own, but receive appropriate support in this context from the company.

Financial Disclosures

United Internet provides shareholders, analysts and the press with four reports each fiscal year on the company's business development and its financial and earnings position. The publication dates of these reports are stated in a financial calendar, which the company posts on its website and regularly updates in accordance with legal obligations. The Management Board also provides immediate information in the form of ad-hoc announcements about any events not known to the public which might significantly affect the share price.

As part of its investor relations activities, the company's management team regularly meets with analysts and institutional investors. We also hold analyst conferences to announce our semi-annual and annual figures, which investors and analysts can also participate in via telephone. Access to financial information and further economically relevant information about the United Internet Group is provided on our website (www.united-internet.de).

Risk management

The management of risks arising in connection with the company's business activities is of fundamental importance to the Management Board and Supervisory Board with regard to good and sustainable corporate governance. The Management Board receives regular reports from the Risk Management department set up by the Company concerning current risks and their development. It reports to the Supervisory Board on the risk exposure and the risk management system.

The Management Board is responsible for the internal monitoring and risk management system as well as for determining its structure. Principles, guidelines, processes and responsibilities are defined and established in such a way that they guarantee correct and prompt accounting of business transactions, facilitate early identification of risks and supply the flow of reliable information about the company's financial situation. The various components of our risk management culture are designed to recognize and control business risks at an early stage, and to secure the company's business objectives; they cannot, however, prevent such risks completely and do not therefore offer absolute protection against loss or fraudulent actions.

Accounting and Auditing

The Group's accounts are drawn up according to the principles of the International Financial Reporting Standards (IFRS). However, the annual financial statements of the parent company – relevant for all dividend and tax matters – are drawn up according to the rules of the German Commercial Code (HGB). The annual financial statements for the parent company and the group are audited by independent auditors. The respective auditing company is selected by the Annual Shareholders' Meeting. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was elected to audit the annual financial statements for the fiscal year 2010. The Supervisory Board issues the auditing mandate, determines auditing focal points, approves the auditing fee and examines the independence of the auditors.

Remuneration Report

Management Board

The Supervisory Board is responsible for determining the remuneration of Management Board members. The remuneration received by the members of the Management Board of United Internet AG is performance-oriented and consists of fixed and variable elements. In the case of one Management Board member, there is a component providing long-term incentives in the form of a compensation program based on virtual shares (SARs).

The size of the remuneration components is regularly reviewed. The fixed remuneration component is paid monthly as a salary. The size of the variable remuneration component depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on sales and earnings figures. The target attainment corridor is generally between 80% to 120%. No bonus is paid below 80% of the agreed target and the bonus calculation ends at 120% of the agreed target. There is no provision for subsequent amendment of the performance targets. There is no minimum guaranteed bonus. There are no retirement benefits from the company to members of the Management Board.

In fiscal year 2010, remuneration of the two members of the Management Board amounted to €1,027k (prior-year: €1,076k). Of this total, €600k was fixed (prior year: €600k) and €427k variable remuneration (prior year: €476k).

The Chief Executive Officer, Mr. Ralph Dommermuth, received total remuneration of €538k (prior year: €566k). Of this total, €300k (prior year: €300k) was fixed and €238k (prior year: €266k) variable. The Chief Financial Officer, Mr. Norbert Lang, received total remuneration of €489k (prior year: €510k). Of this total, €300k (prior year: €300k) was fixed and €189k (prior year: €210k) variable.

Management Board remuneration in 2010

in €k	Fixed component	Variable component	Total
Management Board			
Ralph Dommermuth	300	238	538
Norbert Lang	300	189	489
Total	600	427	1,027

In the fiscal years 2008 and 2009, Mr. Norbert Lang was granted 800,000 virtual stock options (so-called Stock Appreciation Rights, SARs) in each year at an exercise price of €12.85 and €5.52. The exercise hurdle is 120% of the share price. Payment of value growth is limited to 100% of the calculated share price at the time when the virtual stock options were granted (cap). The fair values of the virtual stock options on issuance amounted to €2,384k and €1,104k. The SAR program is described in more detail below, in the section "Stock-based compensation".

Supervisory Board

The three members of the Supervisory Board of United Internet AG also hold seats on the supervisory board of United Internet's most important subsidiary, 1&1 Internet AG. As of fiscal year 2010, the Supervisory Board members each receive separate compensation for their work on behalf of the two companies. In each case, this compensation consists of a fixed element and a variable element which depends on the success of the respective company.

In the case of United Internet, the fixed remuneration for an ordinary member of the Supervisory Board amounts to €10k (previously €20k) per full fiscal year. The Chairman of the Supervisory Board receives twice the amount attributable to an ordinary member. The variable, performance-oriented element for each member of the Supervisory Board, including the Chairman, amounts to €1k (previously €2k) for every cent which exceeds the consolidated earnings per share (EPS) value of €0.60 (previously €0.10) for United Internet AG, calculated according to IFRS. As of fiscal year 2013, there will be a variable long-term compensation component for each member of the Supervisory Board, including the Chairman. This will consist of an additional payment per full fiscal year of €500 per starting percentage point by which the EPS of United Internet AG in the past fiscal year exceeds the EPS of the fiscal year completed 3 years previously. This long-term, variable compensation component is limited to a maximum of €10k per member. There are no stock option plans for members of the Supervisory Board.

With regard to their activities for 1&1 Internet AG, the fixed remuneration for ordinary members of the Supervisory Board amounts to €20k per full fiscal year. The Chairman of the Supervisory Board receives €30k. Variable, performance-oriented compensation for each member of the Supervisory Board, including the Chairman, is based on the earnings figures of 1&1 Internet AG. Variable compensation amounts to at least €30k and a maximum of €70k per member.

Total remuneration for members of the Supervisory Board amounted to €269k in fiscal year 2010 (prior year: €440k). Of this total, the fixed component was €110k (prior year: €80k) and the variable component €159k (prior year: €360k).

The chairman of the Supervisory Board, Mr. Kurt Dobitsch, received total remuneration of €93k (prior year: €160k) in fiscal year 2010. Of this total, the fixed component was €40k (prior year: €40k) and the variable component €53k (prior year: €120k). Mr. Kai-Uwe Ricke received total remuneration of €83k (prior year: €140k). Of this total, the fixed component was €30k (prior year: €20k) and the variable component €53k (prior year: €120k). Mr. Michael Scheeren received total remuneration of €93k (prior year: €140k). Of this total, the fixed component was €40k (prior year: €20k) and the variable component €53k (prior year: €120k). Under the terms of the current remuneration system, there will be no long-term variable remuneration component until the fiscal year 2013.

Supervisory Board remuneration in 2010

	United Internet AG			1&1 Internet AG			United Internet Group		
in €	Fixed	Variable	Total	Fixed	Variable	Total	Fixed	Variable	Total
Supervisory Board									
Kurt Dobitsch (Chair)	20,000	-	20,000	20,000	53,000	73,000	40,000	53,000	93,000
Kai-Uwe Ricke	10,000	-	10,000	20,000	53,000	73,000	30,000	53,000	83,000
Michael Scheeren	10,000	-	10,000	30,000	53,000	83,000	40,000	53,000	93,000
Total	40,000	-	40,000	70,000	159,000	229,000	110,000	159,000	269,000

Stock-Based Compensation

United Internet AG operates a stock-based compensation plan which enables its managers to participate in the company's success and is aimed at enhancing staff loyalty. The plan takes the form of a virtual stock option program.

Virtual stock options (so-called Stock Appreciation Rights - SARs) refer to the commitment of United Internet AG to pay the beneficiary a cash amount equivalent to the difference between the share price on the date of granting the option and the share price on exercising the option. The exercise hurdle is 120% of the share price, which is calculated as the average closing price in electronic trading (Xetra) of the Frankfurt Stock Exchange over the ten days preceding issuance of the option. Payment of value growth to the entitled person is limited to 100% of the calculated share price when the virtual options were granted (cap).

An SAR corresponds to a virtual subscription right for one share of United Internet AG. However, it is not a share right and thus not a (genuine) option to acquire shares of United Internet AG. United Internet AG retains the right to fulfill its commitment to pay the SAR in cash by also transferring United Internet AG shares from its stock of treasury shares to the beneficiary, at its own discretion. Employees may exercise their option rights after expiry of certain minimum retention periods. The increase in value represents a taxable gain for employees. The SARs have a maturity of no more than six years.

Option rights can be exercised as follows: up to 25% of the option right may be converted at the earliest 24 months after the date of issue of the option; up to 50% (i.e. including the previously exercised options) at the earliest 36 months after the date of issue of the option; a total of up to 75% may be exercised at the earliest 48 months after the date of issue of the option; the full amount may be exercised at the earliest 60 months after the date of issue of the option.

Detailed information on the stock-based compensation plan via virtual stock options is provided in the notes to the consolidated financial statements.

Directors' Dealings

According to Sec. 15a of the German Securities Trading Act (Wertpapierhandelsgesetz - WpHG), members of the Management Board and Supervisory Board of United Internet AG are legally obliged to declare their purchase and sale of shares in United Internet AG or related financial instruments whenever the transaction conducted by an executive body or related persons reaches or exceeds the amount of €5,000 within one calendar year. On October 1, 2010, Mr. Norbert Lang sold 250,000 shares of United Internet AG at a price of €11.85 per share via NBL Vermögensverwaltung GmbH & Co. KG. The total volume amounted to €2,963k. Of the total shares sold, 173,700 are attributable to Mr. Norbert Lang. No further Directors' Dealings were reported to the company.

As of December 31, 2010 the members of the Management Board and Supervisory Board held the following share volumes:

Shareholding and subscription rights as of Dec. 31, 2010	Shareholding (units)	Virtual stock options (SARs, units)
Management Board		
Ralph Dommermuth	92,000,000	-
Norbert Lang	402,428	1,600,000
Supervisory Board		
Kurt Dobitsch (Chair)	-	-
Kai-Uwe Ricke	-	-
Michael Scheeren	700,000	-

Annual Declaration of Conformity acc. to Sec. 161 AktG

The ninth version of the German Corporate Governance Code was completed on May 26, 2010 and published by the Ministry of Justice in the electronic Federal Gazette on July 2, 2010. On March 3, 2011, the Management Board and Supervisory Board of United Internet AG submitted their current annual declaration of conformity in accordance with Sec. 161 AktG. It can be accessed at www.united-internet.de, Investor Relations, Corporate Governance and was also published in the government's electronic Federal Gazette. The corporate governance principles of United Internet AG anchored in the company's statutes (including its articles and rules of procedure), and thus our current and expected future behavior, comply with the recommendations of the German Corporate Governance Code in the version dated May 26, 2010, with the following exceptions:

Deductibles in the case of D&O insurance policies (Code 3.8)

Since the German Act on the Appropriateness of Management Board Compensation (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) came into power, the German Stock Corporation Act (AktG) now requires that Management Board members accept an obligatory deductible for D&O insurance policies of at least 10% of the loss and up to at least one-and-a-half times the fixed annual compensation of the respective Management Board member (Sec. 93 AktG). Deductibles need not be agreed, however, for Supervisory Board members (Sec. 116 AktG). Beyond the scope of the AktG, the German Corporate

Governance Code recommends that a similar deductible be agreed for the Supervisory Board in any D&O policy.

United Internet AG has fully adopted the legal requirements by amending the existing D&O insurance policies as of January 1, 2010 and has agreed its first deductible for members of the Management Board. No deductible was agreed for the Supervisory Board. United Internet does not generally believe that the motivation and responsibility with which the members of United Internet's Supervisory Board conduct their duties will be affected by such a deductible.

Committees (Code 5.3)

The German Corporate Governance Code recommends that the Supervisory Board set up an Audit Committee which, in particular, should handle issues of accounting, risk management and compliance, the necessary independence required of the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement. In addition, the German Corporate Governance Code recommends that the Supervisory Board form a Nomination Committee composed exclusively of shareholder representatives, which proposes suitable candidates to the Supervisory Board for recommendation to the Annual Shareholders' Meeting.

The Supervisory Board of United Internet AG currently consists of three members: in addition to their other duties, the members also deal as a group with the above-mentioned topics. The Supervisory Board's rules of procedure state that committees should only be formed if there are more than three members.

Composition of the Supervisory Board (Code 5.4.1)

The German Corporate Governance Code recommends that the Supervisory Board specifies concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation. Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The objectives of the Supervisory Board and the status of their implementation shall be published in the Corporate Governance Report.

The current members of the Supervisory Board have been elected for the period ending with the Annual Shareholders' Meeting which adopts the resolution to release the Supervisory Board members from their responsibility for fiscal year 2014. As specific candidate proposals for the Supervisory Board do not have to be made until its scheduled re-election at the Annual Shareholders' Meeting in 2015, it does not appear appropriate to already formulate concrete objectives today without knowing the possible changes in the regulatory environment or the company's market conditions. The Supervisory Board will carefully monitor developments and make a timely decision before the scheduled re-election of the Supervisory Board regarding the Code's recommendations on concrete objectives and their implementation as part of the Supervisory Board's proposals to the Annual Shareholders' Meeting and reporting.

Compensation of Supervisory Board members (Code 5.4.6)

The German Corporate Governance Code recommends that the compensation of Supervisory Board members should also take into account the exercising of the Chair and Deputy Chair positions in the Supervisory Board as well as the chair and membership of committees.

As long as the Supervisory Board consists of no more than three members and no committees are formed, United Internet only separately considers the Chair position in the Supervisory Board.

Publication of reports (Code 7.1.2)

The German Corporate Governance Code recommends that interim reports are to be made publicly accessible within 45 days of the end of the reporting period.

As already announced in its Financial Calendar 2010, United Internet did not publish its interim report for the first six months of 2010 until August 27, 2010 for organizational, internal reasons.

Montabaur, March 23, 2011

For the Management Board
Ralph Dommermuth

For the Supervisory Board
Kurt Dobitsch