United Internet AG, Montabaur

Management Report for the Group and Parent Company

Consolidated Annual Financial Statements acc. to IFRS

Annual Financial Statements of the Parent Company acc. to HGB

of the Management Board
for the fiscal year 2009

Highlights 2009

Dynamic customer growth: the number of customer contracts grew by 1.2 million to 9.15 million in 2009.

Successful international expansion: we added 0.29 million new webhosting contracts outside Germany to reach a total of 2.22 million.

Acquisition of freenet's DSL business: in 2009 we acquired freenet's DSL business with around 0.58 million contractually binding customer relationships and successfully migrated them to our platforms by the end of the year.

Strong demand for DSL complete packages: in our DSL business, we increased the number of DSL complete packages by 1.04 million to 1.82 million – including freenet complete packages.

Growing user figures in portal business: the number of active e-mail users on our online portals GMX and WEB.DE grew by 2 million to 27.9 million.

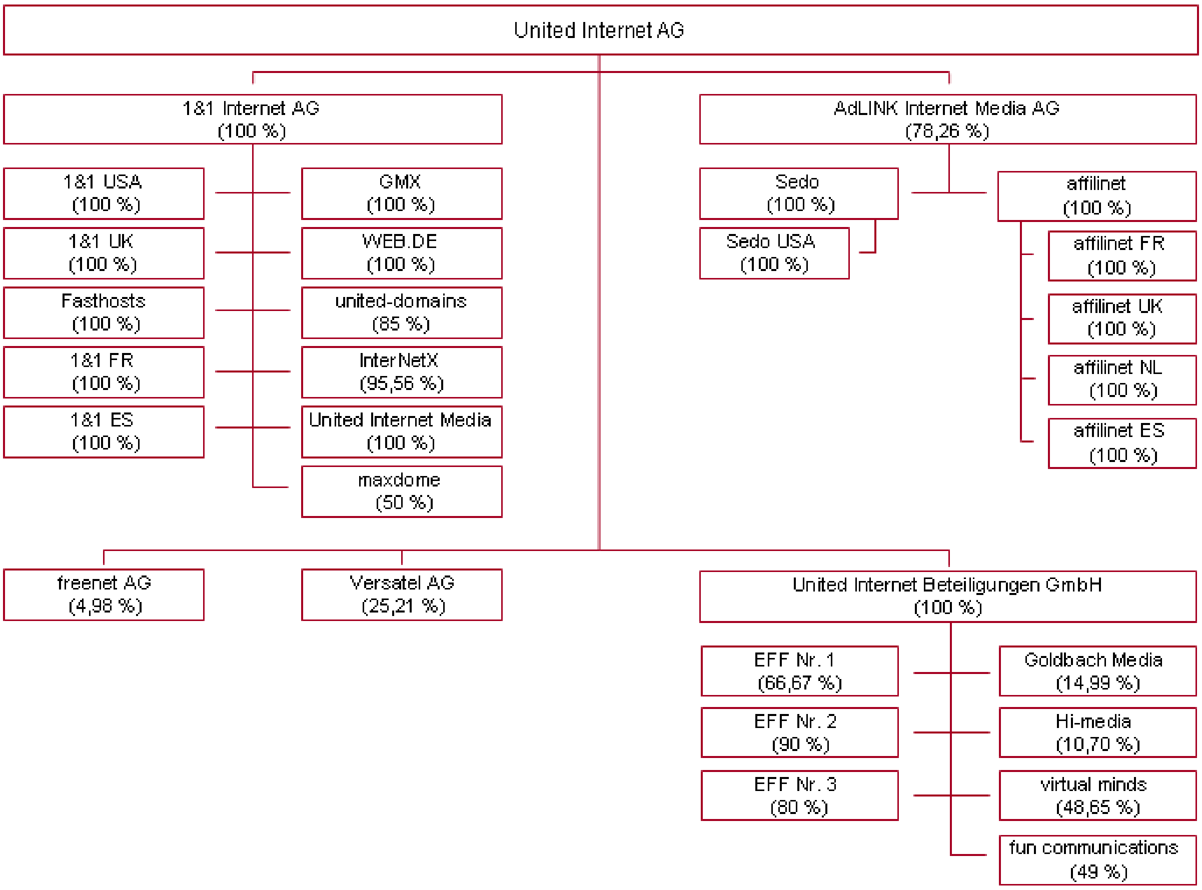
Further growth: consolidated sales grew by 5.6% in 2009 to around € 1.66 billion, while EBIT increased by 39.8% to around € 361 million.

Group structure and business operations

United Internet AG is the Group parent company of the United Internet Group. The holding company focuses mainly on the fields of corporate controlling and accounting, press relations, investor relations, investment management, risk management, internal audit, and HR management.

In its operating business, the Group acts primarily via 1&1 Internet AG, including the 1&1 subsidiaries WEB.DE GmbH, GMX GmbH, GMX Internet Services GmbH, United Internet Media AG, Fasthosts Internet Ltd., InterNetX GmbH and united-domains AG, as well as via AdLINK Internet Media AG, including the AdLINK subsidiaries Sedo GmbH and affilinet GmbH.

Simplified Group structure with significant operating subsidiaries and investments



In addition to its operative and fully consolidated subsidiaries, United Internet holds further direct and indirect investments.

The direct investments comprise mostly the equity interests held in the listed companies freenet AG (United Internet shareholding: 4.98%) and Versatel AG (25.21%).

The indirect investments held via United Internet Beteiligungen GmbH (100%) consist of the listed online marketing companies Goldbach Media AG, Switzerland (14.99%), Hi-media S.A., France (10.70%), fun communications GmbH (49%) and virtual minds AG (48.65%), as well as a number of other internet investments (69 investments in total) via the investment funds EFF No. 1 (66.67%), EFF No. 2 (90%) and EFF No. 3 (80%) operated jointly with the Samwer brothers.

Business operations

The Group's operating business is divided into the two segments "Products" and "Online Marketing".

In the "Products" segment, our internet access products, web-based information management applications and webhosting solutions are directed at private users, small offices/home offices (SoHos) and small to mid-size enterprises (SMEs). These target groups are served – in our direct sales business – by the brands GMX, WEB.DE, 1&1 and united-domains. The InterNetX and Fasthosts brands also offer our webhosting products as white-label solutions via resellers, while United Internet Media markets our portals to e-commerce merchants and advertisers.

In our "Online Marketing" segment, we offer advertisers and e-commerce merchants performance-based marketing and sales solutions: Affiliate Marketing via affilinet and Domain Marketing via Sedo. In contrast to the marketing of our own portals via United Internet Media in the Product segment, affilinet and Sedo primarily market third-party domains and websites.

Declaration on Corporate Governance acc. to Sec. 289a German Commercial Code (HGB)

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 Annual Shareholders' Meeting and consists of three members at present. The members of the Supervisory Board are generally elected for a period of five years. Members of the Supervisory Board and Management Board should not generally be older than 70. The Supervisory Board monitors and advises the Management Board in the management of the company. The Supervisory Board meets regularly to discuss the development of business, 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. Its 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. Decisions of fundamental importance require the approval of the Supervisory Board.

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.

Control systems

The internal control systems support management in its monitoring and steering of the Group and its segments. The systems consists of planning, actual situation and projection calculations based on the Group's annually revised strategic planning. Particular attention is paid to market developments, technological developments and trends, as well as their impact on the Group's own products and services, and the Group's financial possibilities.

The Group's reporting system comprises the monthly profit calculations and quarterly IFRS-compliant reports for all consolidated subsidiaries. It presents the asset, financial and earnings position of the Group and all divisions. Financial reporting also includes other detailed information which is required for the assessment and control of operating business.

Quarterly reports on significant risks for the company represent a further component of the control systems.

The above mentioned reports are discussed at meetings of the Management Board and Supervisory Board and provide the fundamental basis for assessments and decisions.

In accordance with the positioning of the two segments “Products” and “Online Marketing”, the Company's operating business is monitored and controlled primarily via the key figures: sales, gross margin, EBITDA and EBIT and via a number of other significant non-financial figures, such as customer contracts, reach/active users and marketable domains and websites.

Corporate Governance

The term Corporate Governance stands for responsible corporate management and control geared to long-term value creation. Efficient cooperation between Management Board and Supervisory Board, respect for stockholder interests, openness and transparency of corporate communications are key aspects of good corporate governance.

The Management Board and Supervisory Board of United Internet AG regard it as their duty to secure the Company's continued existence and sustainable value creation through responsible corporate governance focused on the long term.

The corporate governance of United Internet is based on the German Corporate Governance Code, which the Government Commission set up by the Federal Justice Minister in September 2001 published for the first time on February 26, 2002. The eighth version of the German Corporate Governance Code was completed on June 18, 2009 and published by the Ministry of Justice in the electronic Federal Gazette (http://www.ebundesanzeiger.de/) on August 5, 2009.

The Code contains three types of standard:

– regulations describing currently valid legal standards in Germany,
– recommendations,
– suggestions.

German corporations are obliged to observe the legal regulations.

With regard to the recommendations, the German Stock Corporation Act (Sec. 161) requires listed companies to publish a declaration of conformity once per year.

Companies are allowed to deviate from the suggestions without the need for disclosure.

In March 2010, the Management Board and Supervisory Board of United Internet AG submitted their current annual declaration of conformity in accordance with Sec. 161 AktG and published it on the Company’s website (www.united-internet.de) as well as in the electronic Federal Gazette.

Declaration of conformity with regard to the recommendations of the German Corporate Governance Code in accordance with Sec. 161 German Stock Corporation Act (AktG)

In accordance with Sec. 161 German Stock Corporation Act (AktG), the Management Board and Supervisory Board of United Internet AG declare that:

United Internet AG complied with the recommendations of the German Corporate Governance Code (in the version dated June 18, 2009) with the following exceptions, and expects to comply in future with the following exceptions:

Deductibles in the case of D&O insurance policies (Codex 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.

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 publicly accessible within 45 days of the end of the reporting period.

In fiscal year 2009, United Internet published its interim reports within the period recommended by the German Corporate Governance Code. As already announced in the Financial Calendar 2010, the half-year financial report 2010 will not be published until August 27, 2010 for organizational, internal reasons.

Compliance

Taking a balanced and sustainable approach to economic, social and ecological activities is an indispensible element of United Internet's corporate culture. This includes open and fair communication with our employees, business partners, shareholders and the public as well as acting correspondingly. As a service company, our impeccable behavior is vital for gaining and retaining the trust of our customers and business associates. We strive to be credible, trustworthy and reliable and act accordingly.

In order to guarantee uniform and exemplary behavior, the Management Board has developed ethical guidelines which are currently being introduced and will apply to the overwhelming majority of the Group's companies as a binding Code of Behavior. This Code contains our management guidelines and should encourage each employee to take responsibility for their own behavior and provide suitable orientation. It also specifies how we understand our role and our values, and serves as a model for the Management Board, senior executives, managers and all employees in the same way.

In the interest of all employees and the company, action is taken against all infringements and the respective causes are removed as far as possible. This also involves strictly pursuing misconduct within the framework of the applicable internal guidelines, the relevant legal regulations and other rules. The Company's Management Board has therefore established corresponding processes which ensure compliance and safeguard the above mentioned values while firmly anchoring them in the organization.

Remuneration Report

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 exercise hurdle of this program is 120% of the share price. Payment of value growth is limited to 100% of the calculated share price (cap).

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 (cap). There is no provision for subsequent amendment of the performance targets and no minimum guaranteed bonus. There are no retirement benefits from the Company to members of the Management Board.

The members of the Supervisory Board receive compensation consisting of a fixed element and a variable element which depends on the Company's success. The fixed remuneration for an ordinary member of the Supervisory Board amounts to € 20k per full fiscal year. The chairman of the Supervisory Board receives twice the amount attributable to an ordinary member. The variable element for each member of the Supervisory Board, including the chairman, amounts to € 2k for every cent which exceeds the consolidated earnings per share value of € 0.10 for United Internet AG, calculated according to IFRS. There are no stock option plans for members of the Supervisory Board.

Further information on Management Board and Supervisory Board compensation is provided in section 43 of the Notes to the Consolidated Financial Statements.

Personnel report

The rapidly developing, future-oriented internet market represents a considerable challenge for our employees and thus for the HR policy of our company. We meet this challenge primarily by actively nurturing our junior staff, promoting the targeted development of our managers and introducing further personnel development activities.

United Internet AG attaches great importance to the field of education and training. We train young people to meet our future needs and offer them a successful start to their professional lives. We provide apprenticeships in commercial and technical professions, including IT specialist (application development/systems integration), IT systems clerk, dialogue marketing clerk, commercial clerk and media designer. Over a three-year training period, all participants experience a wide variety of different company departments and take part in numerous events and workshops. The apprentice workshops at our facilities in Karlsruhe and Montabaur have proven especially successful. Technical apprentices in particular spend part of their training period in the workshops in order to learn the basics for their later careers. Around 160 young people were serving their apprenticeships at Group companies at year-end 2009. After successfully passing their examinations, the majority of our apprentices find jobs at one of the Group’s companies.

In cooperation with Baden-Wuerttemberg Cooperative State University (Duale Hochschule Baden-Württemberg - DHBW) we also offer degree courses in Information Management and Business Administration / Services Marketing at the universities of Karlsruhe and Mannheim.

United Internet offers a variety of modular development programs for the personal development and training of its management staff. The training programs teach management methods and instruments of practical relevance and importance for the company.

The number of employees increased once again in fiscal year 2009. As of December 31 2009, United Internet employed a total of 4,571 people – an increase of 4.3% over the previous year (adjusted prior-year figure following the sale of the AdLINK Media business: 4,384). There were 4,227 employees in the Product segment, 318 in the Online Marketing segment and 26 employed at the Group's headquarters. Our non-German subsidiaries employed 804 people (prior year: 867). Personnel expenses rose by 13.5%, from € 159.5 million in the previous year to € 181.0 million.

Employees

	Dec. 31, 2008	Dec. 31, 2009	Year-on-year change
Products segment	4,020	4.,227	+ 5.1%
Online Marketing segment	335	318	- 5.1%
Headquarters	29	26	-10.3%
Total Group	4,384	4,571	+ 4.3%

Economic environment

Massive decline in national economies

As a result of the severe financial crisis which already took hold in the world's leading economies in 2007, the global economy was plunged into its deepest recession since the Second World War in 2009. Despite intensive fiscal and political measures introduced by many countries, the crisis continued to worsen during our fiscal year 2009 – although initial signs of recovery did become visible in the second half of the year. According to the International Monetary Fund (IMF), global economic output fell by 0.8% in total during 2009.

The economic crisis also had a sustained impact on growth in the Euro zone. The European statistics agency Eurostat calculated that the economy shrank by 4.0% in 2009. Gross domestic product (GDP) also fell by 2.1% in the fourth quarter, compared to the previous year. However, the downward trend in the Euro zone was noticeably slower in the fourth quarter (3rd quarter: -4.0%).

The German economy also suffered an historic decline in 2009. Despite a gradual return to stability in the second half of the year, greatly reduced exports led to an overall fall in GDP of 5.0% (compared to growth of 1.3% in the previous year), according to a report published by the Federal Statistics Agency (Destatis) in mid January 2010. This was the sharpest decline in post-war German history. A slump in exports and investments of 14.7% was largely responsible for the severe recession. As an exporting nation, Germany was hit particularly hard by the economic crisis compared to other countries. Consumer spending, however, grew by 0.4% in 2009 as prices remained virtually constant, while the state car scrappage scheme helped drive consumption in the auto sector.

ICT markets also hit by the crisis

The effects of the economic crisis were also felt by the high-tech industry of information technology, telecommunications and digital consumer electronics (ICT) – albeit to a lesser degree than many other sectors. According to figures presented by the German ICT association BITKOM (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.) during the CeBIT 2010 fair in Hanover, ICT revenues of Germany's high-tech companies fell by 4.3%, from € 145.9 billion to € 139.5 billion. The strongest decline was suffered by the IT technology sector (IT hardware, software, IT services) with a fall in sales of 5.4% to € 63.5 billion. However, the telecommunications (telecommunication services and technology) and consumer electronics sectors (digital entertainment electronics) were not left unscathed by the crisis with falls of 3.6% to € 63.7 billion and 2.9% to € 12.3 billion, respectively.

United Internet's target markets largely escape effects of crisis

In contrast to many other sectors, the most important ICT markets for United Internet's business model – DSL, webhosting and online marketing – made further strong progress in 2009. However, our target markets did not completely escape the effects of the global economic crisis.

Broadband market Germany

The Association of Telecommunications and Value-Added Service Providers (VATM) calculates that the number of broadband connections in Germany grew by 2.1 million to 24.9 million in 2009. At the time of going to press, official figures of the German Federal Network Agency were not available. As in 2008 (+3.1 million connections), growth was thus well below the record figures of 2006 (+4.5 million) and 2007 (+4.6 million). At the same time, there is a growing trend toward DSL complete packages. Such packages no longer require a Deutsche Telekom phone connection. Instead, providers such as United Internet rent "the last mile" from pre-service providers and offer everything from a single source. A clear indicator of this trend is the decrease in Telekom fixed line connections of 2.1 million, or 7.4%, to 26.2 million and an increase in the pre-service products TAL and unbundled connections (IP-BSA) of 1.2 million or 14.1% to 9.7 million.

Growth of broadband connections in Germany
In million

	2007	2008	2009
Growth of broadband connections	4.6	3.1	2.1
Total broadband connections	19.7	22.8	24.9

Source: VATM

Global hosting market

The international webhosting market also continues to enjoy steady growth. According to calculations of RegistrarSTATS.com, the number of registered generic top-level domains around the world (such as .com, .net, .org) grew by 7.89 million in 2009 to reach a total of 115.15 million domains – an increase of around 7.4% over December 31, 2008. The German top-level domain ".de" also enjoyed strong demand in 2009 – despite a comparatively high online presence already achieved among consumers and businesses in Germany – and grew by 0.86 million (+6.9%) to 13.31 million domains by the end of December. The respective registration authorities reported even stronger growth of national domains in our foreign markets: the UK (+11.2% to 8.13 million), France (+22.3% to 1.61 million), Spain (+11.5% to 1.21 million), Austria (+13.7% to 0.91 million) and Switzerland (+11.0% to 1.38 million). In addition to this purely quantitative market growth, webhosting providers are also registering increased sales volumes from the demand for ever more powerful and expensive applications. For example, Tier1Research estimates that in the hosting segments Shared and Dedicated Hosting alone, sales grew by 8.0% and 9.0% in 2009 to USD 5.52 billion and USD 2.28 billion, respectively – and this is without "cloud computing", which many experts believe will drive growth even further.

Development of domain figures in United Internet's target markets 2009
in million

	2007	2008	2009
Top level domains (global)	97.54	107.26	115.15
Germany (.de)	11.67	12.45	13.31
UK (.uk)	6.49	7.31	8.13
France (.fr)	0.99	1.31	1.61
Switzerland (.ch)	1.06	1.24	1.38
Spain (.es)	0.81	1.08	1.21
Austria (.at)	0.72	0.80	0.91

Source: RegistrarSTATS.com, Denic

Global online advertising market

The financial crisis also led to an unparalleled global decline in total advertising spending in 2009. In the latest issue of its survey "Advertising Expenditure Forecast" in December 2009, the media agency group ZenithOptimedia estimates that global decline reached 10.2% in 2009. In contrast, the internet continued to make good progress and was the only medium to register a global increase in advertising spend in 2009 (+9.5%). The Online Marketing Group (Online-Vermarkterkreis - OVK) of the German Digital Economy Association (Bundesverband Digitale Wirtschaft – BVDW) comes to similar figures for Germany. According to its "OVK Online-Report 2010/01", the German online advertising market achieved 12% growth in gross advertising volume in 2009 (€ 4.1 billion) and thus succeeded in raising its share of total advertising spend from 14.8% to 16.5%. This illustrates that ever more budgets are moving to the online sector – thanks also to its greater transparency, measurability and flexibility. Despite this positive development, however, actual revenues received by online marketing companies will probably be much lower as both ZenithOptimedia and the OVK only register gross spendings based on official price lists. Discounts and rebates on these list prices as a result of fierce competition and excess supply of advertising space grew significantly again in 2009, but are not considered by market surveys and forecasts.

Development of gross advertising spend in Germany
in € million

	2007	2008	2009
Classic online advertising	1,503	1,923	2,168
Search word marketing	1,190	1,476	1,624
Affiliate networks	215	268	308
Total gross advertising spend	2,908	3,667	4,100

Source: BVDW

Business development of the Group

In addition to the positive development of our operating business, we made strong progress in 2009 above all in the further internationalization of our business and in market consolidation, by means of acquisitions and investments in several key business areas.

International expansion

Our international expansion program continues to gather pace in all our target markets. Following the sale of our internationally oriented Display Marketing business, our core companies were active in 7 different nations through their own local offices, serving customers in over 200 countries.

Despite a very strong Euro (especially against the US dollar and British pound), non-German sales grew by 12.7% during the period under review and contributed € 162.3 million (comparable prior-year figure: € 144.0 million) to total consolidated sales of € 1,658.9 million.

In the Product segment, our "Webhosting" product line offers country-specific services in Germany, Austria, France, the UK, Spain and the USA. We also serve customers in numerous other countries via our international US website. In 2009, we raised the total number of non-German customer contracts by 290,000 – from 1.93 million as of December 31, 2008 to 2.22 million on December 31, 2009.

In the Online Marketing segment, our brands are represented in 5 European countries and the USA by our own local subsidiaries. Whereas the local teams of affilinet support clients and partners in the current core markets of Germany, the UK, France, Spain and the Netherlands, Sedo is in contact with its international business partners in the highly automated Domain Marketing business solely through its offices in Cologne, London (UK) and Boston (USA).

Acquisition of united-domains

In late 2008 we signed an agreement with the former owner of united-domains, LYCOS Europe NV, concerning the acquisition of united-domains AG. united-domains is a specialist for the fast and simple registration of domain names with over 150 international domain endings. The profitable company was founded in August 2000 and has since become one of Europe's leading domain registries. The cash component of € 34.1 million was settled in February 2009. united-domains has been consolidated in the financial statements of United Internet AG since March 2009. The company continues to be led by its founders, who acquired around 15% of the company's shares in a second transaction.

Acquisition of freenet's DSL business

On May 26, 2009, our subsidiary 1&1 and freenet AG signed an agreement for the acquisition of freenet's DSL business and a preferred distribution partnership in respect of DSL products.

Following extensive preparations, freenet's DSL customers were migrated to our technical platform at the end of 2009. A total of around 0.58 million "contractually binding" customer relationships were transferred in total, for which an amount of around € 126.3 million was paid in cash.

Under the terms of the distribution agreement, which will run until the end of 2014, 1&1 will pay freenet a premium of up to 6,551,000 United Internet shares in addition to its standard DSL commissions. The performance-oriented premium will be payable in four tranches, depending on the achievement of pre-defined annual distribution targets. 1&1 also has the option to pay the premium in cash. The relevant distribution channels are, in particular, approx. 1,000 mobilcom-debitel shops and the internet portal freenet.de. The aim of the sales cooperation is to gain around 500,000 DSL contracts over the next five years.

Sale of Display Marketing business / investment in Hi-media

In the third quarter of 2009 we transferred our Display Marketing business "AdLINK Media" to the listed company Hi-media S.A. in return for a 10.7% stake in Hi-media and an additional approx. € 12.2 million in cash or shares (in the case of a capital increase of Hi-media at a subscription price below € 3.63). With regard to the cash component, Hi-media was granted a vendor loan with a standard market interest rate which is to be repaid by June 30, 2011 at the latest. Following the scheduled closing of the transaction in late August, the Display Marketing business was deconsolidated in accordance with IFRS 5 and is disclosed in these financial statements under "Result from discontinued operations".

Segment development

Product segment posts growth in sales, earnings and customers

The United Internet Group's dominant business remained its Product segment in 2009, with the brands GMX, WEB.DE, 1&1, united-domains, InterNetX and Fasthosts, which together account for 92.1% of total sales.

In fiscal year 2009, sales in this segment grew by 6.7%, from € 1,432.8 million to € 1,528.1 million. Earnings before interest, taxes, depreciation and amortization (EBITDA) improved by 13.5%, from € 298.6 million to € 339.0 million. Earnings before taxes (EBT) reached € 285.2 million, representing growth of 15.0% compared with € 248.1 million in the previous year. Despite high expenses for customer acquisition and retention (conversion to complete packages), the EBT margin thus reached 15.0% (prior-year: 17.3%). Customer acquisition costs continue to be charged directly as expenses. The number of employees in this segment grew by 5.1% to 4,227 (prior year: 4,020).

Financial figures for Product segment
in € million

	Dec. 31, 2008	Dec. 31, 2009	Year-on-year change
Sales	1,432.8	1,528.1	+ 6.7%
EBITDA	298.6	339.0	+ 13.5%
EBIT	248.1	285.2	+ 15.0%

Quarterly development
in € million

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q4 2008
Sales	372.8	372.8	377.3	405.2	371.1
EBITDA	77.9	85.6	94.5	81.0	62.8
EBIT	65.7	72.9	81.5	65.1	50.0

Growth of over 15% in customer contracts

Our very healthy key financials in this segment are closely linked with the dynamic growth of our customer base. As of December 31, 2009 we had 9.15 million fee-based customer contracts (year-end 2008: 7.95 million). These are divided among the three product lines:

Information Management with professional e-mail solutions, messaging, address management, file sharing and 0700 numbers

Webhosting with domains, home pages, dedicated and virtual servers and e-shops

Internet Access with DSL connections (including home networking, telephony and video-on-demand), as well as mobile and narrowband internet access

Customer contracts
in million

2007	2008	2009
7.15	7.95	9.15

In addition to organic growth, we achieved additional growth and drove market consolidation in 2009 through the acquisition of united-domains (incl. around 0.18 million customer contracts) and the DSL business of freenet (incl. around 0.58 million “contractually binding” DSL customer contracts).

Divided according to product lines, the contract figures comprise 1.54 million customer contracts in the field of Information Management, 4.14 million in Webhosting (of which 2.22 million outside Germany) and 3.47 million in Internet Access (of which 3.31 million DSL).

Customer contracts by product line
in million

	Dec. 31, 2008	Dec. 31, 2009	Year-on-year change
Information Management	1.36	1.54	+ 0.18
Webhosting	3.62	4.14	+ 0.52
of which abroad	1.93	2.22	+ 0.29
Internet Access	2.97	3.47*	+ 0.50
of which DSL	2.82	3.31*	+ 0.49
of which resale/T-DSL	2.04	1.49*	- 0.55
of which DSL complete	0.78	1.82*	+ 1.04
Total	7.95	9.15*	+ 1.20

* Incl. around 0.58 million “contractually binding” freenet DSL customer contracts migrated in December 2009, thereof 0.39 million complete packages and 0.19 million resale/T-DSL contracts

Leading position in Information Management and portals

With over 1.54 million portal-based Information Management solutions (mainly professional e-mail accounts), United Internet is a leading supplier of such applications in Germany. At the same time, United Internet Media (the marketer of our portals GMX, WEB.DE and 1&1) boasts a reach of almost 50% of all German internet users. According to the survey "internet facts 2008-III" of the online research working group AGOF, United Internet Media is the second largest supplier of internet advertising in Germany. United Internet's portals rank 2nd (WEB.DE), 4th (GMX) and 41st (1&1) among over 620 online media measured in Germany.

Key player in global webhosting business

With 4.14 million customer contracts around the world, over 67,000 servers, and more than 15 million hosted domains, United Internet and its webhosting brands is one of the world's leading shared and dedicated hosts and a leading global domain registry. We succeeded in enhancing our position in all our markets during 2009 and added over 520,000 new customers.

Webhosting customers by country
in million

	Dec. 31, 2008	Dec. 31, 2009	Year-on-year change
DACH	1.69	1.95	+0.26
UK	0.94	1.00	+0.06
France	0.21	0.26	+0.05
USA	0.74	0.82	+0.08
Spain	0.04	0.11	+0.07
Total	3.62	4.14	+0.52

Leading DSL supplier in Germany

In its German DSL business, United Internet is one of the market's leading suppliers. As of the balance sheet date, we had around 3.31 million contracts (including the acquired freenet contracts). In addition to the migration of freenet's DSL customers to our technical platform, the main focus of our DSL business in 2009 was to raise customer loyalty and expand business with our current client base. Compared with December 31, 2008, we were able to raise the number of our complete packages – which no longer require a separate phone connection – by a total of 1.04 million to 1.82 million.

In addition to United Internet Media, the online marketer of our portals, we are represented by 6 brands in our Product segment:

GMX one of the leading suppliers of communication services

GMX targets private users with its Information Management products. With 8.7 million active users per month, GMX is one of Germany's leading suppliers of mail, messaging and communication solutions. In addition to its free e-mail accounts, GMX also offers fee-based, added-value services and in particular professional, web-based e-mail solutions.

Product highlights 2009

Software download area with over 10,000 programs. As of March 2009, GMX provides all users with an extensive and versatile software download area with around 10,000 free programs and 800 fee-based full versions.

Fast and simple website creation. With its GMX MailDomain & Hosting product, GMX offers an attractive package (incl. .de domain, a gigabyte of storage space, 50 secure e-mail addresses and the GMX Sitebuilder) for individualized websites.

New look for GMX. The new layout was developed on the basis of usability and variant tests for a variety of designs with several 100,000 users and then further optimized over several months. The implementation drew on the feedback and surfing behavior of those users who tested the various designs in live operation.

WEB.DE, Germany's No. 2 portal

WEB.DE is Germany's second largest portal with 13.9 million internet users per month. In addition to its free basic services, WEB.DE also offers fee-based products – including the popular WEB.DE Club.

Product highlights 2009

WEB.DE launches "Navigator". A variety of web services for communication and shopping and the respective log-ins (e.g. for forums, blogs or communities such as Facebook) can be centrally administered straight from the user's personal mailbox.

WEB.DE's "trustedDialog" e-mail seal. In cooperation with Postbank, eBay, Weltbild, 1&1, OTTO and GMX, a unique initiative for effective protection of e-mail communication between companies and customers was launched as a reaction to the problem of phishing and spam. "trustedDialog" stands for validity and integrity checks and the authentication of the member companies through the issue of an e-mail seal.

top.de goes online. Star news, photos, videos, profiles and stories from the worlds of film, music, fashion and sport. Up-to-date, enigmatic, cheeky, provocative and photos which show more than others. This was the claim for the launch of WEB.DE's new celebrity portal top.de – lifestyle-oriented, cosmopolitan and trendy.

1&1, a leading ISP in Germany and around the world

1&1 offers a wide range of reliable online applications for consumers, freelancers and small businesses. Services range from webhosting (websites, domains, web shops, payment systems, servers) to fast DSL connections (with DSL telephony, video-on-demand and mobile telephony), mobile and narrowband internet access and personal information management via the internet (e.g. Profi-E-Mail accounts, appointment and address management). 1&1 is one of Germany's leading DSL suppliers and one of the world's largest webhosting companies, with operations in 6 countries.

Product highlights 2009

Home networking with 1&1 DSL-HomeNet. 1&1 DSL-HomeNet is a solution for wireless home networking, which enables various end user devices to use internet, phone and entertainment content, as well as photos, films and songs stored on the web or the user's hard drive.

1&1 Sector Homepage. 1&1's Sector Homepage enables companies to create a professional website in just a few minutes without any prior knowledge. Over 100 sector-specific templates are available – for every possible profession.

1&1 with VDSL. The new VDSL service was launched in September 2009. Compared to previously available ADSL connections, VDSL offers not only significantly higher download bandwidths but also up to ten times faster uploads. Various high-speed packages of up to 50,000 kBit/s are available.

united-domains – the domain specialist

united-domains is a specialist for international domain registration of over 150 domain endings – from .ar (for Argentina) to .za (for South Africa). The company mainly targets mid-size to large corporations.

Product highlights 2009

Expansion of domain portfolio. united-domains once again focused on expanding its range of domains available for registration in 2009. With the launch of the new ".tel" domain, companies can now publish their contact data directly under a memorable URL.

Integration of "SedoMLS". "SedoMLS" is the marketing tool of the world's largest domain trading exchange Sedo. MLS stands for "Multi Listing Service" and enables sellers to offer their domains also on registry websites, such as united-domains. For their part, buyers can buy "used" domains directly from a registry – while Sedo handles the purchase processing in the background.

InterNetX – the provider's provider in DACH

InterNetX comprises all United Internet's reselling activities in Germany, Austria and Switzerland (DACH). InterNetX markets webhosting products to ISPs and multimedia agencies (resellers), who in turn market them under their own name and for their own account.

Highlights 2009

InterNetX launches new version of AutoDNS. AutoDNS is an in-house development which meets all the requirements of a reliable, simple and fast domain administration service. Above all, the new version boasts enhanced user friendliness. With the aid of AutoDNS, resellers can administer even huge domain inventories – quickly and simply.

Expansion of reseller network. In 2009 InterNetX once again expanded its reseller network. InterNetX now serves over 20,000 resellers for which it hosts more than 2.6 million domains and around 1,400 servers.

Fasthosts – the provider's provider in the UK and USA

Fasthosts is our reseller brand in the UK and USA. Like InterNetX, Fasthosts markets webhosting products to ISPs and multimedia agencies, who in turn market them under their own name. Fasthosts also operates its own direct business with consumers and companies.

Highlights 2009

New reseller platform. In terms of products, Fasthosts focused above all on the launch of a new reseller platform in 2009. With the aid of this new platform, resellers can gain structured access to various reseller services – such as domains, webhosting and e-mail solutions.

Expansion of reseller network. In 2009 Fasthosts continued to expand its reseller network. Fasthosts now serves over 5,000 resellers with more than 500,000 domains in the UK and USA.

Difficult year for online marketing

In the third quarter of 2009 we transferred the Display Marketing business of our AdLINK Media brand to the listed company Hi-media S.A. in return for a 10.7% stake in Hi-media and an additional approx. € 12.2 million in cash or shares. Following the scheduled closing of the transaction in late August, the Display Marketing business was deconsolidated in accordance with IFRS 5 and is disclosed in these and future financial statements under “Result from discontinued operations”.

Whereas the Product segment proved to be highly resistant to the economic crisis, the “Online Marketing” segment was significantly impacted by the crisis and the slump in advertising, as well as by the resulting pressure on prices and margins.

Against this backdrop, sales in the Online Marketing segment fell by 5.0%, from € 136.9 million in the previous year to € 130.1 million. The Online Marketing segment thus accounted for 7.8% of the United Internet Group’s total sales. EBITDA fell by 4.5%, from € 11.0 million in the previous year to € 10.5 million. EBIT increased from € 2.8 million to € 8.5 million. The prior-year EBIT figure contains negative non-recurring effects from goodwill impairment charges of € 6.4 million. The number of people employed in continued operations fell from 335 in the previous year to 318 as of December 31, 2009.

Financial figures for the Online Marketing segment
in € million

	Dec. 31, 2008*	Dec. 31, 2009	Year-on-year change
Sales	136.9	130.1	- 5.0%
EBITDA	11.0	10.5	- 4.5%
EBIT	2.8	8.5	+ 203.6%

Quarterly development
in € million

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q4 2008*
Sales	36.4	33.4	31.6	28.7	34.0
EBITDA	3.0	1.8	2.0	3.7	0.3
EBIT	2.6	1.2	1.5	3.2	-6.6

* EBIT 2008 includes a non-recurring negative effect of € 6.4 million from goodwill write-downs

Sedo: World's leading domain marketing company

Sedo operates the global domain trading platform sedo.com, where some 15.1 million domains are currently traded following a quality and efficiency drive. In its domain parking business, Sedo markets some of these domains to advertisers for domain marketing purposes on behalf of the domain owners. Sedo takes a share of the revenues generated from marketing on a pay-per-click basis.

Highlights 2009

Takeover of RevenueDirect. In late February 2009, Sedo acquired the US domain parking supplier RevenueDirect. The acquisition significantly expanded the company's market share in North America.

Launch of free valuation tool. With the aid of this valuation tool, domain owners interested in selling can access a free automated, price suggestion service based on market prices via Sedo's price database.

Expansion of inventory. Sedo raised the number of domains available for domain parking from 6.2 million at year-end 2008 to 6.8 million domains at the end of 2009.

Affilinet: Key player in core European markets

affilinet is active in the field of Affiliate Marketing and operates a network for suppliers of affiliate programs and website owners wishing to integrate such programs into their websites. affilinet profits from the contacts and sales initiated via the network on a purely performance-oriented basis.

Highlights 2009

Integration of a voucher tool. In March 2009, affilinet launched a voucher tool to raise program success and commissions. Advertisers easily produce vouchers and provide them to their publishers in order to raise sales of their products.

Launch of "affilinet Search Manager". The Search Manager enables publishers to quickly and effectively optimize their search word marketing and thus improve the efficiency and profitability of the advertising partners.

Portfolio expansion. In 2009, affilinet raised the number of affiliate programs by 19.7% to 1,841. The number of affiliated websites was also expanded by 5.4% to 495,000.

Group investments

In addition to its (fully consolidated) core operating brands in the Product and Online Marketing segments, United Internet also holds investments in a number of other companies.

Investments in listed companies

As of December 31, 2009 United Internet holds 25.21% of the capital stock of Versatel AG, Berlin. In the first 9 months of 2009 (the annual financial statements of Versatel are not published until after the editorial deadline of this report), Versatel posted negative consolidated net income of around € 31.0 million. The company’s market capitalization or stock exchange value amounted to around € 352 million as of December 31, 2009.

In an over-the-counter transaction, United Internet sold the 10,798,817 shares (corresponding to 8.43% of voting rights) which it held directly in freenet AG, Büdelsdorf, on August 26, 2009. The proceeds from the sale amounted to € 93.95 million, corresponding to a price of € 8.70 / share. On December 11, 2009, MSP Holding GmbH, previously jointly held by United Internet AG and Drillisch AG in equal parts, acquired United Internet's stake in MSP to hold itself. Drillisch AG thus became the sole shareholder of MSP. In return MSP Holding GmbH transferred 50% (5,285,591 shares) of its shares in freenet AG to United Internet AG, which thus directly held 4.98% of freenet shares as of December 31, 2009. The contractual voting commitment between MSP, Drillisch and United Internet regarding their shares in freenet AG remains unchanged. According to preliminary figures, freenet posted a strongly positive consolidated net income of € 256.5 million in its financial year 2009 – due in part to the sale of its DSL business and the webhoster Strato. The company’s market capitalization amounted to around € 1.2 billion as of December 31, 2009.

United Internet has held an investment in Goldbach Media AG, Küsnacht-Zürich / Switzerland since 2007. As of December 31, 2009 the share of voting rights still amounted to 14.99%. Goldbach Media posted a positive consolidated net income of € 7.4 million in its financial year 2009. The company’s market capitalization amounted to around € 105 million as of December 31, 2009.

In addition to a cash component, the transfer of the Display Marketing business “AdLINK Media” to Hi-media in mid 2009 was made in exchange for a shareholding of 10.70% in Hi-media, Paris / France. In the first half of 2009 (the annual financial statements of Hi-media are not published until after the editorial deadline of this report), Hi-media posted a positive consolidated net income of € 2.6 million. The company’s market capitalization amounted to around € 218 million as of December 31, 2009.

Investment fund with the Samwer brothers

Together with the Samwer brothers, United Internet has been investing since mid 2007 in funds with a variety of focus areas. United Internet has held a stake in the European Founders Fund GmbH & Co. Beteiligungs KG No. 1, a fund for early-phase financing, since the middle of 2007. As of 2008, United Internet also holds a stake in a further joint fund set up in late 2007 for so-called “later-stage investments”, the European Founders Fund GmbH & Co. Beteiligungs KG No. 2. In a contract dated March 5, 2008, United Internet also acquired a stake in the European Founders Fund GmbH & Co. Beteiligungs KG No. 3. This fund specializes in small percentage investments in “later-stage companies”.

In fiscal year 2009, United Internet invested € 4.4 million in EFF No. 1 and via the fully consolidated EFF No. 3 fund, € 0.1 million in portfolio companies. No investments were made in EFF No. 2 fund.

Proceeds from the sale of portfolio companies or shares totaled € 6.5 million in 2009.

As of December 31, 2009 a total of 69 investments were held via the 3 funds.

Further investments as of December 31, 2009

Whereas fun communications GmbH and virtual minds AG posted strongly positive results in the past financial year, BW2 Group AG is still realigning its business model and posted a loss in fiscal year 2009.

In addition to these investments, United Internet (via 1&1 Internet AG) holds a 50% stake in maxdome GmbH & Co. KG, a joint venture with ProSiebenSat.1 in the field of video-on-demand. maxdome posted a negative result in its financial year 2009.

Investments sold in 2009

In an over-the-counter transaction, United Internet AG sold the 5,150,000 shares it held in Drillisch AG on October 16, 2009. The sales proceeds amounted to € 21.63 million, corresponding to a price of € 4.20 / share.

Following completion of the integration of Jimdo software into 1&1’s hosting technology, United Internet retired as a shareholder of Jimdo GmbH in early November.

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

Solid growth in operating business

United Internet was able to achieve significant year-on-year improvements in all key operating figures at Group level. Despite a very strong euro, especially against the US dollar and British pound, and an online advertising sector badly hit by global recession, consolidated sales of United Internet AG grew by 5.6% – from € 1,570.4 million in the previous year to € 1,658.9 million in fiscal year 2009. Thanks to a business model based overwhelmingly on electronic subscriptions, the Product segment enjoyed even stronger growth – although the reduced spending of our advertising customers was also noticeable in portal marketing. Segment sales rose by 6.7%, from € 1,432,8 million in the previous year to € 1,528.1 million. The Online Marketing segment was unable to escape the impact of the economic crisis and the resulting fall in advertising spending. As a result, segment sales fell by 5.0% to € 130.1 million.

Consolidated gross margin fell in total from 40.0% in the previous year to 38.7%. The main reasons were high expenses for converting our DSL customers to complete packages – which represent an initial burden on earnings – and the pressure on margins in the field of online advertising.

Due to reduced advertising expenditure following the takeover of freenet's DSL business, sales and marketing expenses fell from € 268.1 million (17.1% of sales) in the previous year to € 228.0 million (13.8% of sales). In the period under review, administrative expenses grew from € 80.8 million (5.1% of sales) to € 92.7 million (5.6% of sales) as a result of a strong increase in headcount during 2008.

Ordinary earnings before interest, taxes, depreciation and amortization (EBITDA) improved by 12.4% from € 316.9 million to € 356.1 million. After consideration of non-recurring income of € 60.6 million from the sale of shares in freenet and Drillisch, EBITDA grew by 31.5%, from € 316.9 million to € 416.7 million. Ordinary earnings before interest and taxes (EBIT) were up 13.5%, from € 264.3 million to € 300.0 million. Including goodwill write-downs of € 6.4 million in 2008 and the above mentioned non-recurring income from the sale of investments in 2009, EBIT grew by 39.8% from € 257.9 million to € 360.6 million.

Whereas earnings before taxes (EBT) and net income were burdened last year by write-downs on investments amounting to € 272.6 million, both figures increased in fiscal year 2009 due to net positive extraordinary income of € 75.6 million (sale of freenet and Drillisch shares, write-ups on the MSP holding and write-downs in particular on Versatel shares). After consideration of these special items, EBT grew from € -48.3 million to € 327.7 million. Consolidated net income from continued operations rose from € -118.1 million to € 271.2 million. This figure includes net positive tax adjustments of € 26.6 million. Including discontinued operations of the Online Marketing segment, net income rose from € -121.5 million to € 283.2 million. As a consequence, earnings per share (EPS) rose from € -0.52 in the previous year (including € -1.20 from write-downs on investments and € -0.01 from discontinued operations) to € 1.22 (including € 0.47 from net positive special items and € 0.05 from discontinued operations).

Group financial figures
in € million

	Dec. 31, 2008*	Dec. 31, 2009**	Year-on-year change
Sales	1,570.4	1,658.9	+ 5.6%
EBITDA	316.9	416.7	+ 31.5%
EBIT	257.9	360.6	+ 39.8%

Quarterly development
in € million

	Q1 2009	Q2 2009	Q3 2009**	Q4 2009**	Q4 2008*
Sales	409.4	406.3	409.1	434.1	405.2
EBITDA	83.5	90.2	145.6	97.4	68.0
EBIT	70.8	76.8	132.2	80.8	48.1

* 2008: negative special items in EBIT of € 6.4 million from goodwill write-downs
** 2009: positive special items in EBITDA and EBIT of € 50.2 million in Q3 and € 10.4 million in Q4 from sale of shares (freenet and Drillisch)

Cash flow, investment and finance

Due to the successful development of business, operative cash flow rose strongly from € 210.5 million in the previous year to € 251.2 million.

There was even stronger growth in net cash flow from operating activities from € 153.0 million to € 313.1 million as a result of net positive tax adjustments and the deconsolidation of the "AdLINK Media" Display Marketing business.

Net cash flow for investing activities amounted to € 110.2 million in the period under review. Cash outflows were dominated by capital expenditures of € 175.0 million (of which € 126.3 million for the acquisition of freenet's DSL business) and the purchase of shares in affiliated companies totaling € 33.0 million (of which € 32.5 million for the acquisition of united-domains AG). The main cash proceeds included payments from the sale of associated companies of € 93.9 million (of which € 92.9 million from the sale of freenet shares) and payments from the sale of financial assets of € 23.0 million (of which € 21.4 million from the sale of Drillisch shares). In the previous year there was a net cash outflow for investing activities of € 237.2 million, whereby the acquisition of shares in associated companies (mainly freenet and Versatel) accounted for € 160.7 million.

Net cash outflows for financing activities amounted to € 142.8 million, compared to a net cash inflow of € 85.0 million in the previous year. In fiscal year 2009, cash flow from financing activities was dominated by the redemption of loans amounting to € 143.2 million, whereas the main items in the previous year were the assumption of new loans (€ 172.5 million), disbursements for the purchase of treasury shares (€ -51.6 million) and dividend payments (€ -45.9 million).

Assets and equity

Compared with December 31, 2008, the balance sheet total grew from € 1,102.0 million to € 1,323.4 million as of December 31, 2009. Shares held in associated companies fell from € 221.7 million to € 126.6 million. This was mainly due to write-downs on Versatel shares, United Internet's retirement as a shareholder of MSP Holding GmbH and the sale of freenet shares. Other financial assets rose from € 72.8 million to € 160.5 million, mainly as a result of a reclassification of the remaining freenet shares to this balance sheet item.

Following the purchase of freenet's customer base (€ 126.3 million), intangible assets grew from € 97.5 million to € 228.3 million.

Goodwill increased from € 378.9 million to € 398.9 million. The highly profitable Product segment accounted for around € 322 million of this amount.

Cash and cash equivalents amounted to € 116.8 million as of the balance sheet date – compared to € 55.4 million in the previous year. Trade accounts receivable fell from € 119.1 million to € 91.3 million, mainly as a result of the sale of the "AdLINK Media" Display Marketing business.

Further details on financial instruments used by the Group are provided in section 41 of the notes to the consolidated financial statements.

Despite the acquisition of united-domains AG and the payment of the payment price for freenet's DSL business, net bank liabilities were reduced significantly from € 489.0 million to € 283.4 million.

Treasury shares held by United Internet AG decreased from 22,000,000 in the previous year to 10,272,371 shares as of the balance sheet date, mainly due to the cancellation of 11,625,656 treasury shares in December 2009. This retirement of treasury shares resulted in a reduction in capital reserves from € 163.9 million in the previous year to € 40.0 million. Due to the Group's strong consolidated net income, the equity ratio improved significantly from 13.2% as of December 31, 2008 to 33.2% at year-end 2009.

Further details on the objectives and methods of the Group's financial risk management are provided in section 43 of the notes to the consolidated financial statements.

Result of operations, financial position and net assets of the parent company

Earnings of United Internet AG

In the period under review, sales of United Internet AG amounted to € 3.6 million (prior year: € 3.8 million) and mainly comprised services and rent charged to the Group's subsidiaries.

Other operating income of € 121.8 million mainly results from the sale of shares in freenet AG acquired in 2008 (€ 56.4 million), income in connection with the exchange of shares in MSP-Holding GmbH for freenet shares (€ 34.7 million) and the write-up of treasury shares held as of the balance sheet date (€ 30.1 million) due to share price increases in 2009.

Investment income from the operating subsidiary 1&1 Internet AG and from United Internet Beteiligungen GmbH led income from profit transfer agreements to increase from € 250.9 million in the previous year to € 278.9 million.

In the previous year there were expenses from loss transfers of United Internet Beteiligungen GmbH (€ -93.4 million) and write-downs on financial assets and marketable securities due to the negative share price developments of freenet AG (via MSP Holding), Versatel AG, and the treasury shares held by United Internet AG (total: € -342.6 million). As a result of the share price development of Versatel AG, a write-down of € 27.6 million was made as of the balance sheet date 2009.

The parent company's result from ordinary activities amounted to € 345.2 million – compared to a loss of € 218.4 million in the previous year. The company's net income reached € 298.2 million, following a net loss in the previous year of € 279.3 million.

Assets and financial position of United Internet AG

The parent company's balance sheet is mainly influenced by shares in affiliated companies amounting to € 404.5 million (prior year: € 403.1 million) as well as by investments of € 150.1 million (prior year: € 169.6 million).

Additions to investments totaled € 61.4 million and resulted from the purchase of 1,090,000 shares in freenet AG from MSP Holding (€ 9.9 million) and from the transfer of shares in freenet held by MSP Holding GmbH to United Internet AG at fair value (€ 51.5 million). Disposals of investments amounted to € 53.3 million and resulted from the sale of shares in freenet AG acquired in 2008 (€ 36.5 million) and from the retirement of United Internet AG as a shareholder of MSP Holding GmbH (€ 16.8 million).

Bank liabilities of United Internet AG were reduced strongly by € 130 million to € 400 million (prior year: € 530 million). These bank liabilities consist of a syndicated loan, € 250 million of which had been drawn as of the balance sheet date (prior year: € 380 million), and a promissory note loan of € 150 million placed in 2008. Including liquid funds, net bank liabilities fell from € 514.2 million in the previous year to € 326.2 million as of the balance sheet date. Due to the positive development of earnings and greatly reduced liabilities as of December 31, 2009, the equity ratio improved to 51.5% (prior year: 31.0%).

Capital reduction

On the basis of an authorization granted by the Annual Shareholders' Meeting, and with the approval of the Supervisory Board, the Management Board resolved in December 2009 to cancel a total of 11,625,656 shares from its stock of treasury shares purchased in the course of share buyback programs. As a result, the capital stock of United Internet AG was reduced to € 240 million by means of a simplified capital reduction process. The capital reduction was conducted in order to optimize the company's balance sheet and capital structure. In execution of this resolution, 11,625,656 registered no-par value shares with a notional share of capital stock of 1 euro each were cancelled. As a consequence, capital stock decreased from € 251,625,656 to € 240,000,000 and the number of issued shares fell correspondingly from 251,625,656 to 240,000,000 shares. Issued shares continue to represent a notional share of capital stock of 1 euro each. The capital reduction became effective as of December 21, 2009.

Dividend

Due to the high amount of write-downs on investments in the previous year, no dividend was paid for fiscal year 2008. The Management Board and Supervisory Board will discuss their dividend proposal for fiscal year 2009 at the Supervisory Board meeting on March 24, 2010.

Group research and development

R&D results quickly translated into marketable products

United Internet’s brands stand for portal services and internet access, but also for innovative web-based products and applications which are mostly developed in-house. The success of United Internet’s brands is rooted above all in an ability to develop, combine or adapt innovative products and services and launch them on major markets.

With our own development teams, we are able to quickly translate new ideas and trends into marketable products and continually enhance products already on the market, adapting them to changing market needs – a key success factor in the fast-moving internet market. Our expertise in product development and market roll-out minimizes our reliance on third party developments and supplies in many areas and thus gives us decisive competitive and time-to-market advantages.

At our development centers in Karlsruhe and Bucharest, over 1,000 developers, product managers and technical administrators use mainly open source code (Linux) in clearly defined and modeled development environments. We also use third-party programming services in order to swiftly and efficiently implement specific projects. We can thus quickly change existing basic applications of our products and adapt them to changing customer needs. The modules of this system can be easily combined and provided with product-specific or country-specific user interfaces in order to create a wide variety of powerful and integrated applications.

Due to our steady growth in customer figures, the demands placed on our products with regard to reliability and availability are also constantly rising. We meet these demands with IT solutions which we develop ourselves or purchase from partners, and then modify and integrate into our systems. In addition to the development of new products and the continual optimization of or back-end operations (e.g. the administration and configuration tools for our customers), we also focus on continually enhancing existing processes in order to raise customer satisfaction. For example, we are permanently working on improvements to the interfaces with our various pre-service providers.

The overwhelming majority of our product developments and implementations in 2009 were for our Product segment. These focused in particular on expanding line and computing capacities as well as developing web-based applications.

Launch of 1&1’s Sector Homepage

The 1&1 Sector Homepage was launched in March 2009. The new product targets mainly small companies and enables them to create a professional website in just a few minutes without any prior knowledge. The 1&1 Sector Homepage enables us to offer complete solution packages (comprising domain, hosting and publishing) to our customers. Over 100 sector-specific templates are provided, with designs and applications tailored to the needs of various client businesses. The respective sector requirements were researched during the development phase by means of extensive market surveys and one-on-one discussions with industry experts.

Development of 1&1 Dynamic Cloud Servers

With its Dynamic Cloud Server, United Internet is the first provider in Germany to develop a new type of server model. Users can freely choose the amount of RAM, processor speed, and disk storage they need of the server's capacity and flexibly adjust their settings according to requirements. Invoicing is based on the actual performance required for their respective applications. Customers can also choose optimized default settings for standard applications, such as mail, database, webhosting or game servers. Should the demands placed upon the server's capacity subsequently change, the settings for processor speed, RAM and disk storage space can be adjusted via a simple-to-use control panel. The technical basis for the 1&1 Dynamic Cloud Server is the XEN virtualization platform.

"De-Mail" pilot project started

The Citizens Portals project (De-Mail) forms part of the German government's high-tech strategy. Under the leadership of the Federal Ministry of the Interior, the project aims to create a secure, uncomplicated infrastructure with which citizens, businesses and the administration can exchange legally valid electronic documents via the internet. Our GMX and WEB.DE brands are among the leading players in the "De-Mail" project and established the technical prerequisites for meeting the strict security and data protection standards during the course of 2009. Secure log-in procedures and connections, encrypted and closed transport paths ensure the safe sending and receiving of "De-Mail". A "De-Mail" pilot project was launched in Friedrichshafen, Germany, in October 2009. In addition to other private-sector companies and public authorities, GMX and WEB.DE were also involved in the local "DE-Mail" test operation. Following the completion of the pilot project, the official nationwide roll-out of "De-Mail" is scheduled for 2010.

Further development of Shared Hosting architecture

In 2009 work began on enhancing the existing Shared Hosting architecture, which enables a web server to host the websites of various hosting customers. The existing architecture consisting of individual servers will be gradually converted to a cluster system. This involves clustering the server components "data storage" and "processor / RAM" on separate units, allowing greater system scalability. The prerequisites for the geo-redundant operation of our Shared Hosting services were also created. As of late 2009, part of our European customer data is already being mirrored between our data centers in Karlsruhe and Baden-Airpark – in addition to conventional backups within each data center. This results in a further increase in operating availability and a further decrease in the risk of server downtime. An expansion of geo-redundant data storage between Germany and the USA is also already being prepared.

Development of network-based relocation system

During the course of relocation measures in the USA, an efficient, network-based system for relocating dedicated servers was developed. With the aid of an automated process, data are transferred via the network from source to destination servers. Apart from the logistic challenges of relocating servers between data centers, the huge range of different hardware constellations in the source and destination systems has to be considered, as well as their capabilities with regard to Linux and Windows systems. With the aid of a network-based relocation, downtime can be minimized to just a few hours – in contrast to the physical removal of hardware. In addition to this “offline process”, an “online process” for Linux systems has been developed which also enables servers to be relocated during operation – in particular cases – and thus reduces downtime to just a few minutes. In future, the newly developed processes will make it possible to migrate dedicated servers even more easily to newer platforms.

Risk report

Risk management system

Above and beyond the statutory requirements, United Internet AG attaches great importance to its comprehensive risk management system. The aim of group-wide risk management is to systematically deal with potential risks as well as to promote a risk-oriented approach throughout the entire organization. This controlled approach to risks is aimed at utilizing existing opportunities to the full and enhancing the company's success. The concept, organization and task of group-wide risk management are defined by the Management Board and Supervisory Board of United Internet AG and documented in a risk manual which is valid for all members of the Group. These requirements are regularly compared and adapted to changing legal conditions and continually developed.

As part of our risk management process, we identify, classify and evaluate company risks in a standardized group-wide system with clear allocation of responsibilities. We use our risk management system not only to identify risks which may endanger the Group's continued existence, but also to identify and monitor those risks which do not jeopardize our existence but which may have a negative impact on the Group's net assets, financial situation and results of operations.

In fiscal year 2009, we launched a company-wide risk inventory program, which is still continuing at present. The identified risks were assessed according to the probability of their occurrence. Wherever economically reasonable, risk-limiting measures were defined for each significant risk. In addition, local risk managers have been made responsible for the risk management process at our subsidiaries and major investments. In order to facilitate the group-wide exchange and comparison of risk information, these local risk managers meet with the Group's central risk management team at regular Risk Manager Meetings.

The current risk status is communicated to the Management Board and Supervisory Board on a quarterly basis. Sudden important risk occurrences or significant changes in the risk situation trigger an ad-hoc reporting obligation. The respective risk is then communicated immediately to the Management Board, and where necessary by them to the Supervisory Board.

Risks for future business development

The most significant risks and uncertainties to which the United Internet Group is exposed are presented below.

External risks

Threat potential of the internet

United Internet AG generates its commercial success largely within the environment of the internet. Our product portfolio comprises high-quality internet and telecommunication applications, as well as technically complex value-added products. In order to provide our products and services, we use information and telecommunication technologies (data centers, transmission systems, connection nodes etc.) in our business processes which are closely networked with the internet.

There is a general risk of hacker attacks with the aim of stealing, deleting customer data or using services fraudulently. We counter this risk with the aid of virus scanners, firewalling concepts and various technical monitoring mechanisms. In addition, there is a risk of DDoS attacks (DDoS = Distributed Denial of Service), which may lead to an overloading of our technical systems and server downtime. In order to deal with such risks more quickly in future, a monitoring and alarm system was installed in 2009, together with the necessary processes and documentation.

United Internet is committed to continually enhancing and updating its security concept with the aid of its IT Security Management system. However, despite our IT security measures, the possibility of hackers gaining access to company networks, or customer accounts, and fraudulently using services (e.g. internet telephony) cannot be ruled out completely. To this end, emergency concepts and automated routines have been developed to minimize the possible damage and protect the interests of our customers.

Over the past years there has been a steady increase in the amount of spam e-mails on the internet. For the mailing systems of United Internet, this has resulted in a significant rise in our capacity utilization with the effect that processes are being impeded. Against this backdrop, we take various precautions to keep spam to a minimum. Our active participation in cross-border working groups enables us to play a role in the definition of mail security standards, for example.

Should any of the above risks occur, this could have a negative impact on our image and reduce the trust placed in United Internet AG. In addition, the fraudulent use of our services can cause considerable economic damage.

Market regulation

In the field of broadband internet access, the decisions of the Federal Network Agency and Federal Cartel Office in Germany have an influence on the pricing of broadband internet access tariffs in the Product segment. (Authorized) price increases of network providers from whom United Internet purchases pre-services for its own customers can have a negative impact on the profitability of our tariffs. In the same way, there is also the possibility that a lack of regulation may lead to a deterioration of market circumstances for United Internet. United Internet attempts to counter this increasing regulation risk by cooperating with several supply partners in our internet access business and by actively participating in the activities of our industry representatives, such as the Association of Telecommunications and Value-Added Service Providers (VATM). Decisions taken by the Federal Network Agency in the field of internet telephony (VoIP) also have an impact on our business processes. External requirements (e.g. legislation) of existing processes and new regulatory conditions could result in higher costs, which might have a negative impact on the competitiveness of United Internet and thus also on its profitability.

Competition
The German DSL market is still in a phase of market share allocation. With the acquisition of the DSL business of freenet AG and the resulting strong increase in internet access customers, we have gained a much stronger positioning on the DSL market. In addition to our major competitors, a variety of local town network operators, cable network operators and other network operators with their own infrastructure are active on the market. Increasing competition, rising customer acquisition costs or falling prices might negatively impact our targeted market share of new customers and/or our net assets, financial situation and results of operations. United Internet attempts to counter these risks, for example, by developing innovative and high-value products, as well as exclusive sales channels. We seek to counter a possible increased propensity to switch providers by strengthening customer retention, offering complete packages and implementing regular service and quality measures.

Dependency on customers / business partners
The advertising budgets of advertisers are highly dependent on the economic development, which is currently subject to many uncertainties in view of the ongoing global economic crisis. As a consequence of the global recession, advertising budgets are often awarded solely for individual campaigns. In our Online Marketing segment, a considerable proportion of sales is generated with just a few key accounts in some cases. Should these business partners limit or cancel their relations with us, this would lead to a significant deterioration of our net assets, financial position and earnings in the Online Marketing segment.

Operating risks

Product development
One of our key success factors is the development of new products and services for our core brands, which we offer to new and existing customers in order to raise the number of our customer contracts and strengthen customer retention. There is always a risk, however, that new developments might be launched too late on the market or not accepted by the target group. United Internet AG attempts to minimize such risks by closely observing market trends and undertaking product development which constantly responds to the feedback of our customers. Together with the Samwer brothers, we hold equity interests in European internet and technology companies via our investment funds, with the aim of also profiting in future from their innovations and technologies.

Use of hardware and software
Our products and related business processes are based on a complex technical infrastructure and a number of success-critical software systems (servers, customer relationship databases and statistics systems etc.). This infrastructure is subject to various malfunction risks, e.g. from overloading or technical defects. In addition, there is also the risk of targeted attacks from inside and outside the Company, e.g. from hackers or willful manipulation by staff with access rights. The integration of externally purchased business applications into the existing system landscape also bears the risks of interruptions and malfunctions due to the inherent complexity of these systems. Non-availability or deterioration of our services could have a sustained negative impact on our

image and thus on our operating business. In order to counter this risk, we take a wide variety of software- and hardware-based safety precautions which protect our infrastructure and its availability. By dividing responsibilities, we have made sure that activities or business transactions involving risks are not carried out by single employees but on the basis of the "four-eye principle". Manual and technical access restrictions also ensure that employees may only operate within their particular area of responsibility. As an additional precautionary measure against data loss, all data are regularly backed up and stored in separate, i.e. geo-redundant, data centers.

Legal risks

Property rights

Both United Internet and its competitors attempt to protect their property rights and proprietary technologies by means of patents, trademarks and copyrights. An infringement of our patents, trademarks and copyrights by competitors, however, cannot be completely excluded. This may reduce the competitive advantage we have achieved. In the same way, United Internet may also face damage claims for infringing rights or patents of which we had no knowledge.

Data protection

United Internet stores the data of several million customers on its servers. The handling of these data is subject to a variety of legal regulations. We are aware of this responsibility and attach great importance to data protection, which is given particularly high priority throughout the company. By using state-of-the-art technology and continually monitoring all data-protection regulations, we endeavor to guarantee a high standard of security. However, should employees or third parties succeed, despite all security precautions, in willfully breaking through the various protection measures and stealing personal data, United Internet might be made liable for such abuse.

Other risks

Acquisitions

Our long-term growth strategy also involves the option of quickly achieving critical mass in certain markets by means of acquisition, diversifying into new business models, and generally utilizing favorable market and consolidation opportunities. Should the acquired companies not fulfill the expectations we placed in them, or should the expected synergies prove worse than planned, this may have a negative impact on the profitability and financial position of United Internet. We generally counter this risk by means of extensive due diligence audits prior to acquisitions, but cannot exclude such risks completely.

Write-downs / impairment

The same applies for our, generally strategic, investments in listed companies. A change in the valuation basis caused by falling global share prices may require extensive write-downs on such investments – as was the case in fiscal 2008. Depending on the further share price performance of our listed investments, further non-cash burdens on earnings may also result in future from non-scheduled write-downs and impairments.

Additional disclosures on the risks, financial instruments and financial risk management of the parent company United Internet AG

The main financial liabilities incurred by the parent company for the financing of its activities include bank loans and promissory note loans, overdraft facilities and other financial liabilities.

United Internet AG holds various financial assets which result directly from its business activities. They consist mainly of shares in affiliated companies and investments, as well as receivables from affiliated companies. As of the balance sheet date, the Company mainly held primary financial instruments and derivative financial instruments from interest hedging agreements.

The aim of financial risk management is to limit risks through ongoing operating and financial activities. The Company is hereby exposed to certain risks with regard to its assets, liabilities and planned transactions, especially liquidity risks and market risks, as described below.

Liquidity risk
The general liquidity risk of United Internet consists of the possibility that the Company may not be able to meet its financial obligations, such as the redemption of financial debts. The Company's objective is to continually cover its financial needs and secure flexibility by using overdraft facilities and loans.

Our group-wide cash requirements and surpluses are managed centrally by our cash management system. By netting these cash requirements and surpluses within the Group, we can minimize the amount of external bank transactions. Netting is managed via our cash pooling process. The Company has established standardized processes and systems to manage its bank accounts and internal netting accounts as well as for the execution of automated payment transactions.

In addition to operating liquidity, United Internet also holds other liquidity reserves, available at short notice. These liquidity reserves consist of syndicated credit lines with varying terms.

The Company has no significant concentration of liquidity risks at present.

Risks from financial covenants
The existing credit lines of United Internet AG are tied to so-called financial covenants. An infringement of these covenants may cause the lender to terminate the financial arrangement and demand immediate repayment of the amounts drawn. The covenants contained in the loan agreements of United Internet require the Company to maintain a specified net debt-to-EBITDA ratio and a specified EBITDA-to-interest ratio. These ratios are used to calculate the relative burden which the financial liabilities and interest payments place on the Company. In view of the far superior ratios of United Internet at present, the probability of infringement is regarded as low. Compliance with the covenants is regularly monitored by the Company's Management Board.

Market risk
The activities of United Internet AG are exposed in particular to financial risks from changes in interest rates, exchange rates and stock exchange prices.

Interest risk
The Company is exposed to interest risks as the major share of its borrowing as of the balance sheet date bears variable interest rates with varying terms. As part of its liquidity planning, the Company constantly monitors the various investment possibilities and debt conditions. Any borrowing requirements are met by using suitable instruments to manage liquidity, while surplus cash is invested on the money market to achieve the best possible return. Due to developments on the global finance markets, the interest risk remained largely unchanged.

Market interest rate changes might have an adverse effect on the interest result and are included in our calculation of sensitive factors affecting earnings. In order to present market risks, United Internet has developed a sensitivity analysis which shows the impact of hypothetical changes to relevant risk variables on pre-tax earnings. The reporting period effects are illustrated by applying these hypothetical changes in risk variables to the stock of financial instruments as of the balance sheet date.

In order to reduce its interest risk, the Company already concluded two interest hedging transactions in fiscal year 2008 with a total amount of €200 million.

Currency risk
United Internet's currency risk mainly results from its operations (if revenue and/or expenses are in a currency other than the Group's functional currency) and its net investments in foreign subsidiaries. In the period under review, there were no foreign exchange risks with a significant impact on the cash flows.

Stock exchange risk (valuation risk)
A stock exchange risk mainly results from investments in listed companies. These investments are carried at cost. Should the (proportional) stock exchange value of an investment permanently lie below its acquisition cost, the Company recognizes an impairment of the financial instrument in its income statement.

Capital management
In addition to the legal provisions for stock corporations, the Company has no further obligations to maintain capital according to its statutes or other agreements. The key financial indicators used by the Company are mainly performance-oriented (sales, gross margin, EBITDA and EBIT). The targets, methods and processes of capital management are thus subordinate to these performance-oriented financial indicators.

In order to maintain and adapt its capital structure, the Company can adjust dividend payments or pay capital back to its shareholders, can issue new shares or purchase treasury shares. As of December 31, 2009 and December 31, 2008, no changes were made to the Company's targets, methods and processes.

Tax risk from customer acquisition costs

In the course of the completed tax audit for the assessment periods 2002 to 2005, there were findings with regard to the income tax treatment of so-called customer acquisition costs. Due to their sales cost character, these costs are expensed when incurred. According to the tax authority, certain parts of these costs are to be deferred beyond the minimum contract terms.

A mobile phone operator currently has a lawsuit pending at the German Federal Finance Court (BFH) in this matter. As this lawsuit is currently expected to be successful, no tax accrual was formed for the period following the tax audit.

Should these expectations not be met, income tax expenses in the low tens of millions may result, in line with the Group's business volume. In this case, United Internet will assess the verdict reasons and then decide whether amendments should not also be made to its accounting of customer acquisition costs.

Assessment of the overall level of risk

The main risks for the Company's current and future net assets, financial situation and results of operations focus on the areas of potential threats via the internet, market regulation, competition, the use of hardware and software, and acquisitions. The further expansion of our risk management system enables us to proactively counter such risks and to limit them to a minimum, where sensible, by implementing specific measures. We judge the probability of such occurrences as very low to limited. There were no risks which directly jeopardized the continued existence of United Internet AG in the fiscal year 2009, neither from individual risk positions nor from the overall risk situation for the United Internet Group.

Main features of the accounting-related internal control and risk management system

In accordance with Sec. 289 (5) and Sec. 315 (2) No. 5 German Commercial Code (HGB), United Internet AG is obliged for the first time to describe the main features of its accounting-related internal control and risk management system in its Management Report for the fiscal year ending December 2009. The scope and structure of the specific requirements for United Internet AG are at the discretion and within the responsibility of the Management Board. United Internet AG regards risk management as part of its internal control system, which is based on the internationally recognized COSO framework ("Internal Control – Integrated Framework") as defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Internal Audit division is responsible for independently auditing the functionality of the internal control system. In order to conduct its duties, Internal Audit has been granted extensive rights with regard to information, examination and access.

Risk assessment

United Internet AG regards risk management as a measure to detect and assess risks, reduce them to an acceptable level, and monitor recognized risks. A risk management system requires organized action to deal suitably with uncertainty and threats and urges employees to utilize the regulations and instruments required to ensure compliance with the risk management principles.

The risk management system of United Internet AG is a system with which risks can be identified and assessed, especially those business events which may jeopardize the company's existence. In addition to operative risk management, it also includes the systematic early recognition, management and monitoring of risks. The accounting-related risk management system focuses on the risk of false statements in accounting and external reporting.

Specific accounting-related risks may arise, for example, from the conclusion of unusual or complex transactions, especially if they are time-critical and toward year-end. Business transactions which cannot be processed in a routine manner are also exposed to latent risks. It is necessary to grant a limited circle of people certain scope for discretion in the recognition and measurement of assets and liabilities, which may result in further accounting-related risks.

The Internal Audit division of United Internet AG ensures the functionality and effectiveness of the risk management system by means of audits as part of its monitoring duties.

Description of the internal control system

The accounting-related internal control system of United Internet AG comprises all principles, procedures and measures to secure the effectiveness, economic efficiency and compliance of the accounting system and to ensure that all legal regulations are observed.

Clearly defined internal controls are embedded into the accounting process with the aid of risk aspects. The accounting-related internal control system comprises both preventive and investigative controls, including IT-aided and manual coordination, the separation of functions, the "four-eye principle", general IT controls, e.g. access rights to IT systems, or change management and its monitoring.

With the aid of organizational, control and monitoring structures defined by United Internet AG, the internal control system enables the recognition, preparation and assessment of company-related issues and their proper representation in consolidated accounting. The Corporate Accounting division is responsible for the management of the accounting processes. Laws, accounting standards and other pronouncements are continually analyzed with regard to their relevance and effect on the annual financial statements. Employees involved in the consolidated accounting process are regularly trained. The Group companies are responsible for the orderly and timely execution of the accounting-related processes and systems and are supported by the Corporate Accounting division accordingly. The accounting-related internal control system described above is also complemented by so-called Entity Level Controls which are conducted by the highest executive bodies.

Due to their very nature, the discretionary decisions of individuals, faulty controls, criminal acts, or other such circumstances cannot be fully excluded and can thus restrict the effectiveness and reliability of the internal control and risk management systems. As a result, even the group-wide application of the systems used cannot guarantee absolute security with regard to the correct, complete and timely recognition of events in corporate accounting.

The statements made refer solely to the subsidiaries included in the consolidated annual financial statements of United Internet AG, for which United Internet AG has the direct or indirect possibility of determining their financial and monetary policy in order to derive a benefit from the activity of these companies.

Disclosures required by takeover law acc. to Secs. 289 (4), 315 (4) German Commercial Code (HGB)

Composition of capital

Following the cancellation of treasury shares by means of a simplified capital reduction, the subscribed capital of United Internet AG as of December 31, 2009, amounts to € 240,000,000 divided into 240,000,000 no-par value, registered shares. Each share entitles the owner to one vote. There are no other share categories. In the case of a capital increase, the commencement of dividend entitlement for new shares may be determined separately from the moment of contribution.

The Management Board is not aware of any limitations affecting voting rights or the transfer of shares.

Direct and indirect participations in capital, special rights

The Company's CEO, Mr. Ralph Dommermuth, Montabaur, Germany, owns 92,000,000 shares or 38.33% of total shares in United Internet AG. Mr. Dommermuth is personally entitled to nominate a member of the Supervisory Board. This right is exercised by naming a person for the Supervisory Board to the Company's Management Board. The nomination becomes effective as soon as the nominated person declares his acceptance of the Supervisory Board seat to the Management Board. A requirement for the aforementioned nomination right is that Mr. Ralph Dommermuth holds shares himself or via companies affiliated with him pursuant to Sec. 15 ff. German Stock Corporation Law (AktG) representing at least 25% of the Company's voting capital and can prove as much to the Management Board on nomination of the Supervisory Board member by providing depository account statements or similar documents. Mr. Dommermuth has so far not made use of this nomination right. The Management Board is not aware of any further shareholdings in excess of 10% of voting rights, or of any shares with special rights.

Appointment and dismissal of Management Board members, amendments to Company articles

The appointment and dismissal of Management Board members is determined by Secs. 84, 85 AktG in conjunction with section 1 of the rules of procedure for the Supervisory Board. According to Sec. 6 (1) of the Company's articles, the Management Board consists of at least one person. The Supervisory Board appoints and dismisses the members of the Management Board, determines their number and can appoint one member of the Management Board as Chairman. Each amendment of the Company's articles requires the adoption of a shareholders' meeting resolution with a majority of at least three quarters of capital represented at the vote. Pursuant to Sec. 22 of the Company's articles in conjunction with Sec. 179 (1) Sentence 2 AktG (Changes in capital stock and number of shares), the Supervisory Board is authorized to make amendments to the Company's articles insofar as they only concern formulation.

Powers of the Management Board to issue shares
The Management Board is entitled to issue new shares under the following circumstances:

The Management Board is authorized, subject to approval by the Company's Supervisory Board, to increase the Company's capital stock on one or more occasions before June 12, 2011 by a total of € 124,550,402.00 by issuing new no-par shares for cash and/or non-cash contributions. The Management Board is also authorized, in certain cases stated in Sec. 5.4 of the Company's articles, to exclude the statutory right of shareholders to subscribe to new shares. This applies in particular in the case of fractional amounts and when granting subscription rights for new shares to bearers of warrants, convertible bonds or warrant bonds. The Management Board is also authorized, subject to the approval of the Supervisory Board, to restrict subscription rights in the case that the issue price of the new shares is not substantially lower than the quoted market price and the issued shares do not exceed in total 10% of capital stock.

The Management Board is authorized, subject to the approval of the Supervisory Board, to exclude subscription rights in the case of a capital increase in return for non-cash contributions, especially in connection with the acquisition of companies, investments or assets.

Capital stock has been conditionally increased by up to a further € 92,000,000.00, divided into 92,000,000 no-par shares. The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds, which the shareholders' meeting on May 18, 2005 authorized the Company or a subordinated Group company to issue by May 17, 2010, providing the issue is in return for cash and the warrant or convertible bonds are not serviced from the stock of treasury shares or approved capital.

Capital stock has been increased conditionally by up to € 4,711,892.00, divided into 4,711,892 no-par registered shares. The conditional capital increase serves to grant conversion options to bearers of convertible bonds, for the issue of which an authorization resolution was passed by the shareholders' meeting on May 16, 2003.

Capital stock has been increased conditionally by up to € 3,000,000.00, divided into 3,000,000 no-par shares. The conditional capital increase serves to grant conversion options to bearers of convertible bonds, for the issue of which an authorization resolution was passed by the shareholders' meeting on May 18, 2005.

Powers of the Management Board to buy back shares

In accordance with Sec. 71 (1) No. 8 AktG, the Annual Shareholders' Meeting of May 26, 2009 authorized the Management Board to acquire, sell or cancel treasury shares of up to ten percent of its capital stock in the period ending November 25, 2010. The price for the acquisition of these shares (excluding ancillary purchase costs) may not be more than 10% lower than the stock market price nor more than 10% higher than the stock market price. The authorization may be exercised by the Company wholly or in installments, once or several times for the pursuit of one or more purposes; it can, however, also be exercised by dependent or majority-owned corporations of the Company or by third parties for the Company's or their own account. The authorization may not be used for the purposes of trading with Company shares.

The Management Board is authorized, subject to the approval of the Supervisory Board, to use these and the previously acquired shares for all legally permissible purposes, in particular a sale of treasury shares other than via the stock exchange or by offering to all shareholders or for cash compensation. This authorization is reduced by that proportion of capital stock attributable to shares excluded from subscription rights in direct or corresponding application of Sec. 186 (3) Sentence 4 AktG.

Moreover, the Management Board is authorized to use the acquired treasury shares, subject to the approval of the Supervisory Board, to grant shares to members of the Management Board and other Company employees, should such persons be entitled to subscription on the basis of employee stock ownership plans. Insofar as treasury shares are to be transferred to members of the Company's Management Board, the decision shall be incumbent upon the Company's Supervisory Board.

The Management Board is further authorized to use the acquired treasury shares, subject to the approval of the Supervisory Board, to fulfill conversion and warrant rights or conversion obligations.

The Management Board is also authorized to retire and cancel treasury shares, subject to the approval of the Supervisory Board, without any further resolution of the Annual Shareholders' Meeting.

The right of shareholders to subscribe to treasury shares shall be excluded to the extent that these shares are used in accordance with the aforementioned authorizations.

At the Annual Shareholders' Meeting of May 26, 2009, the Management Board was also authorized to use bids and equity derivatives in the purchasing of treasury stock in accordance with Sec. 71 (1) No. 8 AktG and to exclude subscription and tender rights.

The Management Board is authorized, subject to the approval of the Supervisory Board, to conduct buybacks by means of bids, and/or to conduct buybacks by using equity derivatives, and to sell options which oblige the Company to purchase United Internet shares when such options are exercised ("put options"), to acquire options which grant the Company the right to buy United Internet shares when such options are exercised (“call options”) and to buy United Internet shares by using a combination of put and call options.

The price for the purchase of United Internet shares by means of bids can be settled by a cash payment or by transfer of shares in a listed company pursuant to Sec. 3 (2) AktG (“exchange shares”).

All share purchases using equity derivatives are limited to no more than five percent of capital stock. The term of the options must be selected in such a way that the purchase of United Internet shares when exercising the options does not occur before November 25, 2010.

If shares are acquired using equity derivatives in compliance with the above regulations, the rights of shareholders to conclude such option transactions with the Company are excluded, under the corresponding application of Sec. 186 (3) Sentence 4 AktG. Shareholders also have no right to conclude option transactions insofar as for the conclusion of option transactions there is a preferential offer for the conclusion of option transactions with regard to small lots of shares. Shareholders only have a right to tender their United Internet shares if the Company has an obligation toward them from option transactions to purchase the shares. Any further tender rights are excluded.

The use of treasury shares acquired by means of bids and/or equity derivatives is subject to the regulations and subscription right exclusions determined for the purchase of treasury shares pursuant to Sec. 71 (1) N0. 8 AktG.

Dependent Company Report

In compliance with Sec. 312 (1) AktG, the Management Board declares that the Company received adequate compensation (quid pro quo) for all legal transactions and measures listed in the report on relations with affiliated companies, in accordance with the circumstances known to us at the time when such transactions or measures were carried out, or the measure involved was executed or omitted, and that the Company was not disadvantaged by such measures being executed or omitted.

Subsequent events

According to leading market analysts, the predominantly positive conditions for those target markets of relevance to United Internet remain unchanged in 2010.

Share buyback
The Management Board of United Internet AG resolved on January 14, 2010 to buy back up to 5,000,000 of the company’s shares (corresponding to around 2.08% of capital stock) via the stock exchange. The resolution followed the authorization of the Annual Shareholders' Meeting of May 26, 2009 to buy back shares representing up to 10% of the company's capital stock. The authorization was issued for the period up to November 25, 2010.

As of March 12, 2010, United Internet held 15 million treasury shares, corresponding to around 6.25% of capital stock. The repurchased shares can be used for all purposes stated in the authorization of the Annual Shareholders' Meeting of May 26, 2009, in particular for current and future employee stock ownership plans and / or as an acquisition currency, but may also be cancelled.

There have been no further subsequent events since year-end which have significantly altered the business situation of United Internet.

Opportunities and outlook

Global economy expected to return to growth in 2010

The global economy is pulling out of the worst recession in decades surprisingly fast, according to an updated global economic outlook published by the International Monetary Fund (IMF) in late January 2010. The IMF now forecasts global growth of 3.9% for 2010 – following a decline of 0.8% in 2009. The Fund is also optimistic for 2011 and expects further growth of 4.3%. At the same time, however, the IMF expects national economies to recover at widely varying speeds. The outlook for most of the world's emerging economies, for example, is particularly encouraging, while recovery in the industrialized nations is expected to be slower and will continue to be reliant on state stimulus programs, according to the IMF's experts.

For the USA, the Fund forecasts growth of 2.7% and 2.4% in 2010 and 2011 respectively – after a decline of 2.5% in 2009. Following a slump of minus 3.9% in 2009, the Euro zone is expected to grow by 1.0% and 1.6% in 2010 and 2011.

The IMF has also upgraded its growth forecast for Germany and now expects an increase of 1.5% in 2010 and 1.9% in 2011. Almost simultaneously, the German government upgraded its own forecast for 2010 to 1.4%.

Mood in ICT sector much brighter

Business confidence among companies in the high-tech sector is now also much stronger again. The new BITKOM Sector Index presented at the CeBIT 2010 (a quarterly survey conducted by the industry association to gage business confidence) leapt by 41 points compared to the previous quarter. At plus 35, the index is now back to the level of summer 2008. All in all, BITKOM expects total ICT sales to remain stable in 2010 and to grow by 1.6% to € 142 billion in 2011.

According to the BITKOM forecast, sales of information technology in 2010 will grow by 1.4% to € 64.4 billion and in 2011 by 3.8% to € 66.8 billion. The most important trends will be cloud computing, mobile internet and IT security. In the field of telecommunications, sales are expected to fall by 1.1% to € 63 billion in 2010 and will remain at this level in 2011 – whereby sales with voice services will fall steadily while data services will rise strongly (data volume 2009: fixed line +18%; mobile +247%). Despite the high demand for flatscreen TVs fuelled by the Winter Olympics and the soccer World Cup, the market for digital entertainment electronics is likely to shrink by 1.2% to € 12.2 billion in 2010.

New trend in broadband market

According to the study "LIFE - Digitales Leben", published in late February 2009, the trend toward broadband connections will continue in the years ahead – albeit with slightly flatter growth curves. The experts questioned forecast growth to 36 million broadband connections in Germany by 2015 and data transmission speeds of over 100 Mbit/s in some cases. At the same time, experts predict very strong growth in "mobile" broadband usage and expect the number of broadband connections via mobile networks (mobile internet or UMTS) to grow to 41 million by 2015. This trend could already be observed over the past few years from the steady growth in data transmission revenues as a proportion of total mobile revenues, as well as from the success of modern smartphones. According to BITKOM, sales of mobile data services will increase by 8% to € 5.8 billion in 2010.

Broadband connections in Germany
in million

	2009	2015e
Broadband connections	24.9	36.0
Mobile broadband	7.7	41.0

Source: VATM, Mobile Web Watch 2009, LIFE - Digitales Leben

Steady growth for webhosting

Market researchers also predict continuing growth for the webhosting industry. For the shared and dedicated hosting sectors alone, Tier1Research forecasts growth of 9.0% to USD 5.96 billion and USD 2.48 billion respectively in 2010 – and this figure does not consider the expected growth driver “cloud computing”.

Global hosting revenues
in USD billion

	2009	2010e	2011e
Shared hosting	5.52	5.96	6.49
Dedicated hosting	2.28	2.48	2.70

Source: Tier1Research

Online advertising market showing signs of recovery

According ZenithOptimedia, the global advertising market has returned to stability – following the sharpest decline in global advertising spend in decades. Slight growth of 0.9% is expected for 2010. Advertising spend in the North American and Western European markets (Germany: -1.5%), however, will probably shrink again in the current year. The internet, the only medium which experienced global growth in ad spend during 2009 (+9.5%), will expand its share of the advertising market to 16.2% by 2012, according to ZenithOptimedia. The Online Marketing Group (Online-Vermarkterkreis - OVK) of the German Digital Economy Association (Bundesverband Digitale Wirtschaft – BVDW) is equally optimistic and forecasts growth in gross advertising revenues of 14% to € 4.66 billion in Germany for 2010. Growth will be particularly strong in the field of video advertising which is expected to generate revenues of € 137.5 million by 2013 – a trend which is closely connected to the growing household penetration of broadband connections.

Development of gross advertising spend in Germany
in € million

	2009	2010
Classic online advertising	2,168	2,450
Search word marketing	1,624	1,867
Affiliate networks	308	339
Total gross advertising spend	4,100	4,656

Source: BVDW

Opportunities for United Internet and new segmentation

In order to fully exploit the two coming megatrends forecast by most experts, Mobile Internet and Cloud Computing, we have realigned our internal operations. This also resulted in the creation of new segments for management and reporting purposes as of the beginning of 2010. Our former segments, “Products” and “Online Marketing” have been replaced by the newly formed segments “Access” and “Applications”.

The “Access” segment will comprise our narrowband, broadband and mobile access products, including the corresponding applications. In this segment, we will continue to drive the migration of DSL products to complete packages as we believe this to be an important factor in strengthening customer retention. We also expect strong growth to result from increasingly powerful yet ever cheaper mobile access products.

The “Applications” segment will comprise our cloud computing applications, whether ad-financed or via subscription fee. These cloud applications include, for example, domains, home pages and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work and online storage, as well as our office applications, but also Sedo’s secondary domain and domain parking business and the performance-based marketing business of affilinet.

In our B-to-C business, we believe that an increasingly wide range of products will enable us to convert ever more ad-financed users into paying customers. Further growth is expected from new procedures for secure e-mailing, such as the De-Mail initiative in Germany.

In the field of B-to-B transactions, we will focus on new applications which will open up new business opportunities on the internet for our customers. We will also offer them support with the digitalization of their companies. Our foreign business is also expected to drive further growth. For example, we plan to launch activities in Poland in summer 2010.

With the aid of this new segmentation, we believe we are well positioned to exploit new growth opportunities for our company. At the same time, it will increase transparency for our shareholders.

Forecast

For fiscal year 2010, we expect consolidated sales to grow by 10 – 15%. Despite high development and start-up costs for new products and further foreign expansion, as well as considerable expenses for the service and quality drive already launched in 2009, we currently expect our key earnings figures (without extraordinary income) to remain at the high level of 2009.

Assuming that the relevant markets for United Internet continue to make good progress, we also expect further growth in sales and customers, as well as a good earnings performance in fiscal year 2011.

Forward-looking statements

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 AG does not assume any obligation to adjust or update the forward-looking statements contained in this report.

Montabaur, March 16, 2010

The Management Board

United Internet AG,
Montabaur

Consolidated Annual Financial Statements

acc. to IFRS

as at
December 31, 2009

United Internet AG - Consolidated balance sheet acc. to IFRS as of December 31, 2009 in €k

ASSETS	Notes	December 31, 2009	December 31, 2008 *
Current assets			
Cash and cash equivalents	20	116,812	55,372
Trade accounts receivable	21	91,290	119,066
Inventories	22	14,061	19,048
Prepaid expenses	23	30,360	28,791
Other assets	24	48,336	12,737
		300,859	235,014
Non-current assets			
Shares in associated companies / joint ventures	25	126,628	221,684
Other financial assets	26	160,524	72,785
Property, plant and equipment	27	93,921	86,494
Intangible assets	28	228,341	97,512
Goodwill	29	398,926	378,876
Deferred tax assets	16	14,236	9,632
		1,022,576	866,983
Total assets		**1,323,435**	**1,101,997**
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade accounts payable	31	193,197	170,743
Liabilities due to banks	32	51,462	16,069
Advance payments received		7,078	6,453
Accrued taxes	33	37,428	33,855
Deferred revenue	34	127,046	106,401
Other accrued liabilities	35	11,125	4,513
Other liabilities	36 , 42	61,874	57,065
		489,210	395,099
Non-current liabilities			
Convertible bonds	37	4	74
Liabilities due to banks	32	348,767	528,301
Deferred tax liabilities	38	23,051	17,351
Other liabilities	36	22,641	15,592
		394,463	561,318
Total liabilities		**883,673**	**956,417**
Equity			
Capital stock	39	240,000	251,469
Additional paid-in capital	40	39,971	163,896
Accumulated profit		285,546	5,619
Treasury stock	39	-123,786	-264,987
Revaluation reserves	40	12,717	10,002
Currency translation adjustment		-24,326	-28,692
Equity attributable to shareholders of the parent company		**430,122**	**137,307**
Minority interests		9,640	8,273
Total equity		**439,762**	**145,580**
Total liabilities and equity		**1,323,435**	**1,101,997**

* Adjusted - see Note 2.4 of the consolidated financial statement as of December 31, 2009

United Internet AG - Statement of comprehensive income acc. to IFRS
from January 1, 2009 to December 31, 2009 in €k

	Notes	2009 January - December	2008 * January - December
Sales	4	1,658,877	1,570,364
Cost of sales	5 , 9 , 11	-1,016,532	-942,311
Gross profit		**642,345**	**628,053**
Selling expenses	6 , 9 , 11	-228,036	-268,100
General administrative expenses	7, 9 , 11	-92,741	-80,834
Other operating expenses	8	-44,997	-38,531
Other operating income	8	103,094	45,004
Amortization of intangible assets resulting from company acquisitions	9	-19,053	-21,283
Amortisation of goodwill	10	0	-6,430
Operating result		**360,612**	**257,879**
Interest and similar expenses	12	-23,515	-33,497
Interest and similar income	13	2,993	3,911
Amortization of investments	14	-3,478	-42,379
Result from associated companies	15	-8,938	-234,193
Pre-tax result		**327,674**	**-48,279**
Income taxes	16	-56,509	-69,800
Net income before minority interests		**271,165**	**-118,079**
(from continued operations)			
Result after tax from discontinued operations	17	12,010	-3,384
Net income before minority interests		**283,175**	**-121,463**
(after discontinued operations)			
Attributable to			
minority interests		3,248	-1,280
shareholders of United Internet AG		279,927	-120,183
Result per share of shareholders of United Internet AG (in €)			
- basic	18	1.22	-0.52
- diluted	18	1.22	-0.52
thereof result per share (in €) - from continued operations			
- basic	18	1.17	-0.51
- diluted	18	1.17	-0.51
thereof result per share (in €) - from discontinued operations			
- basic	18	0.05	-0.01
- diluted	18	0.05	-0.01
Weighted average shares (in Million units)			
- basic	18	229.53	229.79
- diluted	18	230.64	229.79
Statement of comprehensive income			
Net income		283,175	-121,463
Results directly included in equity			
Currency translation adjustment		4,287	-20,873
Market value changes of available-for-sale financial instruments after taxes		3,526	-462
Change in associated companies after taxes not affecting net income		261	0
		8,074	-21,335
Total net income		**291,249**	**-142,798**
Attributable to			
minority interests		4,241	-2240
shareholders of United Internet AG		287,008	-140,558

* Adjusted - see Note 2.4 of the consolidated financial statement as of December 31, 2009

United Internet AG - Consolidated Cash Flow Statement acc. to IFRS
from January 1, 2009 to December 31, 2009 in €k

	Notes	2009 January - December	2008 * January - December
Cash flow from operating activities			
Net income (from continued operations)		271,165	-118,079
Net income (from discontinued operations)		12,010	-3,384
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization (from continued operations)			
Depreciation and amortization of intangible assets and property, plant and equipment	9	37,032	31,299
Amortization of intangible assets resulting from company acquisitions	9	19,053	21,283
Amortization of other financial assets	14	3,478	42,379
Amortization of goodwill	10	0	6,430
Depreciation and amortization (after discontinued operations)			
Depreciation and amortization of intangible assets and property, plant and equipment		147	378
Amortization of goodwill		0	2,814
Compensation expenses from employee stock option plans	37	4,211	4,020
Compensation expenses from employee stock option plans	37	900	0
Results of at-equity companies	25	8,938	234,193
Distributed profit of associated companies	25	0	392
Income from deconsolidation of other financial assets	26	-12,463	0
Income from deconsolidation of associated companies	25	-48,495	-3,894
Income from deconsolidation of the Display Marketing business	17	-11,566	0
Change in deferred taxes		-3,465	-4,882
Non-cash expenses / income from tax adjustments		-26,594	0
Non-cash expenses / income		-3,201	-2,448
Operative cash flow		**251,150**	**210,501**
Change in assets and liabilities			
Change in receivables and other assets		13,384	9,621
Change in inventories		4,987	-2,264
Change in deferred expenses		1,340	-5,148
Change in trade accounts payable		38,376	-62,061
Change in advance payments received		626	384
Change in other accrued liabilities		-354	-4,381
Change in accrued taxes		-4,134	3,470
Change in other liabilities		-774	-5,910
Change in deferred income		8,475	8,774
Change in assets and liabilities, total		**61,926**	**-57,515**
Cash flow from operating activities		**313,076**	**152,986**
Cash flow from investing activities			
Capital expenditure for intangible assets and property, plant and equipment		-174,996	-42,042
Purchase of further shares in affiliated companies	3	-7,358	-9,538
Purchase of shares in affiliated companies less cash received	3	-33,027	-10,323
Payments from subsequent refunding of company acquisition cost	3	144	0
Payments from deconsolidation of affiliated companies	17		0
Purchase of shares in associated companies / joint ventures	25	-4,802	-160,696
Payments from deconsolidation of financial assets	26	23,049	0
Investments in other financial assets	26	-10,313	-50,937
Payments from loans granted to joint ventures	42	0	4,007
Payments of loans granted	42	-2,200	-400
	17	-1,154	0
Payments from disposal of assets		1,404	423
Payments from deconsolidation of associated companies		93,854	12,268
Refunding from shares in associated companies		5,165	20,037
Purchase of companies, less cash assumed		0	0
Disposal of shares in associated companies		0	0
Purchase of additional shares in associated companies		0	0
Disposal of shares in affiliated companies		0	0
Cash flow from investment activities		**-110,234**	**-237,201**
Cash flow from financing activities			
Capital increase		644	144
Purchase of treasury stock	39	0	-51,649
Other investments / securities			0
Change in bank liabilities	32	-143,241	172,465
Repayment of loans from associated companies	42	0	-2,800
Dividend payments	19	0	-45,886
Minority interests		0	12,987
Dividend payments to minority interests		-144	-66
Others		0	0
Repayments from convertible bonds		-32	-155
Repayments from convertible bonds		0	0
Cash flow from financing activities		**-142,773**	**85,040**
Net increase in cash and cash equivalents		60,069	825
Cash and cash equivalents at beginning of fiscal year		55,372	59,770
Currency translation adjustments of cash and cash equivalents		1,371	-5,223
Cash and cash equivalents at end of fiscal year		**116,812**	**55,372**
Deposits from interest		2,981	2,036
Payments for interest		-17,789	-27,632
Deposits from taxes		0	16
Payments for taxes		-85,520	-74,062
Dividend payments received		520	1,768

* Adjusted - see Note 2.4 of the consolidated financial statement as of December 31, 2009

United Internet AG - Consolidated statement of changes in shareholders´ equity acc. to IFRS
from January 1, 2009 to March 31, 2009

	Capital stock		Additional paid-in capital	Accumulated profit	Treasury stock		Revaluation reserves	Currency translation	shareholders of the parent company	Minority interests	Total equity
	Share	€k	€k	€k	Share	€k	€k	€k	€k	€k	€k
Balance as of January 1, 2008	251.433.972	251.434	160.095	171.688	18.000.000	-213.338	9.411	-7.726	371.564	12.377	383.941
Net income				-120.183					-120.183	-1.280	-121.463
Other net inocme							591	-20.966	-20.375	-960	-21.335
Total net income				-120.183			591 0	-20.966	-140.558	-2.240	-142.798
Exercise of conversion rights	35.212	35	118						153		153
Employee stock ownership programme AdLINK			1.269						1.269	153	1.422
Employee stock ownership programme United Internet			2.598						2.598		2.598
Other			-184						-184		-184
Withdrawal of treasury shares					4.000.000	-51.649			-51.649		-51.649
Dividend payments				-45.886					-45.886		-45.886
Distribution of profits									0	-66	-66
Change amount of holding									0	-1.951	-1.951
Balance as of December 31, 2008	251.469.184	251.469	163.896	5.619	22.000.000	-264.987	10.002	-28.692	137.307	8.273	145.580
Balance as of January 1, 2009	251.469.184	251.469	163.896	5.619	22.000.000	-264.987	10.002	-28.692	137.307	8.273	145.580
Net income				279.927					279.927	3.248	283.175
Other net income							2.715	4.366	7.081	993	8.074
Total net income				279.927 0		0	2.715 0	4.366	287.008	4.241	291.249
Exercise of conversion rights	156.472	157	526						683		683
Issue of treasury shares			-328		-101.973	1.228			900		900
Withdrawal of treasury shares	-11.625.656	-11.626	-128.347		-11.625.656	139.973			0		0
Employee stock ownership programme AdLINK			36						36	4	40
Employee stock ownership programme United Internet			4.171						4.171		4.171
Other			17						17		17
Distribution of profits									0	-144	-144
Change amount of holding									0	-2.734	-2.734
Balance as of December 31, 2009	240.000.000	240.000	39.971	285.546	10.272.371	-123.786	12.717	-24.326	430.122	9.640	439.762

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009

1. Information on the company

Nature of the business

According to its articles of incorporation, the business of United Internet AG (hereinafter referred to as "United Internet AG", the "United Internet Group" or the "Company") is to provide marketing, sales or other services, especially in the fields of telecommunications, information technology, including the internet, and data processing or related areas. The Company's purpose also includes the acquisition, holding and management of investments in other companies, especially those operating in the aforementioned business segments. The Company is entitled to bring companies in which it holds an investment under its common control and may restrict itself to the management or administration of its investments.

The Company is authorized to acquire or hold investments in all types of companies in Germany and other countries and to transact all business that is conducive to its purpose. The Company is also authorized to conduct its business through subsidiaries, associated companies and joint ventures. It may outsource or transfer all or part of its operations to affiliated companies.

In the last few years, United Internet AG has changed its strategic alignment, evolving from a pure provider of internet and IT marketing services to an operating management holding company for investments in various internet target segments, in particular in the field of internet service provision.

The Company is registered in 56410 Montabaur, Elgendorfer Strasse 57, Germany, and has branches or subsidiaries in Bucharest, Düsseldorf, Hanover, Karlsruhe, Cologne, Munich, Regensburg, Starnberg, Zweibrücken, Boston, Brussels, Cambridge (USA), Cebu City, Chesterbrook, Gloucester, Haarlem, Las Vegas, Melbourne (UK), Levallois-Perret, London, Madrid, Milan, Saargemünd, Slough and Vienna. With the exception of the building at Zweibrücken, all of the Company's buildings are leased.

The reporting company

The parent company, United Internet AG, was founded on January 29, 1998 as 1&1 Aktiengesellschaft & Co. KGaA. As a holding company, it assumed the functions of 1&1 Holding GmbH, which was merged into 1&1 Aktiengesellschaft & Co. KGaA with effect from January 1, 1998. Until its general meeting of shareholders on February 22, 2000, it traded under the name of 1&1 Aktiengesellschaft & Co. KGaA. At this general meeting it was decided to change the Company's name to United Internet Aktiengesellschaft & Co. KGaA and then to transform the Company into a stock corporation named United Internet AG. United Internet AG is registered at the district court of Montabaur under HR B 5762.

2. Accounting and valuation principles

2.1 Basis of preparation

In accordance with Article 4 of the so-called IAS Ordinance (Ordinance (EU) No. 1606/2002 of the European Parliament and Council of July 19, 2002 concerning the application of international accounting standards, ABl. EU No. L 243 p. 1), the United Internet Group prepares its consolidated annual financial statements according to IFRS (International Financial Reporting Standards). The Company also observed and applied the supplementary regulations of Section 315a (1) German Commercial Code (HGB). All IFRS standards valid on the balance sheet date and as applied within the European Union were observed.
The reporting currency is euro (€). Amounts stated in the notes to the financial statements are in euro (€), thousand euro (€k) or million euro (€m). The consolidated financial statements are always drawn up on the basis of historical costs. The exception to this rule are derivative financial instruments and available-for-sale financial investments, which are stated at fair value.

The balance sheet date is December 31, 2009.

The Supervisory Board approved the consolidated financial statements for 2008 at its meeting on March 25, 2009. The consolidated annual financial statements were published in the German Federal Gazette ("Bundesanzeiger") on May 15, 2009.

The consolidated financial statements for 2009 were prepared by the Company's Management Board on March 16, 2010 and subsequently submitted to the Supervisory Board. The consolidated financial statements will be presented to the Supervisory Board for approval on March 24, 2010.

2.2 Consolidation principles

The consolidated group comprises United Internet AG and all domestic and foreign subsidiaries (majority shareholdings) controlled by it. A company is deemed to be controlled, if the Company can determine its financial and business policies in order to gain an economic benefit. The annual financial statements of subsidiaries are prepared as to the same balance sheet date and using the same standardized accounting and valuation methods as those applied by the parent company.

All intercompany balances, transactions, income, expenses, profits and losses from intercompany transactions contained in the carrying value of assets are fully eliminated.

Subsidiaries are fully consolidated from the point of acquisition, i.e. from the date on which the Company gained control. Consolidation ends as soon as the parent company no longer has control over the subsidiary.

Minority interests represent the proportion of the result and net assets which is not attributable to the Group. Minority interests are disclosed separately in the consolidated balance sheet. Minority interests are disclosed in the consolidated balance sheet as part of shareholders' equity, but separate to the equity capital attributable to the shareholders of the parent company. The acquisition of minority shareholdings is accounted for using the so-called “parent entity extension method”. The difference between purchase price and book value of the proportion of net assets acquired is carried as goodwill.

As of December 31, 2009, the Group includes the following subsidiaries in which United Internet AG holds a direct or indirect majority interest (as indicated by the shareholdings in brackets). Unless otherwise stated, the shareholding corresponds to the proportion of voting rights:

<u>1&1 Internet</u>:

- 1&1 Internet AG, Montabaur (100.0%)

  - 1&1 Breitband GmbH, Montabaur (100.0%)
  - 1&1 Internet Development SRL, Bucharest / Romania (99.0%)
  - 1&1 Internet Inc., Chesterbrook / USA (100.0%)
    - A1 Media LLC, Chesterbrook / USA (100.0%)
  - 1&1 Internet Ltd., Slough / UK (100.0%)
  - 1&1 Internet S.A.R.L., Saargemünd / France (100.0%)
  - 1&1 Internet Espana S.L.U., Madrid / Spain (100.0%)
  - 1&1 Internet Service GmbH, Montabaur (100.0%)
    - 1&1 Internet Service GmbH Zweibrücken, Zweibrücken (100.0%)
  - 1&1 Internet (Philippines) Inc., Cebu City, Philippines (100.0%)
  - 1&1 UK Holdings Ltd., Slough / UK (100.0%)
    - Fasthosts Internet Ltd., Gloucester / UK (100.0%)
      - Dollamore Ltd, Melbourne / UK (100.0%)
      - Fasthosts Internet Inc., Chesterbrook / USA (100.0%)
  - A1 Marketing Kommunikation und neue Medien GmbH, Montabaur (100.0%)
  - GMX GmbH, Munich (100.0%)
  - GMX Internet Services Inc., Chesterbrook / USA (100.0%)
  - GMX Internet Services GmbH, Munich (100.0%)
  - Immobilienverwaltung AB GmbH, Montabaur (100.0%)
  - Immobilienverwaltung NMH GmbH, Montabaur (100.0%)
  - InterNetX GmbH, Regensburg (95.56%)
    - Schlund Technologies GmbH, Regensburg (100.0%)
    - PSI-USA Inc., Las Vegas / USA (100.0%)
  - united-domains AG, Starnberg (85.0%)
    - Dopoly GmbH, Starnberg (100.0%)
    - United Domains, Inc., Cambridge / USA (100.0%)
  - United Internet Media AG, Munich (100.0%)
  - UIM United Internet Media Austria GmbH, Vienna / Austria (100.0%)
  - WEB.DE GmbH, Montabaur (100.0%)

<u>United Internet Beteiligungen</u>:

- United Internet Beteiligungen GmbH, Montabaur (100.0%)
  - United Internet Beteiligungen International GmbH, Montabaur (100.0%)

AdLINK:

- AdLINK Internet Media AG, Montabaur (78.26%)
  - Response Republic Beteiligungsgesellschaft Deutschland GmbH, Montabaur (100.0%)
    - Sedo GmbH, Cologne (100.0%)
      - Sedo.com LLC, Cambridge (Boston) / USA (100.0%)
      - Sedo London Ltd., London / UK (100.0%)
      - DomCollect Worldwide Intellectual Property AG, Zug / Switzerland (100.0%)
  - affilinet GmbH, Munich (100.0%)
    - affilinet Ltd., London / UK (100.0%)
    - affilinet Espana S.L.U. Madrid / Spain (100.0%)
    - affilinet France SAS, Levallois-Perret, France (100.0%)
    - affilinet Nederland B.V., Haarlem / Netherlands (100.0%)

Other:

- MIP Multimedia Internet Park GmbH, Zweibrücken (100.0%)
- Inson HOLDING GmbH, Montabaur (100.0%)
- European Founders Fund Nr. 2 Verwaltungs GmbH, Munich (90.0%)
- European Founders Fund Nr. 2 Geschäftsführungs GmbH, Munich (90.0%)
- European Founders Fund GmbH & Co. Beteiligungs KG Nr. 2, Munich (90.0%)
- European Founders Fund Nr. 3 Verwaltungs GmbH, Munich (80.0%)
- European Founders Fund Nr. 3 Management GmbH, Munich (80.0%)
- European Founders Fund GmbH & Co. Beteiligungs KG Nr. 3, Munich (80.0%)
  - European Founders Fund Nr. 3 Beteiligungs GmbH, Munich (100.0%)

Due to the contractually agreed unanimity of voting on all shareholder resolutions, the Group cannot exert a controlling influence on EFF No. 2 and EFF No. 3 companies based on its voting majority alone. However, as the Group exerts control according to the indicators stated in SIC 12 *Consolidation – Special Purpose Entities*, these companies are consolidated.

Changes in the reporting unit

In the period under review, InterNetX GmbH was sold by United Internet Beteiligungen GmbH to 1&1 Internet AG. There were no effects on accounting from this internal Group transaction.

During the course of the year under review, affilinet SAS was merged with CibleClick Performances S.A. and renamed as affilinet France SAS.
AdLINK Internet Media GmbH Deutschland, Düsseldorf, was renamed as Response Republic Beteiligungsgesellschaft Deutschland GmbH as of September 24, 2009 and its registered offices were moved to Montabaur.

The following companies were founded by the Company or its subsidiaries in fiscal year 2009:

- 1&1 Breitband GmbH, Montabaur (100.0%)
- 1&1 Internet Development SRL, Bucharest / Romania (99.0%)
- AdLINK Media Deutschland GmbH, Düsseldorf (100.0%)
- affilinet Espana S.L.U., Madrid / Spain (100.0%)
- affilinet Nederland B.V., Haarlem / Netherlands (100.0%)
- Sedo London Ltd., London / UK (100.0%)
- United Domains, Inc., Cambridge / USA (100.0%)

The following companies were acquired by the Company or its subsidiaries in fiscal year 2009:

- united-domains AG, Starnberg (85.0%)
- Dopoly GmbH, Starnberg (100.0%)

We refer to the explanations in Note 3.

As of August 31, 2009, the Display Marketing activities were sold to Hi-media S.A. on the basis of a business combination agreement dated July 6, 2009. In the course of the sale, the following fully consolidated subsidiaries were deconsolidated:

- AdLINK Internet Media S.A., Levallois-Perret / France
- AdLINK Internet Media N.V., Brussels / Belgium
- AdLINK Internet Media S.L.U., Madrid / Spain
- AdLINK Internet Media Ltd., London / UK
- AdLINK Internet Media B.V., Haarlem / Netherlands
- AdLINK Internet Media Srl, Milan / Italy
- AdLINK Media Deutschland GmbH, Düsseldorf

We refer to the explanations in Note 2.4 and 17.

In accordance with IAS 31, shareholdings in joint ventures are recognized using the equity method and comprise the following company:

- Maxdome GmbH & Co. KG, Unterföhring (50.0%)

All investments for which the Company can have a significant influence on their financial and business policies are recognized as associated companies according to IAS 28 using the equity method. They consist of the following main companies:

- European Founders Fund Verwaltungs GmbH, Munich (66.67%)
- European Founders Fund Management GmbH, Munich (66.67%)
- European Founders Fund GmbH & Co. Beteiligungs KG Nr.1, Munich (66.67%)
- fun communications GmbH, Karlsruhe (49.00%)
- Intellectual Property Management Company Inc., Dover / USA (49.00%)
- Virtual Minds AG, Freiburg (48.65%)
- DomainsBot Srl, Rome / Italy (40.00%)
- BW2 Group AG, Lachen / Switzerland (33.36%)
- European Founders Fund Investment GmbH, Munich (33.33%)

- Versatel AG, Berlin (25.21%)
- Travel-Trex GmbH, Cologne (25.00%)
- getAbstract AG, Lucerne / Switzerland (22.00%)
- internetstores AG, Esslingen (20.00%)

Due to the contractually agreed unanimity of voting on all shareholder resolutions, the Group cannot exert a controlling influence on EFF No. 1 companies (European Founders Fund Verwaltungs GmbH, European Founders Fund Management GmbH and European Founders Fund GmbH & Co. Beteiligungs KG Nr.1), but only a significant influence. In contrast to its share in capital of 66.67%, the Group's participation in annual net profit is between 33.33% and 66.67% of EFF No. 1, depending on the fund's internal rate of return.

United Internet Beteiligungen GmbH retired as a shareholder of Jimdo GmbH. Due to the change in the percentage shareholding in freenet AG, these shares are no longer included in the consolidated annual financial statements as an associated company. The shares are included under available-for-sale other financial assets.

Companies in which the Company has invested and over whose financial and business policies it has no significant influence (< 20% of voting shares) are included as financial instruments pursuant to IAS 39 and held as available-for-sale financial assets:

- Goldbach Media AG, Küsnacht-Zürich / Switzerland (14.99%)
- Afilias Ltd, Dublin / Ireland (10.37%)
- Silverpop Systems Inc., Atlanta / USA (5.91%)
- Xactly Corporation, San Jose / USA (5.26%)
- Become Inc., Sunnyvale / USA (5.06%)

2.3 Changes in accounting methods

The accounting and valuation methods applied correspond to those methods used in the previous year, with the exception of the following new and revised IFRS standards and interpretations which were applied for the first time. The application of these new and revised IFRS standards and interpretations had no effect on the presentation of the Group's net assets, financial situation and results of operations.

IFRS 2 Share-based Payment

The IASB released an amendment to IFRS 2 in January 2008 which defines vesting conditions more clearly and regulates accounting procedures for the termination of compensation plans. The Group applied the amendment as of January 1, 2009. Due to the Group's insignificant amount of share-based compensation, initial application of this revision did not have any effect on the Group's net assets, financial situation and results of operations.

IFRS 7 Financial Instruments: Disclosures

The amendment became effective as of January 1, 2009. No prior-year figures are yet required in the first year of adoption. The amended standard requires additional disclosures about fair value measurement and liquidity. The amendment demands a quantitative analysis of how fair value is measured on the basis of a three-level hierarchy for each class of financial instruments reported at fair value. In addition, for fair values classified as Level 3, a reconciliation from opening to closing balance is required as well as the disclosure of significant reclassifications between Levels 1 and 2 in the hierarchy. The amendment also clarifies disclosure requirements regarding liquidity risks involved in business transactions based on derivatives and assets used for purposes of liquidity management. The Group provided the required disclosures in the Notes in full.

IFRS 8 Operating Segments

IFRS 8 was released in November 2006 and is to be applied for the first time in the reporting period beginning on or after January 1, 2009. IFRS 8 requires the disclosure of information about a company's operating segments and replaces the obligation of IAS 14 to specify primary and secondary segment report formats for a company. IFRS 8 follows the so-called management approach according to which segment reporting only conforms to the financial information the company's executives use for the internal management of the company. Decisive are the internal reporting and organizational structures as well as such financial values considered when deciding on the allocation of resources and the evaluation of profitability. As previous segment reporting was already largely in line with the management approach, there were no significant changes.

IAS 1 Presentation of Financial Statements

The amendment became effective as of January 1, 2009. The amended standard requires changes in equity arising from transactions with equity holders acting in their capacity as equity holders and other changes in equity to be presented separately. Accordingly, the statement of changes in equity only includes details on transactions with equity holders, while other changes in equity are presented in a single line in the form of a reconciliation for individual equity components. In addition, the standard introduces a statement of comprehensive income, which includes all line items of income and expenses recognized in the income statement as well as all components of other comprehensive income recognized directly in equity, either in one statement or in two linked statements. The new standard has an effect on how financial information about the Group's business divisions is reported, but not on the recognition and measurement of assets and liabilities in the consolidated financial statements.

IAS 23 Borrowing Costs

Revised standard IAS 23 is applicable as of January 1, 2009 and requires the capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group previously recognized all borrowing costs in the period in which they were incurred. In accordance with the transitional regulations of revised IAS 23, the Group applied the standard prospectively. This means that all those borrowing costs are capitalized which refer to qualifying assets created on or after the effective date, January 1, 2009. As the Group does not hold any qualified assets, the application of this standard has no effect on the consolidated financial statements.

IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation

The amendments of the standards, which became effective on January 1, 2009, allow exceptions to a limited extent which permit puttable financial instruments to be classified as equity if they meet certain criteria. The application of these amendments did not affect the Group's net assets, financial situation and earnings.

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement

This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. The application of these amendments did not affect the Group's net assets, financial situation and earnings.

Annual Improvement Project - Improvements to IFRS 2008

The amendments from the Improvement Project 2008 were released in May 2008 and – with the exception of IFRS 5 (here from July 1, 2009) – are first applicable for fiscal years beginning on or after January 1, 2009. In the course of the Improvement Project 2008, a number of material amendments were released which affect accounting and measurement methods, as well as purely editorial amendments. The latter concern, for example, individual definitions and formulations aimed at maintaining consistency with other IFRS standards.

- *IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"*: It was clarified that all assets and liabilities of a subsidiary whose sale would result in a loss of control of this subsidiary are also to be classified as available-for-sale if the company maintains a non-controlling interest in its former subsidiary after the sale.

- *IAS 1 "Presentation of Financial Statements"*: It was clarified that financial instruments classified as held-for-trading are not necessarily to be classified as current assets or liabilities in the balance sheet. The term "current" is based solely on the accrual criteria contained in IAS 1.

- *IAS 10 "Events after the Reporting Period"*: It was clarified that dividends decided after the end of the reporting period, but before approval to publish the annual financial statements, do not represent an obligation as of the balance sheet date and should therefore not be recognized in the annual financial statements as a liability.

- *IAS 19 "Employee Benefits"*: In addition to the revision of several definitions, it was clarified that plan changes which result in a reduction of benefits for services to be rendered in future periods, are to be recognized as a plan curtailment. Plan changes for which the curtailment refers to services already rendered, however, are to be recognized as a past service cost.

- *IAS 23 "Borrowing Costs":* The definition of borrowing costs was revised insofar as the guidelines in IAS 39 regarding the effective interest rate were adopted.

- *IAS 28 "Investments in Associates"*: As the goodwill contained in the carrying value of an investment in an associated company is not separately disclosed, it is not separately tested for any impairment. Instead, the entire carrying value of the investment is tested for impairment as a single asset and written down as necessary. It was now clarified that also the reversal of an impairment loss recognized for an investment in an associated company in an earlier reporting period is to be recognized as an increase in vale of this investment as a whole and not allocated to the goodwill it contains. A further amendment concerns the disclosure obligations for such investments in associates, which are carried at fair value in accordance with IAS 39. In future, only the requirements of IAS 28 are applied which stipulate that the type and scope of significant restrictions in the ability of the associate to transfer finance to the company in the form of cash or loan redemption are to be specified.

- *IAS 34 "Interim Financial Reporting"*: It was clarified that diluted and undiluted earnings per share must only be stated in the interim financial report if the company is subject to the application area of IAS 33.

- *IAS 36 "Impairment of Assets"*: The disclosure requirements were simplified for the determination of "value in use" and "fair value less transaction costs", calculated on the basis of a discounted cash flow model.

- *IAS 38 "Intangible Assets"*: Expenditure for goods and services used for advertising campaigns and sales promotion activities (including mail order catalogs) are recognized as an expense in future if the Group has received the right to access the goods or services. The application of the performance-related depreciation method for intangible assets is still allowed without restriction.

- *IAS 39 "Financial Instruments: Recognition and Measurement"*: After initial recognition, derivatives can be designated as "at fair value through profit or loss" or removed from this category due to a change in circumstances, as this does not qualify as a reclassification as defined by IAS 39. The reference to a "segment", regarding whether an instrument fulfilled the criteria for a hedge instrument, was also cancelled. It was also clarified that the newly calculated effective interest rate is to be used for the valuation of a debt instrument when the hedging relationship is no longer carried in the balance sheet to hedge against fair value.

The application of these amendments from the Improvement Project had no significant effect on the Group's annual financial statements.

IFRIC 12 Service Concession Arrangements

IFRIC Interpretation 12 was released in November 2006 and is generally applicable for fiscal years beginning on or after January 1, 2008. The interpretation governs the accounting of obligations assumed and rights granted within the context of service concession arrangements in the lessee's financial statements. The companies included in the consolidated financial statements are not lessees of concessions. This interpretation will therefore had no effect on the Group.

IFRIC 13 Customer Loyalty Programs

IFRIC Interpretation 13 was released in June 2007 and is initially applicable in the reporting period beginning on or after July 1, 2008. According to this interpretation, benefits granted to customers are to be recognized as a separate element of the revenue activity in which they were granted. Part of the fair value of the proceeds received is therefore allocated to customer benefits and deferred as a liability. Revenue is recognized in the period in which the customer benefits granted are exercised or expire. As the Group does not currently operate such customer loyalty programs, this interpretation has no effect on the consolidated financial statements.

IFRIC 15 Agreement for the Construction of Real Estate

IFRIC 15 governs the balance sheet treatment of real estate sales for which the agreement is concluded with the buyer before building work has been completed. IFRIC 15 is applicable for fiscal years beginning on or after January 1, 2009 and had no effect on the Company's consolidated annual financial statements as there was no area of application.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC Interpretation 16 was released in July 2008 and is applicable for the fiscal years beginning on or after October 1, 2008. IFRIC 16 provides guidelines for recognizing hedges of a net investment. The interpretation provides guidelines for identifying foreign exchange risks which can be hedged against as part of a hedge of a net investment, which Group companies can hold the hedging instruments of the net investment, and how a company should measure foreign currency gains or losses which is to be reclassified from equity to profit and loss when selling the hedged foreign operation. This interpretation is to be applied prospectively. IFRIC 16 had no significant impact on the consolidated financial statements.

Standards and interpretations released but not yet applied

Already transformed into EU law

The IASB and IFRIC released the following standards and interpretations which have already been adopted as EU law under the comitology procedure but were not yet subject to mandatory application in fiscal 2009. These standards and interpretations were not voluntarily applied by the Group.

IFRS 1 First-time Adoption of IFRS

The revised standard IFRS 1 was released in November 2008 and is to be applied for the first time for fiscal years starting on or after January 1, 2009. The revision of the standard only included editorial amendments and a restructuring of the standard. There are no amendments to accounting and valuation regulations for the first-time adoption of IFRS resulting from the revision. As the regulations on first-time adoption of IFRS are not applicable to the Group, the standard has no effect on the consolidated financial statements.

IFRS 3 Business Combinations (revised)

The amended standard IFRS 3 was released in January 2008 and is applicable for the fiscal years beginning on or after July 1, 2009. Within the context of a convergence project of IASB and FASB, this standard was subjected to a thorough revision. The essential changes particularly concern the introduction of a right to choose for the valuation of minority interest between accounting of the proportionate identifiable net asset (so-called purchased goodwill method) and the so-called full goodwill method, according to which full goodwill is recognized, including the portion attributable to minority equity holders. Furthermore, the revaluation of existing investments upon first-time obtainment of control in the income statement (successive business acquisition), the mandatory accounting of a consideration tied to the occurrence of future events at the time of acquisition, and the treatment of transaction costs as income-effective are particularly worth mentioning. The transitional provisions provide for the revision's prospective application. No changes arise for asset and liabilities resulting from business combinations prior to the first-time application of the new standard.

As the Company will probably continue to apply the purchased goodwill method for future business combinations, there will be no effects from the new regulation. Revaluation in the course of successive company acquisitions and the mandatory recognition of conditional compensation at the time of purchase may lead to higher goodwill values. The treatment of transaction costs as income-effective will have an effect on future results.

IAS 27 Consolidated and Separate Financial Statements (revised)

Revised standard IAS 27 was released in January 2008. The changes are applicable for the fiscal years beginning on or after July 1, 2009. The changes primarily concern the accounting of investments with no control over the entity (minority interest), participating in the Group's losses to the full amount in the future, and of transactions that lead to a loss of control over a subsidiary and whose consequences shall be recognized in the income statement. The consequences of the sale of investments not resulting in a loss of control shall be recognized in equity, not affecting net income. There were no changes for assets and liabilities resulting from such transactions prior to the first-time application of the new standard.

In the case of future acquisitions, as well as transactions and sales of minority shareholdings resulting in the loss of a controlling interest, the new regulations will have a corresponding effect on future results and the size of equity capital.

IAS 32 Financial Instruments: Presentation

In October 2009, the IASB released amendments to IAS 32 regarding the classification of rights issues. The standard clarifies those cases in which rights are issued in a currency different to the company's functional currency. The published amendments to IAS 32 are the IASB's swift reaction to the financial market crisis which saw an increase in the number of such cases as companies increasingly attempted to raise additional capital. The amendments are to be applied in fiscal years beginning on or after February 1, 2010. Earlier adoption is possible. Due to a lack of relevance, the revised standard will not affect the Company's consolidated annual financial statements.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendments to IAS 39 were released in July 2008 and are applicable retrospectively for fiscal years beginning on or after July 1, 2009. The amendment specifies how the principles contained in IAS 39 regarding the designation of hedging instruments of a one-sided risk in a hedged item and the designation of inflation risks as a hedged item are to be applied. The amendment clarifies that it is permissible to designate only part of the changes in fair value or of cash flow fluctuations of a financial instrument as a hedged item. The revised standard is not expected to have any affect the Company's consolidated annual financial statements.

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation is applicable for the fiscal years beginning on or after July 1, 2009; earlier application is permitted. It provides accounting guidelines for the distribution of non-cash assets to owners. The interpretation clarifies the time for recognizing a liability, the measurement of the liability and the affected assets, and the time for derecognizing these assets and the recognized liability. IFRIC 17 is likely to have no effect on the consolidated financial statements, as the Group has not distributed non-cash assets to owners in the past.

IFRIC 18 – Transfers of Assets from Customers

IFRIC Interpretation 18 was released in January 2009 and is applicable for the fiscal years beginning on or after July 1, 2009. This interpretation gives guidelines on the accounting of agreements in which an entity receives from a customer an item of property, plant, and equipment or cash which the entity must then use to connect the customer to a network and/or to provide the customer with ongoing access to a supply of goods or services. In particular, the interpretation provides guidance on how to account for customer contributions as well as the time and scope of income recognition from such business transactions. This interpretation is to be applied prospectively. IFRIC 18 will have no effect on the consolidated financial statements, as the Group does not conduct such business transactions.

Not yet transformed into EU law

The following standards and interpretations have not yet been adopted as EU law under the comitology procedure:

IFRS 1 First-time Adoption of IFRS

Two further exceptions for first-time adopters were added to IFRS 1 in July 2009. They are to be applied for the first time for fiscal years starting on or after January 1, 2010. In January 2010, IFRS 1 was amended slightly again. Adoption of the amendment is mandatory from July 1, 2010. As the regulations on first-time adoption of IFRS are not applicable to the Group, the standard has no effect on the consolidated financial statements.

IFRS 2 Share-Based Payment

The IASB issued amendments to IFRS 2 in June 2009 concerning the accounting for group cash-settled share-based payment transactions. They contain a clarification as to how an individual subsidiary should account for certain share-based payment arrangements in its own (separate) financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The amendments also incorporate guidance into IFRS 2 which was previously included in IFRIC 8 “Scope of IFRS 2” and IFRIC 11 “Group and Treasury Share Transactions acc. to IFRS 2”. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11. The amendments are effective for fiscal years beginning on or after June 30, 2010 and must be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any effect on the Company’s consolidated annual financial statements.

IFRS 9 Financial instruments

In November 2009, the IASB issued IFRS 9 “Financial Instruments.” The European Union has not yet endorsed the amendments. The standard is the result of the first of three phases of the project to replace IAS 39 “Financial Instruments: Recognition and Measurement” with IFRS 9. IFRS 9 governs the classification and measurement of financial assets. The other phases of the project, in which the classification and measurement of financial liabilities, the impairment of financial instruments, and hedge accounting will be revised, as well as a further project on the derecognition of financial instruments, have not yet been finalized. The IASB is aiming to replace IAS 39 in its entirety by the end of 2010. IFRS 9 requires financial assets to be assigned to one of the following two measurement categories: “at amortized cost” or “at fair value.” IFRS 9 also grants a fair value option which allows financial assets that would normally be assigned to the “at amortized cost” category to be designated as “at fair value” if the fair value designation would eliminate or significantly reduce measurement or recognition inconsistency. It is mandatory to assign equity instruments to the “at fair value” category. If, however, the equity instrument is not held for trading, the standard allows an irrevocable option to be made at initial recognition to designate it as “at fair value” through other comprehensive income. Dividend income resulting from the equity instrument is recognized in profit or loss. IFRS 9 is effective for financial years beginning on or after January 1, 2013. The provisions are to be applied retrospectively. The Group is currently analyzing the resulting effects on the presentation of net assets, financial situation and earnings or cash flows.

IAS 24 Related Party Disclosures

In November 2009, the IASB issued amendments to IAS 24. Previously, entities that are controlled or significantly influenced by a government had been required to disclose information about all transactions with entities that are controlled or significantly influenced by the same state. The revised standard still requires disclosures that are important to users of financial statements. However, in the future, information that is costly to produce or that is of little value for users of financial statements will be exempt from this requirement. Only information on transactions that are individually or collectively significant is still to be disclosed. In addition, the definition of a related party was simplified and a number of inconsistencies were eliminated. The European Union has not yet endorsed the amendments. The revised standard is effective retrospectively for financial years beginning on or after January 1, 2011. The amendments are not expected to have a material impact on the presentation of net assets, financial situation and earnings or cash flows.

Annual Improvement Project – Improvements to IFRS 2009:

On April 16, 2009 the IASB released the second final standard with amendments to existing IFRS (Omnibus Standard). The Annual Improvement Project 2007 – 2009 made minor amendments to a total of twelve standards. The adopted amendments are applicable for fiscal years beginning on or after January 1, 2010; with the exception of amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16, which must already be applied for fiscal years beginning on or after July 1, 2009. The following amendments are of particular interest, although their application will have no significant effect on the Company's consolidated annual financial statements:

- *IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations":* clarification that other IFRS standards apart from IFRS 5 are only relevant for disclosure obligations if they require special disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations.
- *IFRS 8 "Operating Segments":* disclosure of information about segment assets must only be made if these are reported internally.
- *IAS 7 "Statement of Cash Flows":* clarification that only those expenditures leading to the carrying of an asset are to be recognized in cash flow from investing activities.
- *IAS 36 "Impairment of Assets":* the amendment affects the level on which the goodwill impairment test is conducted.
- *IAS 38 "Intangible Assets":* clarifications regarding the summary of intangible assets acquired in a business combination; it is sufficient in future if an intangible asset is separable together with a contract, an asset or a liability. Moreover, the measurement methods regarding the valuation of intangible assets acquired in a business combination were clarified or amended.
- *IAS 39 "Financial Instruments: Recognition and Measurement":* clarification that fair value changes recognized in equity of a hedging instruments from

cash flow hedges for planned transactions which lead to the carrying of a financial instrument (for example foreign currency revenue) and financial instruments carried in the balance sheet must be reclassified in the income statement (so-called reclassification adjustment), if the underlying transaction is recognized in the income statement.

IFRIC 14 Prepayments of a Minimum Funding Requirement

In November 2009, the IASB issued an amendment to its requirements on accounting for pension plans. The European Union has not yet endorsed this amendment. The amendment is to IFRIC 14 *"Prepayments of a Minimum Funding Requirement,"* which is an interpretation of IAS 19 "Employee Benefits." The amendment applies in limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover these requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The amendment has an effective date for mandatory adoption of January 1, 2011. Retrospective adoption is required. Adoption of amended IFRIC 14 will not have any impact on the Company's consolidated financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

In November 2009, the IASB issued the interpretation IFRIC 19. The European Union has not yet endorsed IFRIC 19. The interpretation provides guidance on how to interpret IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept equity instruments to settle the financial liabilities fully or partially. IFRIC 19 clarifies that the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability fully or partially. In addition, these equity instruments are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments shall be measured to reflect the fair value of the financial liability extinguished. Any difference between the carrying amount of the financial liability and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period. The interpretation is effective for financial years beginning on or after July 1, 2010. The adoption of IFRIC 19 is not expected to have a material impact on the presentation of the Group's net assets, financial situation and earnings or cash flows.

2.4 Retrospective Adjustments

The amendments to IFRS from the Improvement Project 2008 were released in May 2008 and are first applicable for fiscal years beginning on or after January 1, 2009. With regard to IAS 1, for example, it was clarified that assets and liabilities to be classified as held-for-trading pursuant to IAS 39 *Financial Instruments: Recognition and Measurement*, are not necessarily to be classified as current assets or liabilities in the balance sheet. The term "current" is based solely on the accrual criteria contained in IAS 1. The standard is to be applied retrospectively.

The United Internet Group has an interest hedging transaction which does not meet the requirements of IAS 39 on *Hedge Accounting* and was recognized at fair value through profit and loss. The negative fair value as of December 31, 2008 amounted to € 6,671k and was disclosed under “Current other liabilities”. The prior-year amount was adjusted and an amount of € 4,700k was reclassified from current to non-current other liabilities.

As mentioned above, the adoption of IFRS standards and interpretations to be applied for the first time in the period under review did not result in any material effects on the Group’s net assets, financial situation and earnings.

Pursuant to IFRS 5, the prior-year figures of the income statement are to be adjusted following the sale and deconsolidation of the Display Marketing business of the AdLINK Group. Sales revenues and expenses of the discontinued operation are no longer included in the respective lines. The discontinued operation and its net income after taxes is disclosed separately. The comparative figures of the balance sheet as at December 31, 2008 and the cash flow statement are to be presented unchanged. As a result, the prior-year amounts are only comparable to a limited extent. Reclassifications were made to the cash flow statement of the previous year to account for disclosure changes in the income statement. There were no changes to cash flows from operating activities, investing activities and financing activities.

2.5 Significant accounting judgments, estimates and assumptions

The application of accounting and valuation methods in preparing the consolidated financial statements requires management to make certain accounting judgments, estimates and assumptions. These have an effect on the disclosed amounts of earnings, expenditure, assets and liabilities, as well as contingent liabilities, as of the balance sheet date. Actual amounts may differ from these estimates and assumptions, which may lead in future to significant adjustments to the carrying values of the assets and liabilities concerned.

Accounting judgments

In the application of accounting and valuation methods, management made the following accounting judgments which significantly affect amounts in the annual financial statements.

Special-purpose entities

the Group acquired shares in the special-purpose entities European Founders Fund No. 1 to No. 3. On analysis of the contractual terms of the bylaws under consideration of SIC-12 *Consolidation – Special Purpose Entities*, it was noted that:

- United Internet AG does not control European Founders Fund No. 1, but
- United Internet AG controls European Founders Fund No. 2 and
- United Internet AG controls European Founders Fund No. 3.

European Founders Fund No. 2 and No. 3 were thus included in the consolidated financial statements as a subsidiary while European Founders Fund No. 1 is treated as an associated company, due to the significant influence which United Internet AG can exert.

Estimates and assumptions

The most important forward-looking assumptions and other major sources of uncertainty as of the balance sheet date, which involve the risk of significant adjustments to the carrying values of assets and liabilities in the coming fiscal year, are explained below.

Impairment of non-financial assets

The Company assesses on every balance sheet date whether there is any indication of impairment of its non-financial assets. Goodwill and other intangible assets with undefined useful lives are assessed at least once a year or on indication of impairment. Other non-financial assets are tested for impairment if there is any indication that the carrying value exceeds the recoverable amount.

In order to estimate value-in-use, management must estimate expected future cash flows of the asset or cash-generating unit and select a suitable discount rate to assess the present value of these cash flows. Further details, including a sensitivity analysis of significant assumptions, are presented in the Note "Impairment of goodwill and intangible assets with unlimited useful lives".

Impairment of available-for-sale financial investments

The Company classifies certain assets as available-for-sale and recognizes changes in their fair value directly in equity. If the fair value falls, management makes assumptions about the loss in value in order to determine whether it constitutes an impairment which must be expensed in the income statement. A significant or persistent decrease in the fair value of an equity instrument below its acquisition cost may constitute an objective indication of impairment. The carrying value of available-for-sale financial investments amounted to € 141,153k (prior year: € 70,498k) as of December 31, 2009.

Calculating the profit contribution of associated companies and joint ventures

Investments in associated companies and joint ventures are valued according to the equity method and carried in the consolidated financial statements. As the financial information from associated companies and joint ventures is in part incomplete as of the balance sheet date, the prorated transfer of results considers in part assumptions made by the management of the United Internet Group. These assumptions concern, for example, adaptations to standard accounting and valuation methods (IAS 28.26), effects from purchase price allocations to be conducted (IAS 28.23) and the underlying period results. In the course of such estimations there are areas of discretion and uncertainty.

Estimations of the profit contribution of listed associated companies and joint ventures are subject in part to the profit forecasts of external financial analysts. The carrying value of investments in associated companies and joint ventures amounted to € 126,628k (prior year: € 221,684k) as of December 31, 2009.

Impairment test for investments in associated companies and joint ventures

As of the balance sheet date, the United Internet Group holds investments in various associated companies and joint ventures. In accordance with IAS 28.31, the Company examines on the balance sheet date whether the net investment of the United Internet Group in the respective associated company or joint venture requires an additional impairment charge.

In the case of capital market-oriented companies, the calculation of the recoverable amounts is based mainly on the respective shares price on the balance sheet date. The recoverable amounts of non-listed companies is based both on available past experience for the respective company and expectations of its future development. As these expectations are based on numerous assumptions, the calculation of recoverable amounts depends on discretionary factors. As of December 31, 2009, the fair value of investments in associated companies and joint ventures amounted to € 126,628k (prior year: € 221,684k).

Share-based payments

The Group measures the cost of granting equity instruments to employees by using the fair value of these equity instruments at the moment they were granted. A suitable valuation model must be used to estimate fair value when granting equity instruments; this depends on the contractual terms. Suitable data must also be chosen for the valuation process, including the expected option term, volatility and dividend yield, as well as the corresponding assumptions.

The same procedure is applied to share-based payments to third parties (e.g. service providers, suppliers etc.). In addition to the above factors, estimates and assumptions are made above all with regard to defining the fair value of the services received, determining the moment of granting and the service period.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates.

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets

Deferred tax assets are recognized for all unused tax loss carryforwards, to the extent for which it is probable that future taxable profit will be available. In order to assess the amount of deferred tax assets, management must make significant judgments based on the likely timing and level of future taxable income as well as future tax planning strategies. As of December 31, 2009, the carrying value of deferred tax assets for tax losses considered amounted to € 253k (prior year: € 2,712k). Further details are provided in Note 16.

Trade accounts receivable

Trade receivables are carried in the balance sheet less impairment charges made. Allowances for doubtful claims are made on the basis of a systematic review as well as valuations conducted as part of credit monitoring. Assumptions concerning the payment behavior and creditworthiness of customers are subject to significant uncertainties. The carrying value of trade receivables amounted to € 91,290k (prior year: € 119,066k) as of December 31, 2009.

Tangible and intangible assets

Property, plant and equipment and intangible assets are valued at cost on initial recognition. Property, plant and equipment and intangible assets with limited useful lives are then depreciated over their expected economic useful lives using the straight-line method. Expected useful lives are based on historical experience and thus subject to significant uncertainties, especially with regard to unforeseen technological developments. The carrying value of tangible and intangible assets amounted to € 296,244k (prior year: € 162,627k) as of December 31, 2009.

Provisions

Provisions are formed if the Group has a legal or actual obligation resulting from a past event which will probably give rise to the outflow of resources with an economic benefit to fulfill the obligation, provided that the level of the obligation can be reliably estimated. Such estimates are subject to significant uncertainties. The carrying value of provisions amounted to € 11,125k (prior year: € 4,513k) as of December 31, 2009.

2.6 Summary of significant accounting and valuation methods

Revenue recognition

Revenue is recognized separately for each of the Group's different segments (see Note 4).
Revenue is recognized when it is probable that the Group will receive an economic benefit and the amount of revenue can be reliably determined. Revenue is measured at the fair value of the compensation received. Discounts, rebates, sales tax or other charges are not considered. The recognition of revenue must also fulfill the following measurement criteria.

Revenues in the separate segments are recognized according to the following principles:

Product segment

The Product business mainly comprises the product lines Internet Access (narrowband, mobile internet access and DSL products with internet telephony, video-on-demand and mobile telephony), shared and dedicated web hosting and the portal business with advertising and e-commerce revenues as well as paid mainly portal-based value-added services.

<u>Internet access</u>

In the Internet Access product line, the Company generates revenue mainly from the provision of narrowband and mobile internet connections and DSL access, bundled with internet telephony, video-on-demand and mobile telephony. Revenue consists of fixed monthly basic fees, as well as variable usage fees for internet connections and access, provision fees and market development cost subsidies for new customers, proceeds from the sale of the respective hardware and software, fixed monthly basic fees for subscriptions to video-on-demand packages, as well as variable usage charges, e.g. for the individual provision of videos or foreign and mobile phone connections as part of our internet and mobile telephony offers.

Revenue is recognized according to service provision, which generally corresponds to the receipt of monthly fees paid by customers (usage charges and basic fees). Revenue from the sale of hardware is recognized on transfer of risk. Payment is mainly by direct debit.

<u>Web hosting solutions</u>

In the field of web hosting for discerning private customers and small to medium-sized companies, revenue is mainly recognized from the hosting of websites. This primarily involves fixed monthly revenue from the administration and storage of customer content on shared or dedicated servers, or e-shops, revenue from the brokerage and administration of domains and charges for professional internet-based communication solutions. In addition to fixed monthly fees for storage and the provision of functionalities, one-off fees are also charged for set-up services or software products (e.g. for website creation).

Web hosting customers generally pay in advance for the services provided by the Company for a fixed time period. Customer pre-payments are carried as deferred revenue. Revenue is recognized pro rata over the period of service provision. Payment is generally made by direct debit.

<u>Portal/club business</u>

Revenues from the portal business of WEB.DE, 1&1, GMX and smartshopping consist mainly of advertising income, e-commerce commissions and revenues for so-called “paid services”. These include income from sponsored links during internet searches, SMS and freephone charges, brokerage commission for DSL connections, and e-commerce commissions. In the field of online advertising, space is offered on the websites of portals. Realized revenues depend on the placing and number of screenings or according to click rates. Paid services consist mainly of fee-based e-mail products, such as the WEB.DE Club or GMX-ProMail, for which revenues are generated from continuous monthly subscription fees.

Revenues are realized according to services rendered. Advance customer payments are carried as deferred income. Paid services are generally paid for by direct debit.

In accordance with SIC 31, revenue from the exchange of advertising services is only recognized if the advertising services exchanged differ in type and value. Revenue is recognized at the market value of the submitted asset or rendered service and adjusted where necessary for additional cash payment. United Internet markets advertising space on its portals to a small extent in exchange for advertising time in other advertising media.

Online Marketing segment

In its Online Marketing segment, the Company offers advertising customers a variety of online marketing and sales solutions in the field of Domain and Affiliate Marketing.

<u>Domain Marketing</u>

Sedo operates a trading platform for the secondary domain market. In addition, the company offers domain owners the possibility to market unused domains for advertising purposes (domain parking). The company also holds its own portfolio of marketable and salable domains. Sedo generates sales commission from the successful sale of domains via the platform and revenue for services relating to domain value assessments and domain transfers. The sales commissions and services are generally based on a percentage of the sales price achieved, whereas fixed prices are charged for the other services. In the field of domain parking, domains are marketed via cooperation agreements with search engines, mainly using text links, i.e. links on the parked domains to offers of the advertisers. The Company receives performance-based payment on a monthly basis from the cooperation partner on a pay-per-click basis, according to the number of clicks counted by the cooperation partner. The Company also operates a portfolio of its own domains. These are available for sale and marketed in the meantime as part of domain parking.

The Company recognizes sales commissions as revenue on invoicing. Revenue is thus recognized on completion of the transaction or provision of the service. In the case of domain parking, the monthly payments credited by cooperation partners are recognized as revenue.

<u>Affiliate Marketing</u>

Affiliate marketing is a performance-based online sales solution by which advertisers or merchants can gain, control and pay their sales partners, in this case website operators, via a joint platform. As part of the affiliate program of the merchant (advertiser), available via the platform, the website operator (affiliate) incorporates the advertiser’s message to promote sales of goods and services on his website and generally receives a commission for the successful brokerage of customers or contacts. The aim of the platform is to create an efficient link and communication between advertisers and website operators. The Company is compensated by the merchants for the use of administration and management tools within the affiliate programs, as well as for the calculation of transactions and the monthly payments to website operators. Invoicing is based on the amount to be paid to the affiliate. This can be on a cost-per-click, cost-per-action or cost-per-sale basis, or a mixture of these three.

Invoicing is either in advance or on a monthly basis following completion of performance. Revenue is recognized on completion of performance. Amounts invoiced in advance are recognized less performance completed as advance payments received. In those cases in which performance is not billed monthly, performance completed is calculated and recognized as revenue at the prices agreed with the customer.

Disclosure of disposal gains from the sale of investments

Insofar as they concern effects on the income statement, regular carrying amounts and valuations, especially of investments in associated companies and available-for-sale shares, are disclosed in the financial result (see explanations below).

Gains from the sale of such investments are always disclosed under other operating income, losses under other operating expenses.

Foreign currency translation

The consolidated financial statements are prepared in euro, the Company's functional and presentation currency. Each company within the Group determines its own functional currency. The items in the annual financial statements of the respective company are valued using this functional currency. Foreign currency transactions are initially translated to the functional currency at the prevailing spot rate on the day of transaction. Monetary assets and liabilities in a foreign currency are translated to the functional currency on every balance sheet date using the closing rate. All currency differences are expensed in the income statement. The exception to this rule are currency differences resulting from foreign currency loans, providing they are used to hedge against a net investment in a foreign operation. These are recognized directly in equity until the net investment is sold and only recognized in profit or loss on disposal. Deferred taxes arising from such currency differences are also recognized directly in equity. Non-monetary items valued at historical cost in a foreign currency, are translated at the exchange rate prevailing on the day of the transaction. Non-monetary items stated at fair value in a foreign currency are translated at the exchange rate prevailing at the time fair value was assessed. All goodwill items resulting from the acquisition of a foreign operation and all adjustments to fair value of the carrying values of assets and liabilities resulting from the acquisition of this foreign operation, are carried as assets and liabilities of the foreign operation and translated at the closing rate.

The assets and liabilities of foreign operations are translated into euro at the closing rate. Income and expenditure is translated at the exchange rate prevailing on the date of the transaction (for practical considerations, a weighted average rate is used for translation). The resulting translation differences are recognized separately in equity. The cumulative amount for a foreign operation which is stated in equity is reversed with an effect on the income statement when the foreign operation is sold.

Property, plant and equipment

Property, plant and equipment is carried at cost less cumulative scheduled depreciation. In the case of major maintenance work, costs are recognized in the carrying value as replacement, providing the measurement criteria are met.

Land and buildings are carried at cost less scheduled depreciation for buildings and impairment.

Items of property, plant and equipment are eliminated either on their disposal or when no further economic use is expected from the continued use or sale of the asset. Gains and losses from the disposal of an asset are assessed as the difference between net sales proceeds and the asset's carrying value. They are recognized in the income statement in the period in which the asset is eliminated.

The residual values, useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted where necessary.

Property, plant and equipment assets are depreciated over their expected economic useful life using the straight-line method. In the case of operational and office equipment, servers used for web hosting are depreciated over a useful life of 3 years. Other servers used by the Company are depreciated over 5 years, due to their comparatively lower usage.

The useful life periods can be found in the following summary:

	Useful life in years
Leasehold improvements	Up to 10 (depending on lease period)
Buildings	10 or 50
Vehicles	5 to 6
Other operational and office equipment	3 to 10
Office furniture and fixtures	5 to 13

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, unless they are connected with the production or purchase of a qualifying asset. In the period under review, there was no need to capitalize borrowing costs.

Business combinations and goodwill

Business combinations are accounted for using the purchase method. This involves the recognition of all identifiable assets and liabilities of the acquired operation at fair value.

Goodwill arising from a business combination is initially measured at cost, being the excess of the acquisition cost of the operation over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is valued at amortized cost. Goodwill is subjected to an impairment test at least once annually or whenever there is any event or change in circumstances which might indicate impairment.

In order to test whether there is any impairment, goodwill acquired in the course of a business combination must be allocated from the date of acquisition to each of the cash-generating units of the Group which are to profit from the synergy effects of the combination. This does not depend on whether other assets and liabilities of the Group are already allocated to these cash-generating units.

The impairment need is determined by comparing the recoverable amount of the cash-generating units to which goodwill refers with their carrying value. The recoverable amount of an asset, or a cash-generating unit, is the higher of fair value of the asset or cash-generating unit less transaction costs and its value-in-use. If the carrying amount of an asset, or cash-generating unit, exceeds its recoverable amount, the asset, or cash-generating unit, is regarded as impaired and is written down to the recoverable amount.

Intangible assets

Individually acquired intangible assets are carried at cost on initial recognition. The acquisition cost of intangible assets resulting from the business combination corresponds to its fair value at the time of acquisition. In the following periods, intangible assets are valued at cost less cumulative amortization and cumulative impairment charges. With the exception of those development costs which can be capitalized, costs for internally generated intangible assets are expensed in the period incurred.

A difference is made between intangible assets with limited and those with unlimited useful lives.

Intangible assets with limited useful lives are amortized over their economic useful life and tested for possible impairment if there is any indication that the asset may be impaired. The useful lives and amortization methods of intangible assets with limited useful lives are reviewed at least at the end of each fiscal year. Necessary changes to the depreciation method and useful life are treated as changes to assumptions. Amortization of intangible assets with limited useful lives are recognized in the income statement under the expense category corresponding to the function of the intangible asset in the Company.

In the case of intangible assets with unlimited useful lives, an impairment test is performed at least once annually for the individual asset or on the level of the cash-generating unit. Such intangible assets are not amortized in scheduled amounts. The useful life of an intangible asset with an unlimited useful life is reviewed annually to ascertain whether the assumption of an unlimited useful life is still justified. If this is not the case, a prospective change is made from unlimited useful life to limited useful life.

The useful life periods can be found in the following summary:

	Useful life in years
Trademarks	Unlimited
Portals	8
Customer base	5 to 13
Licenses and other rights	3 to 6
Software	3

Investments in associated companies

Investments in associated companies are valued according to the equity method. An associated company is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Using the equity method, investments in associated companies are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associated company. Goodwill connected with an associated company is included in the carrying value of the investment and not subjected to scheduled amortization. The income statement includes the Company's portion of the success of the associated company. Changes recognized directly in the equity capital of the associated company are recognized by the Company in proportion to its shareholding and – where applicable – reported in "Changes in shareholders' equity". Profits and losses from transactions between the Company and the associated company are eliminated in proportion to the shareholding in the associated company.

The annual financial statements of the associated company are generally prepared as to the same balance sheet date as those of the parent company. Where necessary, adjustments are made to bring the methods in line with standard group-wide accounting and valuation methods.

Shares in joint ventures

The Company holds an investment in one joint venture company. There is a contractual agreement between the partner companies to jointly manage the business activities of the company. The Group recognizes its investments in the joint ventures using the equity method. The annual financial statements of the joint ventures are prepared as to the same balance sheet date as those of the parent company. Where necessary, adjustments are made to bring the methods in line with standard group-wide accounting and valuation methods.

Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, or if an annual impairment test is necessary, the recoverable amount of the asset is estimated. The recoverable amount of an asset is the higher of fair value of the asset or cash-generating unit less transaction costs and its value-in-use. The recoverable amount of each asset must be determined, unless an asset does not generate cash flows which are largely independent of other assets or other groups of assets; in the latter case, the recoverable amount is calculated for the cash-generating unit to which the asset belongs. If the carrying amount of an asset exceeds its recoverable amount, the asset is regarded as impaired and is written down to its recoverable amount. In order to determine the value-in-use, expected future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market expectations regarding the interest effect and the specific risks of the asset. A suitable valuation model is used to determine fair value less sales costs. This is based on DCF models, valuation multipliers, the share prices of listed subsidiaries or other available indicators for fair value.

Impairment charges of continued operations are recognized according to the expense category corresponding to the function of the impaired asset in the Company.

A review is made of assets, with the exception of goodwill, on each balance sheet date to determine whether there is any indication that a previously recognized impairment loss no longer exists or has decreased in size. In the case of such an indication, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is only reversed if there has been a change in the assumption used to determine the recoverable amount since recognition of the last impairment loss. If this is the case, the asset’s carrying value is raised to its recoverable amount. This amount may not exceed the carrying amount, less depreciation, that would have been determined had no impairment loss been recognized for the asset in prior years.

The following additional criteria are to be considered for certain assets:

Goodwill

At each balance sheet date, the Company reviews whether there is any indication that an asset might be impaired. Impairment of goodwill is reviewed at least once a year. A test is also performed if events or circumstances indicate that the value may be diminished. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which goodwill has been allocated. If the recoverable amount of the cash-generating unit is less than the carrying amount of this unit, an impairment loss is expensed. An impairment loss recognized for goodwill may not be reversed in the following reporting periods. The Group performs its annual impairment test for goodwill on the balance sheet date.

Intangible assets

An impairment test of intangible assets with unlimited useful lives is made at least once per year on the balance sheet date. Depending on the individual case, the review is performed for a single asset or on the level of the cash-generating unit.

Associated companies

On application of the equity method, the Company ascertains whether it is necessary to recognize an additional impairment loss for the Company's investments in associated companies. On each balance sheet date, the Company assesses whether there are objective indications for the impairment of an investment in an associated company. If this is the case, the difference between the fair value of the associated company and the acquisition cost is recognized as an impairment loss.

Financial investments and other financial assets

Financial investments and other financial assets as defined by IAS 39 are classified as follows:

- Financial assets held at fair value through profit or loss
- Held-to-maturity financial investments
- Loans and receivables
- Available-for-sale financial investments

The Group's financial assets comprise cash and short-term deposits, trade receivables, receivables from loans and other receivables, listed and non-listed financial instruments and derivative financial instruments.

Financial assets are carried at fair value on initial recognition. In the case of other financial investments than those classified as held at fair value through profit or loss, transaction costs directly attributable to the acquisition of the asset are also considered.

Financial assets are classified according to valuation categories at the moment of initial recognition. Where necessary and permissible, reclassifications are made at the end of each fiscal year.

All standard market purchases and sales of financial assets are recognized on the trading day, i.e. on the day on which the Company entered into the obligation to purchase the asset. Standard market purchases and sales are purchases and sales of financial assets which prescribe the delivery of the assets within a period specified by market regulations or conventions.

Financial assets held at fair value through profit or loss

The category of financial assets held at fair value through profit or loss includes held-for-trading financial assets and financial assets which are classified as financial assets held at fair value through profit or loss on initial recognition. Financial assets are classified as held-for-trading if they were acquired with the intention of selling them in the near future. This category comprises derivative financial instruments arranged by the Company which do not meet the accounting criteria for hedging transactions pursuant to IAS 39. Derivatives, including separately recognized embedded derivatives, are also classified as held-for-trading, with the exception of derivatives designated as a hedging instrument and effective as such.

Financial assets held at fair value through profit or loss are stated in the balance sheet at fair value, whereby profit or losses are recognized in the income statement. The Group has only classified its derivative financial instruments as held at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market. Following initial recognition, loans and receivables are carried at amortized cost using the effective interest method less allowances for impairment. Profits and losses are recognized in the period when the loans and receivables or eliminated or impaired or as part of amortization.

Available-for-sale financial investments

Available-for-sale financial assets are non-derivative financial assets which are classified as being available for sale and which have not been assigned to any of the three categories above. After initial recognition, available-for-sale financial assets are carried at fair value, whereby non-realized profits or losses are recognized directly in equity in the reserve for non-realized profit. On disposal of financial investments, the cumulative profit or loss previously recognized in equity is reclassified to the income statement.

Fair value

The fair value of financial investments traded on organized markets is determined by the quoted market price (buying rate) on the balance sheet date. The fair value of financial investments for which there is no organized market is determined using valuation methods. These valuation methods include the use of recent transactions between competent, willing and independent business partners, a comparison with the fair value of another, generally identical financial instrument, an analysis of discounted cash flows and the use of other valuation methods.

Amortized cost

Held-to-maturity financial investments, as well as loans and receivables, are carried at amortized cost. This is calculated using the effective interest method less allowances for impairment and under consideration of discounts and premiums on purchase and includes all fees which are an integral part of the effective interest rate.

Impairment of financial assets

On each balance sheet date, the Company assesses whether there has been any impairment of a financial asset or group of financial assets.

Financial assets carried at amortized cost

If there is an objective indication that loans and receivables carried at amortized cost are impaired, the loss is calculated as the difference between the asset's carrying value and the present value of the expected future cash flows (with the exception of expected future credit losses not yet occurred), discounted with the original effective interest rate of the financial asset (i.e. the effective interest rate on initial recognition). The asset's carrying value is reduced using an impairment account. The impairment loss is recognized in the income statement.

If the scale of the impairment is reduced in one of the following reporting periods and this reduction can be objectively attributed to an event occurring after recognition of impairment, the allowance is reversed. This write-back is limited in scale to amortized cost at the time of the write-back. The write-back is recognized in the income statement.

In the case of trade receivables, if there are objective indications (e.g. the probability of insolvency or significant financial difficulties of the debtor) that not all due amounts will be received according to the originally agreed invoice terms, a write-down is made using the appropriate allowance account. The write-down amounts are eliminated when they are classified as uncollectible. Allowances are made on the basis of experience values by classifying receivables according to age and on the basis of other information regarding the impairment of customer-specific receivables.

Available-for-sale financial investments

If the value of an available-for-sale financial asset is impaired, an amount recognized in equity amounting to the difference between acquisition cost (less any redemption and amortization) and current fair value, less any previous allowances expensed for this financial asset, is reclassified to the income statement. Write-backs of equity instruments classified as available-for-sale, are not recognized in the income statement.

In order to ascertain impairment requiring recognition, information concerning all adverse changes in the technological, market-related, economic or legal environment is considered. A significant or persistent decrease in the fair value of equity instrument below its acquisition cost is also an objective indication of impairment.

Write-backs of debt instruments classified as available-for-sale, are recognized in the income statement if the increase in the instrument's fair value objectively results from an event which occurred after recognizing an impairment charge.

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value comprises the estimated sales proceeds less estimated necessary selling costs. Adequate valuation allowances for excess inventories are made to provide for inventory risks.

Write-downs for slow-moving products are used when calculating the net realizable values of domains held for resale. A longer holding period indicates a less attractive/marketable domain. The reduced marketability of a domain is interpreted as a declining sales prospect, which reduces the net recoverable sales revenue as a result of higher costs up to the time of sale in conjunction with lower sales price expectations. The write-downs are first made at the end of the fiscal year following purchase. After a holding period of seven years, the Company regards the probability of sale as almost zero and thus zero is assumed for the sake of simplicity. In addition to such write-downs for slow-moving products, the Company also tests the domain portfolio on each balance sheet date for signs of a sharper fall in the net realizable value than which indicated by the underlying write-downs for slow-moving products.

Treasury shares

Treasury shares are deducted from shareholders' equity. The purchase, sale, issue or retirement of treasury shares is not recognized in the income statement.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances, other investments, checks and cash in hand, which all have a high degree of liquidity and maturities of less than 3 months – calculated from the date of purchase.

Financial liabilities

Loans are recognized initially at the fair value of the performance received less transaction costs involved with borrowing. Following initial recognition, interest-bearing loans are valued using the effective interest method at amortized cost. Profits and losses are recognized when the debts are eliminated and in the course of amortization.

Financial liabilities carried at fair value through profit or loss include held-for-trading financial liabilities and other financial liabilities classified on initial recognition as financial liabilities carried at fair value through profit or loss.

Financial liabilities are classified as held-for-trading if they were acquired with the intention of selling them in the near future. Derivatives, including separately recognized embedded derivatives, are also classified as held-for-trading, with the exception of derivatives designated as a hedging instrument and effective as such. Profit or loss from held-for-trading financial liabilities are recognized in the income statement.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognized when one of the three following conditions are met:

- The contractual rights to receive cash flows from a financial asset have expired.

- The Company reserves the rights to receive cash flows from a financial asset, but assumes a contractual obligation to immediately pay the cash flows to a third party as part of an agreement which fulfills the conditions of IAS 39.19 (pass-through arrangement).

- The Company transfers its rights to receive cash flows from a financial asset and either (a) transfers virtually all opportunities and risks connected with owning the financial asset or (b) retains authority to dispose of the asset even though it has neither transferred nor retained virtually all opportunities and risks connected with owning the financial asset.

Financial liabilities

A financial liability is derecognized when the underlying commitment of this liability has been fulfilled or terminated or expired.

If an existing financial liability is replaced by a different financial liability of the same lender with substantially different contractual terms or if the terms of an existing liability are significantly changed, such an exchange or change is treated as derecognition of the original liability and recognition of a new liability. The difference between the respective carrying values is recognized in the income statement.

Provisions

Provisions are formed if the Company has a legal or actual obligation resulting from a past event which will probably give rise to the outflow of resources with an economic benefit to fulfill the obligation, provided that the level of the obligation can be reliably estimated. Such estimates are subject to significant uncertainties. If the Group expects at least partial compensation for a recognized provision, this compensation is only recognized as a separate asset if the reimbursement is virtually certain. The expense to form the provision is only recognized in the income statement after deduction of the reimbursement. If the interest effect from discounting is significant, provisions are discounted at a pre-tax interest rate which reflects the specific risk of the debt, if so required by the individual case. In the event of a discount, the increase in provisions caused by the passage of time is recognized as a financial expense.

Share-based payment

Group employees receive share-based payments as remuneration for their work in the form of equity instruments and the granting of value growth rights, which may be settled in cash or via equity instruments at the Company's discretion.

Equity-settled transactions

The cost of granting equity instruments issued after November 7, 2002 is measured using the fair value of such equity instruments on the date of granting. Fair value is measured using a suitable option price model. With the aid of the respective valuation process, the value component is determined at the time of granting, also for subsequent valuation until the end of the term. On every valuation date, however, the expected exercise volume is to be reassessed with a corresponding adjustment of the additional amount under consideration of additions already made. Any necessary adjustment bookings are to be made in the period in which new information about the exercise volume becomes available.

The measurement of cost from the granting of equity instruments and the corresponding increase in equity occurs over the period in which the vesting or performance conditions have to be satisfied (the so-called vesting period). This period ends after the vesting date, i.e. the date on which the employee concerned has gained irrevocable entitlement. The cumulative expenses recognized on each balance sheet date for equity-settled transactions until the vesting date reflect the extent to which the vesting period has expired and the number of equity instruments which, according to the Group's best-possible estimate, will actually be vested after the vesting period. The income or expense recognized in the income statement represents the development of cumulative expenses recognized at the beginning and end of the reporting period. No expense is recognized for payment rights which are not vested.

Transactions with settlement in cash or via equity instruments at the Company's discretion

In the case of share-based remuneration plans which grant the Company the contractual choice of settling in cash or issuing equity instruments, the Company must determine whether there is a current cash settlement commitment and disclose the stock-based remuneration transaction correspondingly. There is a current cash settlement commitment if the possibility to settle by means of equity instruments has no economic substance (e.g. because the company is legally forbidden to issue shares), or cash settlement was common business practice or the declared company guideline in the past, or the company generally settles in cash if the beneficiary so desires. This transaction is accounted for in accordance with the regulations for equity-settled payment transactions.

The dilutive effect of outstanding equity-settled transactions and those transactions settled in cash or via equity instruments is reflected as an additional share dilution in the calculation of earnings per share.

Earnings per share

"Undiluted" or basic earnings per share are calculated by dividing the result attributable to the holders of registered shares by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated similarly to basic earnings per share with the exception that the average number of shares outstanding increases by the portion which would result if the exercisable conversion rights of convertible bonds issued had been exercised. Net income is also adjusted for interest expenses after taxes, payable on potentially exchanged convertible bonds.

Leases

The determination of whether an arrangement contains a lease is based on the economic substance of the arrangement at the time of signing and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease period. The leased property is carried at fair value or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are charged directly against income.

Capitalized leased assets are fully depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

The Company currently classifies all leasing contracts as operating leases, whereby the Company acts exclusively as lessee.

Financial income

Interest income is recognized as interest accrues (using the effective interest rate, i.e. the rate which discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset). Dividend income is recognized with the inception of the legal right to payment.

Government grants

Government grants are recognized where there is reasonable certainty that the grant will be received and the Company will satisfy all attaching conditions. Where the grants relate to an expense item, they are recognized as income in scheduled amounts over the period necessary to match the grants to the costs they are intended to compensate. Grants relating to an asset item reduce the carrying value of that item.

Taxes

Current income tax assets and liabilities

Current income tax assets and liabilities for the current period and for previous periods are valued at the amount at which a refund from the tax authorities or a payment to the tax authorities is expected. The amount is calculated on the basis of the tax rates and tax laws applicable on the reporting date.

Current income tax relating to items directly recognized in equity are not recorded in the income statement, but in shareholders' equity.

Deferred taxes

The liability method is used to create deferred taxes on all temporary differences existing on the reporting date between the carrying value of an asset or a liability in the balance sheet and the fiscal carrying value.

Deferred taxes are recognized for all taxable temporary differences, except:

- where the deferred tax liability from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and

- in respect of taxable temporary differences associated with investments in subsidiaries, associated companies and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and

- in respect of taxable temporary differences associated with investments in subsidiaries, associated companies and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted as of the balance sheet date. Future changes in tax rates are to be considered on the balance sheet date, providing material effectiveness conditions are met as part of the legislative process.

Deferred tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable, and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included under “Other current assets” or “Other liabilities” in the consolidated balance sheet.

Derivative financial instruments and hedging relationships

The Group uses derivative financial instruments in the form of interest swaps, in order to hedge against interest risks. Derivative financial instruments are recognized at fair value on the date of the agreement and carried at fair value in the subsequent periods. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative.

Profit or loss resulting from changes in the fair value of derivative financial instruments which do not meet the criteria for recognition as hedging relationships are recognized immediately in the income statement.

3. Business combinations and investments

3.1 Business combinations

In a contract dated December 12, 2008, United Internet Beteiligungen GmbH acquired the shares in united-domains AG – subject to approval from the respective anti-trust authorities. Following the approval of the anti-trust authorities on January 30, 2009, the acquisition was completed on February 27, 2009. In the period under review, the purchase price of € 34,951k million was settled in cash (€ 34,070k) and the assumption of liabilities (€ 881k). The acquisition costs amount to € 35,097k and comprise both the purchase price and directly attributable costs of € 146k. united-domains AG continues to be run by its founders, who acquired a total shareholding of 15% in united-domains AG after the acquisition. Payment for these shares was deferred. In the course of this share acquisition, the founders were also granted a put option for their shares, which cannot be exercised until 2014. The purchase price will be determined mainly by the company’s profit development.

This put option is carried as a contingent consideration, i.e. adjustments to the fair value of the commitment from this put option are carried without effect on profit and loss as a purchase price adjustment and thus influence the amount of goodwill. The effect from the accrued interest expense is recognized as an interest expense in the financial result. As of December 31, 2009 the effect from goodwill adjustment amounted to € 3,677k, while the effect from accrued interest amounted to € 434k.

The fair values of identifiable assets and liabilities as of the date of acquisition are as follows:

	T€ €k
Cash benefit	34,070
Assumption of liabitities	881
Incoms from purchase price installments	-5,100
Liabilities from option Agreements	5,100
Purchase price	34,951
Ancilliary acquisition costs	146
Acquisition costs	35,097

	Fair values €k	Carrying values €k
Software	2,211	0
Brand	4,198	0
Customer base / Order backlog	12,295	0
Property, plant and equipment	345	345
Cash and cash equivalents	1,762	1,762
Other assets	1,548	1,548
Customer receivables	318	318
Prepaid expenses	2,910	2,910
Deferred tax assets	1,393	1,393
Deferred tax liabilities	-5,555	0
Deferred revenue	-8,417	-8,417
Trade payables	-457	-457
Other liabilities	-1,584	-1,584
Accrued taxes	-269	-269
	10,698	-2,451
Goodwill	24,399	
Acquisition costs	35,097	

Goodwill of € 24,399k results mainly from expected synergies from the company acquisition.

Cash disbursements resulting from the company acquisition are as follows:

	€k
Cash disbursements	34,216
Assumed cash and cash equivalents	1,762
Actual cash disbursements	32,454

The profit of united-domains since the time of acquisition which is recognized in the annual result amounted to € 2,922k in fiscal year 2009.

Under the assumption that the company acquisition had already been made at the beginning of fiscal year 2009, consolidated sales would have increased by € 2,795k and net income would have decreased by € 329k.

On February 25, 2009 a purchase agreement was signed by Sedo USA concerning the acquisition of the domain parking supplier RevenueDirect. Under the terms of the agreement, the customer base, the brand and the attendant software of the domain parking service provider were acquired. The acquisition costs amount to € 628k. There were no directly attributable costs. The transaction resulted in goodwill of € 85k.

3.2 Investments

Until fiscal year 2006, 75.94% of shares in Sedo GmbH had been purchased by Response Republic Beteiligungsgesellschaft Deutschland GmbH. On the basis of a profit transfer agreement, Sedo GmbH transfers its complete result to Response Republic Beteiligungsgesellschaft Deutschland GmbH. As compensation for the minority shareholders, the contract allowed for a dividend payment of € 250k per fiscal year. The contract could not be terminated before December 31, 2011. As part of the purchase of additional shares, the minority shareholders were granted a conditional put option. This option could be exercised in the period from January 1, 2009 to December 31, 2015, whereby it can only be exercised jointly in 2009 and 2010 by all minority shareholders. The option is conditional in as far as AdLINK has the right to oppose the exercising of the put option. The purchase prices depend mainly on the company's profit development. In a notarized contract dated September 29, 2009 the remaining minority shareholders of Sedo GmbH, Cologne, agreed to transfer all shares held by them (in total 24.06%) to AdLINK Internet Media AG in return for the subscription of 4,250,000 new shares in AdLINK Internet Media AG and a cash component of € 5,500k. The assignment of the shares is conditional on the registration of the completed capital increase of AdLINK Internet Media AG in the Commercial Register and payment of the cash component. The transaction was entered in the Commercial Register on November 20, 2009. Based on a share price of AdLINK Internet Media AG on this day of € 3.20, the total value of the transaction amounted to € 19,100k.

With the purchase agreement, the existing commitment to pay a guaranteed dividend was cancelled. The related liability carried in the balance sheet was reversed with an effect on net income. Otherwise, there were no significant effects on the income statement due to the existing full allocation of profits of Sedo GmbH to consolidated earnings resulting from a profit transfer agreement in return for compensation (guaranteed dividend).

Effective January 1, 2008, Sedo GmbH acquired a shareholding of 40% in DomainsBot S.r.l., Rome / Italy. A call option was also agreed for the purchase of a further 20% of shares no sooner than 2010. The acquisition costs amounted to a total of € 839k and comprised directly assignable costs of € 89k.

In a contract dated February 8, 2008, United Internet Beteiligungen GmbH acquired a shareholding of 48.65% in Virtual Minds AG, Freiburg im Breisgau. The acquisition was made in part in the course of a capital increase. The acquisition costs amounted to a total of € 9,131k and comprised directly assignable costs of € 132k.

In a contract dated March 5, 2008, United Internet Beteiligungen GmbH acquired 80% of shares in the newly founded European Founders Fund GmbH & Co. Beteiligungs KG No. 3. The company will be included in the Group's annual financial statements as a fully consolidated subsidiary. In fiscal year 2008, European Founders Fund GmbH & Co. Beteiligungs KG Nr. 3 in turn acquired interests in a number of companies. The acquisition costs for investments in these portfolio companies amounted to € 50,071k.

On March 7, 2008, United Internet Beteiligungen GmbH acquired 33.36% of shares in BW2 Group AG, Lachen / Switzerland, in the course of a capital increase. The acquisition costs amounted to € 5,826k.

ProSiebenSat.1 Media AG and 1&1 Internet AG placed their cooperation on a new basis by founding the jointly controlled joint venture maxdome GmbH & Co. KG, Unterföhring. The respective contracts were signed on February 22, 2008. The transaction was approved by the respective anti-trust authorities on April 29, 2008. The cooperation with ProSiebenSat.1 Media AG has been carried so far as a joint activity as defined by IAS 31.

In a contract dated May 30, 2008, Fasthosts Ltd. acquired a 100% interest in Dollamore Ltd., Melbourne / UK. The acquisition of the shares in Dollamore Ltd. was accounted for using the purchase method. The purchase price was settled in cash; the preliminary acquisition costs amount to € 10,477k and comprise directly assignable costs of € 274k.
The acquisition resulted in goodwill of € 9,302k.

In an agreement dated July 1, 2008, United Internet Beteiligungen GmbH acquired 30% of shares in Jimdo GmbH, Hamburg. The share purchase was effected in part in the course of a capital increase. The acquisition costs amounted to a total of € 985k and also comprised directly assignable costs of € 20k. In an agreement dated October 26, 2009, these shares were sold.

On December 29, 2008 United Internet AG acquired 10,798, 817 shares in freenet AG from MSP Holding GmbH, corresponding to 8.43% of voting rights, at a price of € 3.38 per share. The acquisition costs on the basis of fair value as of the acquisition date amounted to € 46,111k. Initial recognition was made on a provisional basis. The directly held shares in freenet AG were sold on August 26, 2009. We refer to Note 42 for further details.

At the end of fiscal year 2007, United Internet AG acquired 50% of shares in MSP Holding GmbH, Maintal. The acquisition cost amounted to € 165,428k and also comprised directly assignable costs of € 26k. The acquisition cost was settled in cash. On January 23, 2008, United Internet AG and Drillisch AG increased their shareholding in freenet AG to 24.52% via the jointly held company MSP Holding GmbH. Following a capital increase of freenet AG in connection with its takeover of Debitel, the shareholding of MSP Holding GmbH in freenet AG was diluted from 24.52% to 18.39% as of July 5, 2008. On December 11, 2009, MSP Holding GmbH acquired United Internet's stake in MSP Holding GmbH. Drillisch AG thus became the sole shareholder of

MSP Holding GmbH. As compensation, MSP Holding GmbH transferred 50% (5,285,591 shares) of its shares in freenet AG to United Internet AG.

At the end of fiscal year 2007, United Internet AG acquired 19.5% of shares in Versatel AG, Berlin. This shareholding was increased during fiscal year 2008 to 25.21%. The acquisition of the additional shares was dependent on the approval of the antitrust authorities. This approval was granted on December 20, 2007. Total acquisition costs amounted to € 183,639k and also comprised directly assignable costs of € 2,823k.

Explanations to the Income Statement

4. Sales revenue / 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. In line with the positioning of the United Internet Group – and unchanged from the previous year – these segments are: the Product segment, Online Marketing segment and Head Office/Investments segment.

A description of the products and services of both the Product and Online Marketing segment is provided in Note 2.6 in the explanation of revenue recognition. The segment Head Office/Investments comprises mainly management holding functions.

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. Information on sales revenues is allocated to the country in which the company is domiciled. Segment earnings are reconciled with the total amount for the United Internet Group.

Segment reporting of United Internet AG in fiscal year 2009 was as follows:

2009

	Product segment	Online Marketing segment	Head Office/ Investments	Reconciliation	United Internet Group
	€k	€k	€k	€k	€k
Total revenues	1,542,984	135,312	4,756	---	---
- thereof internal revenues	14,887	5,230	4,058	---	---
External revenues	1,528,097	130,082	698	---	1,658,877
- thereof domestic	1,387,954	107,927	698	---	1,496,579
- thereof non-domestic	140,143	22,155	0	---	162,298
EBITDA	338,965	10,510	67,222	0	416,697
EBIT	285,121	8,466	67,025	0	360,612
Financial result			-19,546	-976	-20,522
Writedowns on investments			-3,478	0	-3,478
Result from at-equity companies			-1,189	-7,749	-8,938
EBT			42,812	284,862	327,674
Tax expense				-56,509	-56,509
Net income (from continued operations)					271,165
Result from discontinued operations				12,010	12,010
Net income (after discontinued operations)					283,175
Non-current assets	332,920	90,083	263,075	---	686,078
- thereof domestic	266,846	79,544	185,798	---	532,188
- thereof shares in associated companies	0	0	124,159	---	124,159
- thereof other financial assets	5,237	12,340	61,639	---	79,216
- thereof Goodwill	261,609	67,204	0	---	328,813
- thereof non-domestic	66,074	10,539	77,277	---	153,890
- thereof shares in associated companies	0	899	1,570	---	2,469
- thereof other financial assets	5,601	0	75,707	---	81,308
- thereof goodwill	60,473	9,640	0	---	70,113
Investments in tangible and intangible assets	173,950	1,305	41	---	175,296
Amortizations	53,844	2,044	197	---	56,085
- thereof tangible and intangible assets	35,566	1,269	197	---	37,032
- thereof intangible assets resulting from company acquisitions	18,278	775	0	---	19,053
- thereof amortization of goodwill	0	0	0	---	0
Number of employees	4,227	318	26	---	4,571
- Germany	3,456	222	26	---	3,704
- Outside Germany	771	96	0	---	867

All figures refer to continued operations. Investments in fiscal year 2009 are dominated by the purchase of freenet's customer base {€ 126,348k). Non-current segment assets comprise shares in associated companies/joint ventures, other financial assets and goodwill.

In the periods under review, there is no significant concentration of individual customers in the customer profile. The United Internet Group does not generate more than 10% of total external sales revenues with one customer. Foreign sales account for 9.8% (prior year: 9.2%) of total Group revenues.

The reconciliation figure with regard to earnings before taxes represents the corresponding EBT contribution of the Product and Online Marketing segments.

Segment reporting of United Internet AG in fiscal year 2008 was as follows:

2008

	Product segment	Online Marketing segment	Head Office/ Investments	Reconciliation	United Internet Group
	€k	€k	€k	€k	€k
Total revenues	1,446,323	142,963	5,033	---	---
- thereof internal revenues	13,497	6,098	4,360	---	---
External revenues	1,432,826	136,865	673	---	1,570,364
- thereof domestic	1,308,074	117,568	673	---	1,426,315
- thereof non-domestic	124,752	19,297	0	---	144,049
EBITDA	298,576	11,033	7,281	0	316,890
EBIT	248,068	2,761	7,050	0	257,879
Financial result			-30,946	1,360	-29,586
Writedowns on investments			-34,485	-7,894	-42,379
Result from at-equity companies			-232,507	-1,686	-234,193
EBT			-290,888	242,609	-48,279
Tax expense				-69,800	-69,800
Net income (from continued operations)					-118,079
Result from discontinued operations				-3,384	-3,384
Net income (after discontinued operations)					-121,463
Non-current assets	299,106	102,506	271,733	---	673,345
- thereof domestic	235,335	82,652	226,290	---	544,277
- thereof shares in associated companies	0	0	216,904	---	216,904
- thereof other financial assets	1,810	0	9,386	---	11,196
- thereof Goodwill	233,525	82,652	0	---	316,177
- thereof non-domestic	63,771	19,854	45,443	---	129,068
- thereof shares in associated companies	0	1,153	3,627	---	4,780
- thereof other financial assets	7,726	12,047	41,816	---	61,589
- thereof goodwill	56,045	6,654	0	---	62,699
Investments in tangible and intangible assets	40,474	1,353	215	---	42,042
Amortizations	50,509	8,272	231	---	59,012
- thereof tangible and intangible assets	29,779	1,289	231	---	31,299
- thereof intangible assets resulting from company acquisitions	20,730	553	0	---	21,283
- thereof amortization of goodwill	0	6,430	0	---	6,430
Number of employees	4,020	335	29	---	4,384
- Germany	3,304	247	29	---	3,580
- Outside Germany	716	88	0	---	804

Following the sale of the Display Marketing business of the AdLINK Group, the prior-year figures of the income statement were adjusted pursuant to IFRS 5 and now only contained continued operations. In the previous year, the Display Marketing business was allocated to the Online Marketing segment. All figures (with the exception of the figures on assets and investments in intangible assets) refer to continued operations.

The reconciliation figure with regard to earnings before taxes represents the corresponding EBT contribution of the Product and Online Marketing segments.

5. Cost of sales

	2009	2008
	€k	€k
Cost of services	843,225	747,087
Cost of goods	74,303	107,745
Personnel expenditure	55,895	47,490
Deprecation	27,731	24,936
Others	15,378	15,053
Total	1,016,532	942,311

Cost of sales increased in relation to sales revenue from 60.0% to 61.3%, compared with the previous year. This resulted in a deterioration of gross margin from 40.0% to 38.7%. The main reason was the high and initially profit-burdening cost of migrating DSL customers to all-inclusive packages, as well as the current pressure on margins in online advertising.

Amortization of intangible assets resulting from company acquisitions is disclosed separately in the income statement and not contained in cost of sales. Please refer to Note 9.

6. Selling expenses

There was a year-on-year decline in selling expenses – due in part to reduced advertising expenditure following the freenet DSL transaction – from € 268,100k (17.1% of sales) to € 228,036k (13.7% of sales).

Amortization of intangible assets resulting from company acquisitions is disclosed separately in the income statement and not contained in selling expenses. Please refer to Note 9.

7. General and administrative expenses

General and administrative expenses rose from € 80,834k (5.1% of sales) in the previous year to € 92,741k (5.6% of sales).

Amortization of intangible assets resulting from company acquisitions is disclosed separately in the income statement and not contained in general and administrative expenses. Please refer to Note 9.

8. Other operating income / expenses

Other operating income in fiscal year 2009 is dominated by the sale of directly held shares in freenet AG (€ 48,170k) and the sale of shares in Drillisch AG (€ 12,463k). The derecognition of a derivative financial instrument in connection with the acceptance of shares in listed companies resulted in other operating income of € 6,425k.

Other operating income in fiscal year 2008 result mainly from the subsequent valuation of derivative financial instruments in connection with the acquisition or acceptance of shares in listed companies (€ 12,274k), as well as from the sale of shares in Bigpoint (€ 3,840k).

Losses due to account receivables of 1&1 amounted to € 32,189k (prior year: € 21,465k), while income of 1&1 from dunning and return debit charges totaled € 15,211k (prior year: € 11,270k).

Currency gains (net) in fiscal year 2009 amounted to € 938k (prior year: € 844k).

Expenses relating to other accounting periods totaled € 297k (prior year: € 1,830k).

9. Depreciation and amortization

Depreciation and amortization of intangible assets and property, plant and equipment consist of the following:

	2009 €k		**2008** €k
Cost of sales	27,731	75%	24,936
Selling expenses	3,781	10%	1,759
General and administrative expenses	5,520	15%	4,604
Total	37,032	100%	31,299

Amortization of capitalized intangible assets resulting from business combinations includes the following items:

	2009 €k	**2008** €k
Portal	9,030	9,030
Customer base / Order backlog	9,567	7,810
Software	456	3,311
Licenses	0	1,132
Total	19,053	21,283

Amortization of capitalized goodwill of € 13,576k (prior year: € 18,100k) resulted from the acquisition of the portal business of WEB.DE AG (today: Kizoo AG), an amount of € 2,418k (prior year: € 0k) from the acquisition of united-domains, an amount of € 586k (prior year: € 2,247k) from the acquisition of Fasthosts, an amount of € 1,698k (prior year: € 383k) from the acquisition of Dollamore, an amount of € 553k (prior year: € 553k) from the acquisition of CibleClick, and € 222k (prior year: € 0k) from the acquisition of RevenueDirect.

As reliable allocation of amortization of capitalized intangible assets resulting from business combinations to individual functional divisions is not possible, it is disclosed separately in the income statement.

10. Goodwill amortization

There was no amortization of goodwill in the period under review. In the fiscal year 2008, goodwill write-downs made in the course of impairment tests amounted to € 6,430k for affilinet France.

11. Personnel expenses

Personnel expenses are divided among the various divisions as follows:

	2009 €k	**2008** €k
Cost of sales	55,895	47,490
Selling expenses	87,446	77,858
General and administrative expenses	37,655	34,149
Total	180,996	159,497

The number of employees increased from 4,384 in the previous year to 4,571 at year-end 2009, representing growth of 4.3%:

	2009	**2008**
Germany	3,704	3,580
Outside Germany	867	804
Total	4,571	4,384

The average number of employees in fiscal year 2009 amounted to 4,486 (prior year: 4,159), of which 3,645 (prior year: 3,379) were employed in Germany and 841 (prior year: 780) abroad.

12. Financial expenses

	2009 €k	**2008** €k
Loans and overdraft facilities	15,045	26,782
Expense from inteerst hedging transactions	5,043	6,671
Expense from tax audit	2,967	0
Interest effect of put option united-domains AG	434	0
Guaranteed dividend to minority interests	26	44
Total financial expenses	23,515	33,497

The expense from interest hedging transactions concerns the valuation of interest swaps conducted in fiscal year 2008 at market value. The expense from the guaranteed dividend refers to the accrued interest expense for a liability due to minority shareholders.

13. Financial income

	2009 €k	2008 €k
Interest income from credit balances with banks	2,227	1,078
Income form financial investments	520	1,768
Income from purchase price installments from the sale of shares in an associated company	134	517
Income from loans to a joint venture	112	548
Total financial income	2,993	3,911

14. Amortization of investments

Amortization of investments amounted to € 3,478k (prior year: € 42,379k). Please see Note 26 for further details.

15. Result from associated companies

	2009 €k	2008 €k
Result from associated companies	-8,938	-234,193
	-8,938	-234,193

Further details on the result from associated companies are provided in Note 25.

16. *Income taxes*

The income tax expense from continued operations is comprised as follows:

	2009 €k	2008 €k
Current income taxes		
- Germany	51,637	62,840
- Abroad	8,336	10,765
Total (Current period)	59,973	73,605
Deferred taxes		
- Due to tax loss carryforwards	2,459	3,385
- Tax effect on temporary differences	-5,923	-6,938
- Due to tax rate changes	0	-252
Total defered taxes	-3,464	-3,805
Total tax expense	56,509	69,800

Under German tax law, income taxes comprise corporate income tax and trade tax, as well as the solidarity surcharge.

German trade tax on income is levied on a company's taxable income adjusted for certain revenues which are not subject to such tax and for certain expenses which are not deductible for purposes of trade tax on income. The effective trade tax rate depends on the municipality in which the company operates. As part of the German Corporate Tax Reform 2008, passed by the German government in 2007, trade tax is no longer deductible as an operating expense. The average trade tax rate in fiscal year 2009 amounted to approx. 13.8% (prior year: 13.8%).

As in the previous year, German corporate income tax was levied at 15% for the tax assessment year 2009 – irrespective of whether the result was retained or distributed. In addition, a solidarity surcharge of 5.5% is imposed on the assessed corporate income tax.

In addition taxes on the current result, current income taxes also include income of € 37,527k not relating to the period from the tax consideration of write-downs on treasury shares in the previous year, as a result of a change in legislation.

As a result of the tax audit findings for United Internet AG and its bodies for the years 2002 to 2005, there were tax expenses not relating to the period for income taxes amounting to € 7,541k. In addition, there were also related expenses not relating to the period for sales tax of € 425k and interest of € 2,967k. These are disclosed under other operating expenses or in the financial result.

There was tax income from discontinued operations of € 523k in fiscal year 2009, compared to a tax expense of € 2,086k in the previous year.

Deferred tax assets are recognized for tax loss carryforwards and temporary differences, if it is probable that taxable profit will be available against which the deductible temporary difference can be utilized,

Deferred tax assets for tax loss carryforwards in certain countries are shown in the table below:

	2009	**2008**
	€k	€k
USA	0	1,425
Germany	253	1,068
Italy	0	219
France	0	0
	253	**2,712**

Tax loss carryforwards and temporary differences for which no deferred tax assets have been formed, refer to the following countries:

	2009	2008
	T€	T€
France	9,968	13,345
UK	0	4,750
Spain	4,659	4,659
Germany	3,836	3,836
Switzerland	0	1,305
	18,463	**27,895**

In accordance with IAS 12, deferred tax assets are recognized for the future benefits associated with tax loss carryforwards. The time limit for the net loss carryforwards in different countries is as follows:

- Belgium: indefinite
- Spain: 15 years
- United Kingdom: indefinite
- France: indefinite
- Sweden: indefinite
- Italy: 5 years
- Switzerland 7 years
- USA 20 years
- Germany: indefinite, but minimum taxation

In Germany, the loss carryforwards can be claimed for an indefinite period. As in the previous year, these relate to loss carryforwards as of December 31, 2009 of AdLINK Internet Media AG and Response Republic Beteiligungsgesellschaft Deutschland GmbH (formerly AdLINK Internet Media GmbH Deutschland).

Deferred taxes resulted from the following items:

	2009		2008	
	Deferred tax assets €k	Deferred tax liabilities €k	Deferred tax assets €k	Deferred tax liabilities €k
Trade receiveables	289	0	234	0
Inventories	53	0	0	0
Other financial assets - current	0	95	4,141	0
Other financial assets - non-current	1,218	0	1,360	125
Other assets	359	0	0	0
Property, plant and equipment	122	0	0	66
Intangible assets	3,868	19,822	193	15,248
Other accruals	2,628	293	953	0
Other liabilities	3,077	0	0	0
Deferred revenue	1,869	0	0	0
Gross value	13,483	20,210	6,881	15,439
Tax loss carryforwards	253	0	2,712	0
Adjustments for consolidation	10	2,608	0	1,809
Other items	490	233	39	103
Consolidated balance sheet	**14,236**	**23,051**	**9,632**	**17,351**

Deferred tax liabilities of € 19,822k (prior year: € 15,248k) result mainly from the different treatment of capitalized intangible assets from business combinations in the consolidated accounts and the tax balance sheet.

The excess of deferred tax liabilities over assets increased by € 1,096k compared to the previous year. The deferred tax income amounts to € 3,464k. 95k (prior year: 150k). Deferred taxes also include deferred taxes without an effect on profit and loss amounting to € 95k (prior year: € 150k).

Deferred taxes also increased as a result of company acquisitions, as presented in Note 3, whereby the recognition of additions was made without effect on profit or loss.

The aggregate tax rate is reconciled to the effective tax rate of continued operations as follows:

	2009 %	**2008** %
Anticipated tax rate	29.6	29.6
Tax effects from the valuation of treasury shares	-8.7	0.0
Actual and deferred taxes for previous years	0.8	0.0
Goodwill amortization non-deductible for tax purposes	0.0	-5.5
Amortization of investments non-deductible for tax purposes	0.3	-25.3
Tax-reduced profit from disposals	-4.9	2.7
Differences in foreign tax rates	-0.2	1.6
Employee stock ownership plan	-0.9	-1.3
Tax losses of the fiscal year, for which no deferred taxes have been capitalized	0.0	-4.1
First-time capitalization of tax losses not used in prior years	0.0	0.0
Utilization of non-capitalized tax loss carryforwards	-0.3	0.0
Non-taxable at-equity results	0.8	-139.5
Change in tax rates	0.0	0.5
Allowance for tax loss carryforwards capitalized in previous years	0.0	-2.0
Allowance for deffered tax assets on temporary differences	0.0	-0.5
Balance of other tax-free income and non-deductible expenses	0.7	-1.2
Effective tax rate	17.2	-145.0

The expected tax rate corresponds to the tax rate of the parent company, United Internet AG.

17. Result from discontinued operations

On July 6, 2009, United Internet's subsidiary AdLINK Internet Media AG (AdLINK Group) reached an agreement with Hi-media S. A., Paris, concerning the transfer of the AdLINK Group's Display Marketing business to the Hi-media Group. In return, the

AdLINK Group received 10.7% of shares in Hi-media S.A. (4,735,000 shares) plus an additional € 12,195k in cash. In the case of the cash component, the AdLINK Group granted Hi-media a vendor loan with a standard market interest rate. The vendor loan is to be repaid by June 30, 2011 at the latest. The contract was closed on August 31, 2009. After the purchase price adjustment was finally determined, the total purchase amounted to € 28,571k.

With the sale of the Display Marketing business, the prior-year figures are to be adjusted according to IFRS 5. Sales revenues and expenses of the discontinued operation are no longer included in the respective line items and net income after taxes of the discontinued operation is disclosed separately. In the previous year, the financial figures were included in the Online Marketing segment.

The result from discontinued operations after tax of € 10,510k (prior year: € -3,384k) comprised the current period result (in fiscal year 2009 until the time of disposal) of € -1,056k (prior year: € -3,384k) and the profit from disposal of € 11,566k.

The result from discontinued operations is calculated as follows:

	2009	**2008**
	€k	€k
Current result from discontinued operations		
Sales revenue	36,620	79,207
Cost of sales	-30,214	-64,639
Gross profit	6,406	14,568
Other income / expenditure	-7,985	-15,866
Result before taxes	-1,579	-1,298
Income taxes	523	-2,086
Net profit	-1,056	-3,384
Result from disposal		
Purchase price (after transaction costs)	23,771	---
less net assets	-12,205	---
Result from disposal before taxes	11,566	---
Income taxes	0	---
Result from disposal after taxes	11,566	---
Total result from discontinued operations	10,510	-3,384

There was a disposal of cash and cash equivalents of € 1,154k in connection with deconsolidation.

Cash flows from operating, investing and financing activities for the discontinued operation were as follows:

	2009 T€	2008 T€
Cash flow from operating activities	-5,316	8,066
Cash flow from investing activities	-1,975	-423
Cash flow from financing activities	0	0

In a contract dated January 19, 2007, United Internet AG, Montabaur, reached an agreement with Teleperformance SA, Paris, concerning the sale to Teleperformance of the United Internet Group member twenty4help Knowledge Service AG, Montabaur. As of the balance sheet date December 31, 2008, there were still commitments of € 2,153k due to transaction costs, which were disclosed under “Other liabilities”. In fiscal year 2009, an amount of € 1,500k was reversed with an effect on profit and loss. In accordance with the accrual formed at the time, the amount is disclosed under result from discontinued operations.

18. Earnings per share

As of December 31, 2009, capital stock was divided up into 240,000,000 registered no-par shares each with a theoretical share in the capital stock of € 1. On December 31, 2009, the Company held 10,272,371 treasury shares (prior year: 22,000,000). These treasury shares do not entitle the Company to any rights or proportional dividends and are thus deducted from equity. The weighted average number of shares outstanding used for calculating undiluted earnings per share was 229,554,296 for fiscal year 2009 (prior year: 229,790,031).

A dilutive effect must be taken into consideration for option rights resulting from the employee stock ownership program of United Internet AG which were contained in cash as of December 31, 2009. All option rights existing on December 31, 2009 were considered in the calculation of diluted earnings per share, using the treasury stock method, insofar as the option rights were in money and irrespective of whether the option rights were actually exercisable on the balance sheet date. The calculation of the dilutive effect from conversion is made by first determining the total of potential shares. On the basis of the average fair value, the number of shares is then calculated which could be acquired from the total amount of payments (par value of the convertible bond plus additional payment). If the difference between the two values is zero, the total payment is exactly equivalent to the fair value of the potential shares and no dilutive effect need be considered. If the difference is positive, it is assumed that these shares will be issued without consideration.

The calculation of diluted earnings per share was based on 3,978,000 (prior year: 158,804) potential shares (from the assumed use of conversion rights). Based on an average market price of € 8.02 (prior year: € 10.95), this would result in the issuance of 1,086,207 (prior year: 95,678) shares without consideration. The weighted average number of shares used to calculate diluted earnings per share in fiscal year 2009 amounted to 230,640,504 shares. Due to the negative result attributable to shareholders of United Internet AG for fiscal year 2008, there was no dilutive effect from potential shares. The number of shares for the diluted earnings per share calculation in the previous year corresponded to that for the undiluted earnings per share calculation.

The following table shows the underlying amounts for the calculation of undiluted and diluted earnings:

	2009 €k	2008 €k
Profit attributable to the shareholders of united Internet AG	**279,927**	**-120,183**
Earnings per share (in €)		
- undiluted	1.22	-0.52
- diluted	1.21	-0.52
Therof result from continued operations	**267,917**	**-116,799**
Earnings per share (in €)		
- undiluted	1.17	-0.51
- diluted	1.16	-0.51
Therof result from discontinued operations	**12,010**	**-3,384**
Earnings per share (in €)		
- undiluted	0.05	-0.01
- diluted	0.05	-0.01
Weighted average number of outstanding shares (in million units)		
- undiluted	229.56	229.79
- diluted	230.64	229.79

The calculation of undiluted and diluted earnings per share for discontinued operations was based on the weighted average number of shares, as described above.

19. Dividend per share

According to section 21 of the by-laws of United Internet AG, the Annual Shareholders' Meeting decides on the appropriation of retained earnings. The Management Board and Supervisory Board will discuss their dividend proposal for fiscal year 2009 at the Supervisory Board meeting on March 24, 2010.

Pursuant to Sec. 71b AktG, the Company does not accrue any rights from treasury shares and thus has no pro-rated dividend rights. As at the date of the signed annual financial statements, United Internet AG holds 15,000,000 treasury shares.

Explanations to the Balance Sheet

20. Cash and cash equivalents

Cash and cash equivalents consist of bank balances, short-term investments, checks and cash in hand. Bank balances bear variable interest rates for call money. Short-term investments are made for various periods, depending on the Group's respective cash needs, of between one day and three months.

The development and application of cash and cash equivalents is stated in the consolidated cash flow statement.

21. Trade accounts receivable

	2009 €k	**2008** €k
Trade accounts receiveable	113,977	135,705
Less		
Bad debt allowances	-22,687	-16,639
Trade accounts receiveable, net	91,290	119,066

As of December 31, 2009 trade accounts receivable amounting to € 22,687k (prior year: € 16.639k) were impaired. The development of the bad debt allowances can be seen below:

	2009 €k	**2008** €k
As of January 1	16,639	9,889
Additions charged to the income statement	21,407	15,815
Utilization	-14,038	-6,609
Reversals	-402	-2,221
Exchange rate differences	-88	-235
Disposal from deconsolitdation	-831	0
As of December 31	22,687	16,639

Additions charged to the income statement of each period under review do not comprise receivables arising during the year and eliminated before the balance sheet date. As of the balance sheet date there is no recognizable indication that payment obligations for receivables not adjusted cannot be met.

The maximum credit risk as of the balance sheet date corresponds to the net carrying value of the above trade accounts receivable.

Trade accounts receivable are always stated at nominal value. Overdue receivables are tested for possible impairment. Individual allowances are mainly formed by classifying receivables according to their age profile. We refer to Note 43.

All overdue receivables not adjusted individually are subjected to lump-sum allowances.

As of December 31, the age profile of trade accounts receivable less the aforementioned allowances was as follows:

	2009 €k	**2008** €k
Trade accounts receiveable, net		
< 30 days	83,562	104,599
30 - 60 days	2,862	5,641
60 - 90 days	1,904	3,673
90 - 120 days	1,012	1,674
> 120 days	1,950	3,479
	91,290	119,066

22. Inventories

Inventories consist of the following items:

	2009 €k	**2008** €k
Merchandise		
DSL hardware	3,992	6,999
Mobile internet hardware	1,149	6,194
Mobile telephony hardware	1,444	2,703
Web hosting hardware	954	860
Video-on-demand hardware	1,251	828
Other	210	318
Domain stock held for sale		
Domain stock	6,833	5,370
	15,833	**23,272**
Less		
Allowances	-1,772	-4,224
Inventories, net	**14,061**	**19,048**

The impairment of inventories expensed in the period under review amounted to € 1,628k (prior year: € 1,581k). This charge is disclosed in “Cost of sales”. Allowances of € 1,772k (prior year: € 4,224k) were made for inventories with a net carrying value of € 1,243k (prior year: € 6,735k).

23. Prepaid expenses

Prepaid expenses of € 30,361k (prior year: € 28,791k) consist mainly of prepayments for domain fees, which were deferred and charged to the income statement on the basis of the underlying contractual period of customers in the Product segment.

24. Other current assets

	2009	**2008**
	€k	€k
Accounts receivables from the tax office	42,294	3,722
Payments on account	1,244	1,244
Outstanding purchase price installments	0	3,621
Premium claims	0	586
Other	4,798	3,564
Other assets, net	**48,336**	**12,737**

In addition to tax prepayments, accounts receivable from the tax office result mainly from taxable deductions from write-downs on shares in fiscal year 2008 (see also Note 16).

Payments on account consist mainly of down payments for domains.

The outstanding purchase price installment in the previous year referred to an installment from the sale of shares in NT plus AG due in late 2009 and settled in cash.

25. Shares in associated companies / joint ventures

	2009	**2008**
	€k	€k
Carrying amount at the beginning of the fiscal year	221,684	309,023
Additions	4,803	170,307
Adjustments		
-Dividents	0	-392
-Shares in result	3,710	-169,338
- Impairment losses	-12,648	-64,855
- Others	10,006	1,729
Disposals	-100,927	-24,790
	126,628	**221,684**

The addition to shares in associated companies results mainly from the investment in EFF No. 1 (€ 4,420k).

The result from associated companies amounting to € 3,710k was due to prorated write-ups on shares in freenet held by MSP Holding GmbH (€ 31,070k). These write-ups were made as a result of an increase in share prices in fiscal year 2009.

The following table provides an overview of direct impairment losses in fiscal year 2009:

	2009 €k	2008 €k
Versatel	9,958	50,194
EFF Nr. 2	2,181	7,169
BW2	509	4,389
Other	---	3,103
	12,648	**64,855**

The impairment of Versatel was due to the permanent fall in its share price in fiscal year 2009.

An impairment amount of € 2,181k results from shares held by EFF No. 2 in associated companies.

Other adjustments totaling € 10,006k result from profit contributions to associated companies with an investment value of € 0k (€ 7,495k) and profit contributions recognized directly in equity of associated companies (€ 2,511k). The negative profit contributions of associated companies with an investment value of € 0k are only considered if the associated companies were provided with long-term loans or if there are credit / liability commitments.

Disposals include an amount of € 50,403k from United Internet AG's retirement as a shareholder of MSP Holding GmbH. In return, United Internet AG received 50% of the freenet shares held by MSP Holding GmbH (5,285,591 shares). As United Internet AG sold the shares it held directly in freenet AG (8.43%) during fiscal year 2009, the Company no longer has a significant influence on the business policy of freenet AG, so that the remaining shares are no longer recognized using the equity method. These shares were reclassified at fair value to other financial assets and categorized as available-for-sale financial assets according to IAS 39. The sale of directly held freenet AG sales resulted in a disposal amount of € 44,700k. We refer to Note 42.

Further disposals result from the sale of shares in jimdo (659k) and from capital repayments of the investment EFF No. 1 (€ 5,165k).

Due to the contractually agreed unanimity of voting on all shareholder resolutions, the Group cannot exert a controlling influence on EFF No. 1 companies, but only a significant influence. In contrast to its share in capital of 66.67%, the Group's participation in annual net profit of EFF No. 1 is between 33.33% and 66.67%, depending on the fund's internal rate of return.

The following table contains summarized financial information on the Company's investment in Versatel AG:

	2009 €k	2008 €k
Current assets	157,963	176,424
Non-current assets	908,038	956,435
Current liabilities	170,554	181,189
Non-current liabilities	644,496	661,249
Shareholders' equity	250,951	290,421
Sales revenue	543,681	761,966
Net profit	-30,985	-51,036

The financial information for 2009 of Versatel AG is based on published figures as of September 30, 2009.

Based on the stock exchange price as of the balance sheet date, the shares held by United Internet AG in Versatel AG have a fair value of € 88,736k.

The following table contains summarized financial information on the Company's other significant investments in associated companies and joint ventures held as of the balance sheet date:

	2009 €k	2008 €k
Current assets	21,298	19,396
Non-current assets	27,666	31,427
Current liabilities	20,994	12,692
Non-current liabilities	7,975	800
Shareholders' equity	19,997	37,330
Sales revenue	38,195	26,822
Net profit	-16,158	-11,086

The summarized financial information on associated companies is based on the 100% figures of these companies.

26. Other financial assets

The development of these shares was as follows:

			Amortization of revaluation reserve not recognized in income					
	1/1/2009	Additions	Recycling	Addition	Impairment loss	Reclasification	Disposal	**12/31/2009**
	€k	€k	€k	€k	€k	€k	€k	€k
Goldbach Shares	12,047			3,757				15,804
Drillisch Shares	8,909						-8,909	0
Hi-media Shares	0	20,313		3,031				23,344
Afilias Shares	7,726			-2,125				5,601
freenet Shares	0	60,322		-477				59,845
Portfolio-Companies of EFF Nr. 3	41,816	110		-707	-3,382		-1,278	36,559
Hi-media (Vendor Loan)	0	12,195						12,195
Others	2,287	5,384			-96		-399	7,176
	72,785	**98,324**	**0**	**3,479**	**-3,478**	**0**	**-10,586**	**160,524**

			Amortization of revaluation reserve not recognized in income					
	1/1/2008	Additions	Recycling	Addition	Impairment loss	Reclasification	Disposal	**12/31/2008**
	€k	€k	€k	€k	€k	€k	€k	€k
Goldbach Shares	28,794		-8,853		-7,894			12,047
Drillisch Shares	28,325		3,090		-22,506			8,909
Afilias Shares	5,353			2,373				7,726
Portfolio-Companies of EFF Nr. 3	0	50,071		3,371	-11,626			41,816
Purchase price Ntplus	3,621					-3,621		0
Others	1,774	866			-353			2,287
	67,867	**50,937**	**-5,763**	**5,744**	**-42,379**	**-3,621**	**0**	**72,785**

Additions to shares in freenet (€ 9,919k) result from the purchase of 1,090,000 shares in freenet AG from MSP Holding GmbH. Further additions of € 50,403k result from the transfer of shares in freenet AG held by MSP Holding GmbH to United Internet AG at fair value. We refer to Note 25.

Additions to shares in Hi-media and the vendor loan are in connection with the Display Marketing business of the AdLINK Group to Hi-media. We refer to Note 17.

The addition to other financial assets is mainly due to the purchase price installment in connection with the acquisition of united-domains AG. We refer to Note 3.

The 5,150,000 shares in Drillisch AG held by United Internet AG were sold in fiscal year 2009 at a price of € 4.20 per share. The sale resulted in income of € 12,463k.

Other financial assets are mainly other deposits and loans for whom market value coincided with carrying value.

27. Property, plant and equipment

	2009 €k	2008 €k
Acquisition costs		
- Land and buildings	8,049	8,047
- Furniture and fixtures	225,222	196,645
- Payments on account	9,867	3,464
	243,138	**208,156**
Less		
Accumulated depreciation	-149,217	-121,662
Property, plant and equipment, net	**93,921**	**86,494**

An alternative presentation of the development of property, plant and equipment in the fiscal years 2008 and 2009 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

28. Intangible assets (without goodwill)

	2009 €k	2008 €k
Acquisition costs		
- Licenses	28,416	28,337
- Order backlog	2,141	2,141
- Software	48,934	37,695
- Trademarks	26,041	21,423
- Customer base	183,586	42,927
- Portal	72,240	72,240
	361,358	**204,763**
Less		
Accumulated amortization and impairment	-133,017	-107,251
Intangible assets, net	**228,341**	**97,512**

An alternative presentation of the development of intangible assets in the fiscal years 2008 and 2009 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

The recognition of customer relations includes an amount of € 126,348k from the purchase of broadband customers freenet AG in fiscal year 2009. The acquisition was completed with economic effect from November 30, 2009. These externally acquired customer relations will be amortized in scheduled amounts over a period of 6 years. Prorated amortization as of December 31, 2009 amounted to € 1,874k, the carrying amount was € 124,474k.

Intangible assets with unlimited useful lives (trademarks), are mostly allocated to the Product segment. The carrying values amount to € 25,997k. Intangible assets with unlimited useful lives were subjected to an impairment test on the level of the cash-generating units as of the balance sheet date. The addition results mainly from the purchase of shares in united-domains AG. The remaining addition results from currency translation effects. In the Online Marketing segment, an impairment loss of € 79k was recognized (prior year: € 44k). The addition resulted mainly from the purchase of shares in united-domains AG. The further addition resulted from currency translation effects.

29. Goodwill

	2009		**2008**	
	€k		T€	
	gross	net	gross	net
Product segment	322,082	322,082	289,570	289,570
Online Marketing segment	97,140	76,844	109,602	89,306
	419,222	**398,926**	**399,172**	**378,876**

An alternative presentation of the development of goodwill in the fiscal years 2008 and 2009 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

Total goodwill increased on balance by € 32,512k to € 322,082k. An increase in goodwill of € 28,076k results mainly from the acquisition of united-domains. Currency translation effects in the Product segment resulted in a rise in goodwill of € 4,573k. Goodwill of the Online Marketing segment fell on balance by € 12,462k to € 76,844k. Goodwill increased by € 16,652k from the purchase of the remaining shares in Sedo GmbH and other shares in AdLINK. However, goodwill was reduced by € 15,000k mainly as a result of the dilution of United Internet AG in the course of AdLINK's capital increase. There was a disposal of goodwill amounting to € 14,192k from the deconsolidation of the Display Marketing business.

30. Impairment of goodwill and intangible assets with unlimited useful lives

The goodwill and intangible assets with unlimited useful lives are subjected to an impairment test at least once per year. With reference to its internal budgeting process, the Company has chosen the last quarter of its fiscal year to conduct its statutory annual impairment test.

The scheduled annual impairment test conducted in the 4th quarter of 2008 resulted in no amortization needs. In the previous year, goodwill write-downs for affilinet France amounted to € 6,430k and referred exclusively to the Online Marketing segment. The main cause for the write-down was a deterioration of earnings of the respective cash-generating unit. The impairment loss was disclosed separately in the income statement.

Goodwill acquired in the course of business combinations is allocated for impairment test purposes to cash-generating units, which are distributed among the Company's segments as follows:

Cash-generating units in the Product segment

The Product segment consists of the following four cash-generating units to which goodwill with carrying values totaling € 322,082k (prior year: € 289,570k) has been allocated:

	2009 €k	2008 €k
WEB.DE	228,501	228,493
Fasthosts / Dollamore	60,473	56,045
united-domains	28,076	---
InterNetX	5,032	5,032
	322,082	289,570

The recoverable amounts of the cash-generating units in the Product segment are calculated on the basis of a value-in-use calculation using cash flow forecasts. The cash flow forecasts are based on the Company's budgets for fiscal 2010. These budgets were prepared by management on the basis of external market studies and internal assumptions, extrapolated for a period of five years. Following this period – and as in the previous year – management assumes an annual increase in cash flow of 1.5% to 2.0%, corresponding to long-term average growth of the sector in which the respective cash-generating unit operates. The discounted pre-tax interest rates used in the period under review range from 10% to 12% (prior year: 11%).

The Product segment also has trademarks with a total carrying value of € 25,932k (prior year: € 21,314k). The stated trademarks refer to the following cash-generating units:

	2009 €k	2008 €k
WEB.DE	17,173	17,098
Fasthosts / Dollamore	4,561	4,216
united-domains	4,198	---
	25,932	21,314

In the course of business combinations, the trademarks were valued at their fair values using the so-called "royalty relief" method and tested again for impairment on the balance sheet date. The trademark-relevant cash flows were multiplied with the trademark-relevant royalty rates. These remained unchanged at 1.5% and 2.5%. The forecast of trademark-relevant cash flows was based on the same assumptions regarding market development and discount rates as used for the calculation of value-in-use of the cash-generating units.

Cash-generating units in the Online Marketing segment

The Online Marketing segment consists of four cash-generating units to which goodwill totaling € 76,844k (prior year: € 89,306k) has been allocated. Goodwill in the Online Marketing segment refers to the following summarized cash-generating units:

	2009 €k	2008 €k
AdLINK Media	0	3,630
Affiliate Marketing	9,554	9,554
Domain Marketing	43,114	31,635
Minority interests	24,176	44,487
	76,844	89,306

Goodwill from the acquisition of minority interests in AdLINK Internet Media AG are tested by the Company for impairment on a sub-group level.

The recoverable amounts of the cash-generating units in the Online Marketing segment are also calculated on the basis of a value-in-use calculation using cash flow forecasts. The cash flow forecasts for the Online Marketing segment are based on the budget for fiscal 2010 approved by the Supervisory Board. An expected estimate made by the Management Board was used for the years 2011 to 2013, as well as external market studies. As in the previous year, annual cash flow increases after this four-year period are based on an expected inflation rate of 2%. The discounted pre-tax interest rates used for the cash flow forecasts are between 9% and 13%, depending on the cash-generating unit (prior year: 12% and 14%).

The Online Marketing segment also includes trademarks with a total carrying value of € 86k (prior year: € 65k). In the course of business combinations, these were also valued at their fair values using the royalty relief method. The test resulted in impairment of € 79k (prior year: € 44k). The write-downs are recognized in “Cost of sales”.

Basic assumptions for the calculation of value-in-use

There are uncertainties involved with the underlying assumptions used for the calculation of value-in-use for the cash-generating units:

- Sales revenue

  The management of the respective cash-generating unit expects a further increase in sales within its planning horizon. For the cash-generating units of the Product segment, an increase of between 7% and 10% is expected for the fiscal years 2010 to 2013 (prior year: 4% and 23%). For the cash-generating units of the Online Marketing segment, management expects sales to grow by between 13% and 27% (prior year: -59% and 28%).

- Growth rates

  Growth rates are based on published sector-specific market forecasts. In the case that such forecasts are not available, internal assumptions are made.

- Gross margin

  The planned gross margins are based on market assumptions made by the management of the respective cash-generating unit. In the Online Marketing segment, a reduction of between 0% and 3% per annum was assumed within the planning horizon, in order to account for growing competition. Management expects constant gross margins in the Product segment.

- Discount rates

  Discount rates reflect management assumptions regarding the specific risks attributable to the respective cash-generating units. The choice of suitable discount rates in the Product segment is based on a virtually risk-free interest rate, which is increased by a specific risk premium.

Sensitivity of assumptions

The sensitivity of the assumptions made with respect to the impairment of goodwill or trademarks depends on the respective cash-generating units.

Product segment

For the cash-generating units of the Product segment, the Company's management believes that, on the basis of reasonable judgment, no generally possible change in one of the basic assumptions used to determine the value-in-use of a cash-generating unit could cause the carrying value to significantly exceed its recoverable value.

The effects of changes to the basic assumptions is explained below:

- Discount rates

  A change in the virtually risk-free interest rate or specific risk premium also changes the underlying discount rates of the impairment test. A change in the discount rates used of 1%-point, however, would not have any effect on the impairment test.

- Growth rates

  Management recognizes that the growth of the Product segment, and thus the growth of those cash-generating units operating in this segment, depends heavily on the development of internet usage and thus its acceptance as a medium used in private and business life. The entry of new competitors and the projected market consolidation in the Product segment are not expected to have any negative effect on forecasts used in the budgets. A possible change on the basis of reasonable judgment, however, may lead to growth rates which differ from those used in the budgets of the respective cash-generating unit. A decline in growth rates, within the possible parameters of reasonable judgment, would not result in a reduction of value-in-use to below carrying value.

Online Marketing segment

- Discount rates

  A change in the virtually risk-free interest rate or specific risk premium also changes the underlying discount rates of the impairment test. A change in the discount rates used of 1%-point, however, would not have any effect on the impairment test.

- Growth rates

  A decline in growth rates, within the possible parameters of reasonable judgment, would not result in a reduction of value-in-use to below carrying value.

31. Trade accounts payable

Trade accounts payable amounting to € 193,197k (prior year: € 170,743k) are owed to independent third parties with terms of less than one year.

32. Liabilities due to banks

a) Liabilities due to banks

	2009	**2008**
	T€	T€
Bank loans	348,767	528,301
less		
Current portion of liabilities to banks	0	0
Non-current portion of liabilities to banks	**348,767**	**528,301**
Short-term loans / overdrafts	51,462	16,069
Current portion of liabilities to banks	**51,462**	**16,069**
Total	**400,229**	**544,370**

Non-current bank liabilities result mainly from a syndicated loan with a total amount committed of € 500.0 million. The syndicated loan agreement was concluded on September 14, 2007. The total credit facility is divided into Tranche A amounting to € 300.0 million and Tranche B totaling € 200.0 million.

As of the balance sheet date, € 250.0 million have been used from Tranche A.

Tranche A has a term of five years. Repayment is made from March 14, 2010 in six equal half-yearly installments. As of December 30, 2009 a partial amount of Tranche A amounting to € 50.0 million was repaid prematurely, so that the next contractual repayment will be on September 14, 2010. Tranche B is a revolving syndicated loan which expires on September 13, 2012.

The loans have variable interest rates. The effective interest rates for the interest periods of one, two, three, six or twelve months are tied to the EURIBOR rate plus a margin p.a.. This margin depends on key performance indicators of the United Internet Group. As of the balance sheet date, the loan interest rates including margin range between 0.87% und 0.88% (prior year: 3.25% and 4.38%). No collateral was provided for these syndicated loans.

Further liabilities due to banks result from a promissory note loan of € 150.0 million. The promissory note loan was issued on July 23, 2008. The promissory note is a bullet loan and divided into a Tranche A of € 78.0 million with a term ending July 23, 2011 and a Tranche B of € 72.0 million with a term ending July 23, 2013. No separate collateral was provided for this promissory note loan. The loans have variable interest rates. The effective interest rate for the interest period of three months is tied to the EURIBOR rate plus a margin p.a.. As of the balance sheet date, the loan interest rates including margin range between 1.64% and 1.84% (prior year: 6.04% and 6.24%).

Current bank liabilities mainly result from the repayment due in September 2010 of € 50.0 million from Tranche A.

The fair values of these loans amount mainly to their carrying values.

A cash pooling agreement (overdraft service) has been in place between United Internet AG, certain subsidiaries and WestLB AG, Düsseldorf, since October 1, 2002. Under the agreement, credit and debit balances are netted within the Company each banking day and summarized.

b) Credit lines

United Internet AG has the following credit lines for advances on current accounts and other short-term loans with three banks:

	2009 €m	**2008** €m
Available credit lines	55.0	55.0
Utilization (guarantees only)	10.2	9.2
Average interest rate (in %)	n.a.	n.a.
Unutilized credit facilities	44.8	45.8

The credit facilities have been granted by the banks for limited periods. € 15.0 million expire in June 2010, € 25.0 million expire in September 2010 and a further € 15.0 million are available at further notice.

A further amount of € 200 million is also available until September 13, 2012 from the unutilized proportion of the syndicated loan.

With regard to credit lines granted to the companies of the United Internet Group by one bank, United Internet AG is liable as co-debtor. The credit facilities had only been utilized through guarantees as of the balance sheet date. For this reason, no average interest rate has been given.

33. Accrued taxes

Accrued taxes consist of the following items:

	2009 €k	**2008** €k
Germany	35,915	30,601
UK	1,296	2,823
USA	204	0
France	12	34
Netherlands	1	0
Spain	0	201
Belgium	0	196
	37,428	**33,855**

34. Deferred revenue

In the Product segment, customers pay for certain contracts in advance for a maximum of 24 months. These contracts are mostly for webhosting and internet access services. The prepaid charges are allocated and recognized as revenues over the underlying contractual period.

35. Other accrued liabilities

The development of accruals in fiscal year 2009 was as follows:

	Litigation risks	Other	Total
	T€ €k	T€ €k	T€ €k
Jan.1, 2009	1,736	2,777	4,513
Utilization	140	0	140
Reversal	325	1,421	1,746
Addition	439	8,059	8,498
Dec.31,2009	**1,710**	**9,415**	**11,125**

Litigation risks consist of various legal disputes of 1&1 Internet and AdLINK.

Other accruals referred mainly to provisions for impending losses.

36. Other liabilities

	2009 €k	2008 €k
Other current liabilities		
- Liabilities to the tax office	14,946	20,929
- Salary and social security liabilities	10,433	11,027
- Marketing and selling expenses / commissions	9,067	6,133
- freenet	7,378	0
- Liabilities from interest hedging	6,981	1,971
- Liability from tax audit	3,392	0
- Legal and consulting fees, auditing fees	2,217	1,816
- Transaction costs for sale of shares	653	2,153
- Option agreement	0	6,425
- Other	6,807	6,611
Total	**61,874**	**57,065**

Liabilities to the tax office mainly relate to sales tax liabilities.

The liability from interest hedging results from a negative market value as of the balance sheet date.

The liability from an option agreement in the previous year is in connection with the valuation of a written call option regarding the acquisition of shares in freenet AG. Please see Note 42 for more details.

Transaction costs for the sale of shares refer to the sale of shares in twenty4help Knowledge Service AG.

The non-current liabilities of € 22,641k (prior year: 15,592k) result mainly from minority interests of the partnerships EFF No. 2 and EFF No. 3 (€ 8,697k; prior year: € 10,211k), as well as from the negative present value of an interest hedging transaction as of the balance sheet date (€ 4,733k; prior year: € 4,700k). The purchase price liability in connection with the purchase of shares in united-domains AG amounts to € 9,211k.

37. Share-based payment

37.1 Employee stock ownership plans

The United Internet Group has various plans which allow executives and managers to participate in the Company's profits. All of these plans are treated as equity-settled shared-based payment transactions.

United Internet AG

Convertible bonds

In accordance with the resolution passed by the shareholders' meeting on May 16, 2003, convertible bonds may be issued to employees of the Company and of subsidiaries of the Company and to executive body members of subsidiaries of the Company. Conditional capital of € 6,000k was created for this purpose.

The convertible bonds, which bear interest of 3.5% per annum, may be exchanged as a whole or in part for shares in United Internet AG. Each € 1 nominal amount of the convertible bonds can be exchanged for 4 registered shares (following the share split).

The authorized subscribers are entitled, after specified periods, to convert the convertible bonds in full or part to shares in the Company. In the event that this conversion option is exercised, an additional payment in cash is to be made to acquire each no-par share; this is the amount by which the conversion price exceeds one quarter of the nominal amount of the convertible bond (following the share split).

Up to 25% may be converted at the earliest 24 months after the date of issue of the convertible bonds; up to 50% (i.e. including the previously exercised conversion options) at the earliest 36 months after the date of issue of the convertible bonds. A total of up 75% may be exercised at the earliest 48 months after the date of issue of the convertible bonds; the full amount may be exercised at the earliest 60 months after the date of issue of the convertible bonds.

Using an option pricing model in accordance with IFRS 2, the personnel expense for convertible bonds amounted to € 0 (prior year: personnel income of € 129k). The compensation expense in the previous year for this employee stock ownership plan is included in administrative expenses.

Using an option pricing model in accordance with IFRS 2 (“Black-Scholes” stock option pricing model), the fair value of options connected with the conversion rights was determined as follows:

	Valuation parameters			
Issue date	3/25/2003	8/31/2003	8/15/2004	5/27/2005
Fair value	1,141 T€	3,211 T€	411 T€	932 T€
Average market value per convertible bond	0.82 €	1.68 €	1.29 €	1.55 €
Dividend yield	0.5 %	0.5 %	1.0 %	1.0 %
Volatility of the share	61 %	52 %	45 %	39 %
Expected term (years)	4	5	5	5
Risk-free interest rate	3.66 %	3.85 %	3.85 %	2.86 %

AdLINK Internet Media AG

Convertible bonds

In accordance with the resolution passed by the extraordinary shareholders’ meeting on April 4, 2000, convertible bonds may be issued to members of the Management Board and other executives of the Company and of subsidiaries of the Company and to executive body members of subsidiaries of the Company.

Every nominal amount of € 1 of a partially convertible bond can be converted into a no-par share in AdLINK Internet Media AG having an accounting share in the capital stock of € 1. If converted, a cash premium in the amount of the difference between € 1 and the conversion price has to be paid. The conversion price is the cash settlement price of the AdLINK Internet Media AG share as recorded during trade in the electronic trading system of Deutsche Börse AG at the time the convertible bond was issued.

A 20% portion of the company’s convertible bonds may be converted into shares in the company no earlier than 12 months after the date of issue. Up to 40% may be converted no earlier than 24 months, up to 70% no earlier than 36 months, and the whole amount no earlier than 48 months after they were issued.

In accordance with the resolution passed by the annual shareholders’ meeting on May 17, 2004, convertible bonds may be issued to employees of the company and of subsidiaries of the company, as well as to members of the company’s Management Board and executive body members of subsidiaries of the company.

Every nominal amount of € 1 of a partially convertible bond can be exchanged for 10 no-par shares having an accounting share in the capital stock of € 1 each. If the conversion option is exercised, an additional cash payment has to be made in the amount by which the conversion price exceeds one tenth of the par value of the convertible bond. The conversion price corresponds to 120% of the market price, calculated as the average of the closing price of the company share in floor trading of the Frankfurt stock exchange on the last five trading days before the convertible bonds are issued.

Up to 25% may be converted at the earliest 24 months after the date of issue of the convertible bonds; up to 50% (i.e. including the previously exercised conversion options) at the earliest 36 months after the date of issue of the convertible bonds. A total of up 75% may be exercised at the earliest 48 months after the date of issue of the convertible bonds; the full amount may be exercised at the earliest 60 months after the date of issue of the convertible bonds.

Using an option pricing model in accordance with IFRS 2, the personnel income for convertible bonds amounted to € 155k (prior year: € 70k). The compensation income for this employee stock ownership plan is included in administrative expenses (€ 76k) and in the result from discontinued operations (€ 79k).

Using an option pricing model in accordance with IFRS 2 (“Black-Scholes” stock option pricing model), the fair value of options connected with the conversion rights was determined as follows:

Valuation parameters

Issue date	1/2/2004	4/20/2005	5/23/2005
Fair value	209 T€	364 T€	614 T€
Average market value per convertible bond	1.23 €	0.91 €	1.71 €
Dividend yield	0.0 %	0.0 %	0.0 %
Volatility of the share	88 %	68 %	68 %
Expected term (years)	4	5	5
Risk-free interest rate	3.85 %	3.50 %	3.50 %

The changes in the convertible bonds granted and outstanding are shown in the following table:

	Convertible Bond	Average strike price (€)	**Convertible Bond**	Average strike price (€)
Outstanding of December 31, 2007	796,756	4.35	461,630	3.37
Exercised	-35,212	4.35	-51,250	3.60
Expired	-602,740	4.35	-58,250	3.60
Outstanding of December 31, 2008	158,804	4.35	352,130	3.29
Exercised	-156,472	4.35	---	---
Expired	-2,332	4.35	-300,000	3.24
Expired	---	---	-11,500	3.60
Outstanding of December 31, 2009	0	---	40,630	3.60
Exercisable as of December 31, 2008	158,804		101,880	
Exercisable as of December 31, 2009	0		1,938	
Weighted average remaining term as of December 31, 2009 (in months)	---		17	
Weighted average remaining term as of December 31, 2008 (in months)	6		28	

The weighted average share price for convertible bonds of United Internet AG exercised in the period under review amounted to € 8.55 (prior year: € 4.87).

The exercise price for outstanding convertible bonds of AdLINK Internet Media AG at the end of the reporting period was € 3.60 (prior year: between € 3.24 and € 3.60).

No convertible bonds of AdLINK Internet Media AG were exercised in the period under review. The weighted average share price for convertible bonds of AdLINK Internet Media AG exercised in the previous year amounted to € 13.47.

United Internet AG

Option agreement

In 2004, an option agreement was concluded between Mr. Stéphane Cordier and United Internet AG. Under the provisions of this agreement, Mr. Cordier has the right to acquire 400,000 shares of AdLINK Internet Media AG from the United Internet AG, divided into four options of 100,000 shares. The strike price amounts to € 1.50 per share, whereby 25% of shares cannot be acquired before July 1, 2004, 50% not before March 30, 2005, 75% not before March 30, 2006 and 100% not before March 30, 2007. The options may only be exercised in full. Partial exercise is not possible. The options were exercised in the period under review.

Using an option pricing model in accordance with IFRS 2, the personnel expense for options issued amounted to € 0k (prior year: € 0k).

Using an option pricing model in accordance with IFRS 2 (“Black-Scholes” stock option pricing model), the fair value of the options was determined as follows:

	Valuation parameters
Issue date	4/24/2004
Fair value	543 T€
Average market value per convertible bond	1.36 €
Dividend yield	0.0 %
Volatility of the share	79 %
Expected term (years)	3
Risk-free interest rate	3.85 %

United Internet AG

Virtual stock options

The employee stock ownership plans 2006 and 2009 employ virtual stock options (so-called Stock Appreciation Rights - SARs). SARs refer to the commitment of United Internet AG (or a subsidiary) to pay the beneficiary a cash amount equivalent to the difference between the share price on the date of granting the option (strike price) 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.

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, however, to fulfill its commitment (or the commitment of a subsidiary) to pay the SAR in cash by also transferring one United Internet AG share per SAR from its stock of treasury shares to the beneficiary, at its own discretion.

In the case of stock-based remuneration plans which grant the Company the contractual choice of settling in cash or issuing equity instruments, the Company must determine whether there is a current cash settlement commitment and disclose the stock-based remuneration transaction correspondingly. There is a current cash settlement commitment if the possibility to settle by means of equity instruments has no economic substance (e.g. because the company is legally forbidden to issue shares), or cash settlement was common business practice or the declared company guideline in the past, or the company generally settles in cash if the beneficiary so desires.

This transaction is carried in the balance sheet according to the regulations for stock-based remuneration plans with settlement via equity instruments.

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 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.

Using an option pricing model in accordance with IFRS 2, the personnel expense for options issued amounted to € 4,171k (prior year: € 2,469k).

Using an option pricing model on the basis of a binominal model in accordance with IFRS 2, the fair value of options issued was calculated as follows:

	Valuation parameters			
Issue date	8/14/2006	3/14/2007	11/12/2007	1/29/2008
Fair value	1,790 T€	1,200 T€	1,394 T€	596 T€
Average market value per convertible bond	2.24 €	3.00 €	3.49 €	2.98 €
Dividend yield	1.0 %	1.4 %	1.6 %	1.5 %
Volatility of the share	39 %	44 %	46 %	46 %
Expected term (years)	5	5	5	5
Risk-free interest rate	3.84 %	3.83 %	3.91 %	3.64 %

Valuation parameters

Issue date	5/30/2008	11/20/2008	3/31/2009	8/17/2009
Fair value	1,309 T€	1,424 T€	3,414 T€	2,173 T€
Average market value per convertible bond	3.27 €	0.95 €	1.38 €	2.17 €
Dividend yield	1.4 %	0.0 %	3.8 %	2.5 %
Volatility of the share	46 %	55 %	57 %	58 %
Expected term (years)	5	5	5	5
Risk-free interest rate	4.30 %	2.63 %	2.23 %	2.45 %

AdLINK Internet Media AG

Virtual stock options

The employee stock ownership plan 2007 employs virtual stock options (so-called Stock Appreciation Rights - SARs). SARs refer to the commitment of AdLINK Internet Media AG (or a subsidiary) to pay the beneficiary a cash amount equivalent to the difference between the issue price on the date of granting the option and the median closing price of the Company's share in electronic trading (Xetra) of the Frankfurt Stock Exchange on the last 10 trading days before exercising the option. The issue price is the median closing price of the Company's share in electronic trading (Xetra) of the Frankfurt Stock Exchange on the last 10 trading days before exercising the option, plus a surcharge of 20%. Payment of value growth to the entitled person is limited to 100% of the strike price.

This transaction is carried in the balance sheet according to the regulations for stock-based remuneration plans with settlement via equity instruments.

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 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.

As opposed to standard conditions, different time hurdles were agreed for the tranche of March 6, 2008. Up to 50% of the option right may be exercised at the earliest on April 1, 2008 and the full amount at the earliest on April 1, 2009.

Using an option pricing model in accordance with IFRS 2, the personnel expense for options issued amounted to € 195k (prior year: € 1,352k).

Using an option pricing model on the basis of a binominal model in accordance with IFRS 2, the fair value of options issued was calculated as follows:

	Valuation parameters			
Issue date	9/3/2007	11/28/2007	2/22/2008	3/6/2008
Fair value	863 T€	723 T€	231 T€	870 T€
Average market value per convertible bond	3.75 €	3.61 €	3.86 €	4.35 €
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %
Volatility of the share	52 %	55 %	40 %	39 %
Expected term (years)	5	5	5	5
Risk-free interest rate	4.00 %	3.86 %	3.61 %	3.51 %

	Valuation parameters			
Issue date	10/30/2008	3/25/2009	3/30/2009	5/25/2009
Fair value	12 T€	18 T€	62 T€	54 T€
Average market value per convertible bond	1.65 €	0.62 €	0.62 €	0.77 €
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %
Volatility of the share	53 %	73 %	73 %	78 %
Expected term (years)	5	5	5	5
Risk-free interest rate	3.24 %	2.61 %	2.47 %	2.81 %

The changes in the virtual stock options granted and outstanding are shown in the following table:

	SAR	Average strike price (€)	**SAR**	Average strike price (€)
Outstanding as of December 31, 2007	2,000,000	12.21	430,000	16.39
Issued	1,000,000	12.85	60,000	18.15
Issued	400,000	13.89	200,000	18.60
Issued	1,495,000	6.07	7,200	7.43
Exercised	-100,000	11.30	---	---
Expired	-300,000	9.89	-70,000	15.51
Outstanding as of December 31, 2008	4,495,000	10.56	627,200	17.26
Issued	2,483,000	5.52	30,000	3.72
Issued	1,000,000	8.96	100,000	3.72
Issued	---	---	70,000	4.32
Expired	---	---	-90,000	15.51
Expired	---	---	-30,000	18.15
Expired	---	---	-200,000	18.60
Expired	---	---	-7,200	7.43
Expired	---	---	-30,000	4.32
Outstanding as of December 31, 2009	7,978,000	8.71	470,000	12.27
Exercisable as of December 31, 2008	0		100,000	
Exercisable as of December 31, 2009	0		0	
Weighted average remaining term as of December 31, 2009 (in months)	44		54	
Weighted average remaining term as of December 31, 2008 (in months)	49		60	

Assumptions used in evaluating options

The anticipated maturities of conversion rights from convertible bonds and virtual stock options are based on historical data and do not necessarily correspond to the actual exercise behavior of the beneficiaries. Expected volatility is based on the assumption that historical volatility is an indicator of future trends. Actual volatility can thus differ from the assumptions made.

United Internet AG

Employee stock ownership plan

With the approval of the Supervisory Board, the Management Board has resolved to offer Group employees shares in the amount of € 360 per employee in fiscal year 2009.

These shares were provided in late November 2009 from the Company's own stock of treasury shares. The Xetra closing price as of issuance amounted to € 8.83. A total of 101,973 shares were issued during this program. The historic acquisition costs amounted to € 1,228k, the resulting personnel expense was € 900k. Capital reserves fell by € 328k, representing the difference between fair value and the original acquisition costs of the treasury shares.

37.2 Share-based payment to third parties

In a contract dated May 26, 2009, 1&1 Internet AG and freenet AG reached a sales agency agreement regarding DSL contracts with a term until 2014. As part of this agreement, a share-based volume bonus was granted in four tranches for the years 2011 to 2014 for the achievement of certain annual sales agent volumes. This contract became effective as of July 31, 2009.

Under the terms of the distribution agreement, 1&1 will pay freenet AG a premium of up to 6,551,000 United Internet shares in addition to its standard DSL commissions. The performance-oriented premium is payable in four tranches, depending on the achievement of pre-defined annual distribution targets. 1&1 also has the option to pay the premium in cash.

This bonus agreement represents an agreement in which 1&1 receives services and has the option to offer compensation in cash or in the form of shares.

In the case of share-based remuneration plans which grant the Company the contractual choice of settling in cash or issuing equity instruments, the Company must determine whether there is a current cash settlement commitment and disclose the stock-based remuneration transaction correspondingly. There is a current cash settlement commitment if the possibility to settle by means of equity instruments has no economic substance (e.g. because the company is legally forbidden to issue shares), or cash settlement was common business practice or the declared company guideline in the past, or the company generally settles in cash if the beneficiary so desires. These requirements are not met.

This transaction is therefore accounted for in accordance with the regulations for equity-settled payment transactions.

In accordance with IFRS 2.10, calculations are not based on the fair value of the services received but on the fair value of the promised equity instruments; the fair value of the services received could not be reliably estimated as payment depends on meeting certain targets. The date of granting all tranches therefore corresponds to the date on which the agreement became effective (July 31, 2009). The fair value of the compensation component is to be determined once as of this date. The fair values per share and tranche and the main valuation parameters can be seen from the following table:

	Valuation parameters			
	1 (2011)	2 (2012)	3 (2013)	4 (2014)
Share price on issuance	8.95 €	8.95 €	8.95 €	8.95 €
Strike price per share	0.00 €	0.00 €	0.00 €	0.00 €
Average market value per option	8.31 €	8.05 €	7.81 €	7.57 €
Dividend yield	3.2 %	3.2 %	3.2 %	3.2 %
Volatility of the share	58 %	58 %	58 %	58 %
Expected term (years)	2.4	3.4	4.4	5.4
Risk-free interest rate	1.60 %	2.10 %	2.40 %	2.60 %

Fair value was measured using the share price on the date of granting, less the present value of the dividend yield.

The expense is distributed according to the agency services already rendered compared to the target performance. The price component (market value of the options granted) remains fixed; with regard to the quantity component, an estimate of the probability of target achievement is to be made on every balance sheet date.

As of the balance sheet date, no expense has been recognized for tranches 1 to 4, as the service has not yet been rendered.

38. Deferred tax liabilities

Please refer to Note 16 for details on deferred tax liabilities.

39. Capital stock

As at the balance sheet date, the fully paid-in capital stock amounts to € 240,000,000.00 (prior year: € 251,469,184) divided into 240,000,000 registered no-par shares (prior year: 251,469,184) having a theoretical share in the capital stock of € 1.00 each.

Through partial use of conditional capital, the capital stock of the Company was increased in December 2009 by € 156,472, from € 251,469,184 to € 251,625,656, by issuing 156,472 new, no-par registered shares for cash contribution. The cash contribution represented the conversion of convertible bonds in fiscal year 2009 issued under the Company's employee stock ownership plan.

The Annual Shareholders' Meeting of May 26, 2009, with the approval of the Supervisory Board, authorized the Management Board to cancel treasury shares without further need for a resolution of the Annual Shareholders' Meeting. In execution of this authorization and with a resolution of the Management Board and Supervisory Board of December 18, 2009, it was decided to reduce the Company's capital stock by € 11,625,656.00 from € 251,625,656.00 to € 240,000,000.00 in a simplified capital reduction process by the cancellation of shares. The capital reduction was conducted in order to optimize the company's balance sheet and capital structure.

As of the balance sheet date, United Internet AG held 10,272,371 treasury shares (prior year: 22,000,000) representing 4.28% of current capital stock (prior year: 8.75%). As of March 12, 2010, a total of 15,000,000 treasury shares or 6.25% of current capital stock were held. Treasury shares reduce equity and have no dividend entitlement.

Authorized capital

The Company's Management Board is authorized, subject to the approval of the Supervisory Board, to increase the capital stock by June 12, 2011 by a maximum of € 124,550,402 by issuing on one or more occasions new no-par common shares in return for cash and/or non-cash contributions.

In the case of a capital increase in return for cash contributions, the shareholders shall be granted subscription rights. However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the right to subscribe in the case of fractional amounts and also to exclude the right to subscribe to the extent that this should be necessary in order to grant subscription rights for new shares to bearers of warrants, convertible bonds or warrant bonds issued by the Company or subordinated Group companies in the amount to which they are entitled on conversion of their conversion or warrant rights or fulfillment of their conversion obligation. The Management Board is also authorized, subject to the approval of the Supervisory Board, to exclude the right of shareholders to subscribe in the case that the issue amount of the new shares is not substantially lower than the quoted market price of Company shares with the same terms at the time of finalizing the issue amount and the shares issued in accordance with Sec. 186 (3) Sentence 4 AktG do not exceed in total 10% of capital stock. Shares sold or issued due to other authorizations in direct or corresponding application of Sec. 186 (3) Sentence 4 AktG under exclusion of subscription rights are to be accounted for in this limitation

Furthermore, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the right of shareholders to subscribe in the case of capital increases in return for non-cash contributions, especially in connection with the acquisition of companies, shareholdings or assets.

Conditional capital

There are the following lots of conditional capital:

- The capital stock has been conditionally increased by up to a further € 4,711,892, divided into 4,711,892 no-par registered shares. The conditional capital increase is earmarked for conversion options to be granted to bearers of convertible bonds, which the shareholders' meeting on May 16, 2003 authorized the Management Board to issue. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercising the conversion rights.

- The capital stock has been conditionally increased by up to a further € 3,000,000, divided into 3,000,000 no-par registered shares. The conditional capital increase is earmarked for conversion options to be granted to bearers of convertible bonds, which the shareholders' meeting on May 18, 2005 authorized the Supervisory Board to issue. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercise of the conversion option.

- The capital stock has been conditionally increased by up to a further € 92,000,000, divided into 92,000,000 no-par registered shares. The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds, which the shareholders' meeting on May 18, 2005 authorized the Company or a subordinated Group company to issue, providing the issue is in return for cash and the warrant or convertible bonds are not serviced from the stock of treasury shares or approved capital.

- In accordance with Sec. 71 (1) No. 8 AktG, the Company is authorized until November 25, 2010 to acquire treasury shares of up to ten percent of its capital stock. The price for the acquisition of these shares may not be more than 10% lower or higher than the stock market price. As of the balance sheet date, the Company held 10,272,371 treasury shares. Treasury shares can be used for all purposes named in the authorization of the Annual Shareholders' Meeting of May 26, 2009. As of March 12, 2010, a total of 15,000,000 treasury shares are held.

40. Reserves

As of December 31, 2009, capital reserves amounted to € 39,071k (prior year: € 163,896k). The decrease results mainly from the cancellation or issue of treasury shares. The increase results mainly from the exercise of conversion rights from the employee stock ownership plan amounting to € 526k (prior year: € 118k), as well as from the corresponding booking of personnel expenses from the employee stock ownership plan totaling € 4,207k (prior year: € 3,867k).

As of the balance sheet date, the revaluation reserve consisted of the following items:

	2009 €k	2008 €k
- Afilias shares	5,082	7,189
- Hi-media shares	2,985	---
- Goldbach shares	2,612	---
- EFF No.3	2,131	2,697
- EFF Investment	353	---
- EFF No.1	23	116
- freenet	-469	---
Total	**12,717**	**10,002**

Profit and loss from subsequent valuation to fair value are recognized net in equity – i.e. less deferred taxes – and after minority interests.

Components of the at-equity investment in MSP Holding GmbH amounting to € 2,251k recognized in the period under review without effect on profit or loss were recognized as income in the course of the disposal of the MSP shares (see Note 25).

41. Additional details on financial instruments

The following table shows the carrying values for each category of financial assets and liabilities for fiscal year 2009:

	Valuation category acc. To IAS 39	Carryin value on Dec. 31,2009	Amortized cost	Fair value not through profit or loss	Fair value through profit or loss	Fair value on Dec. 31, 2009
Financial assets						
Cash and cash equivalents	lar	116,812	116,812			116,812
Trade accounts receiveable	lar	91,290	91,290			91,290
Loans to joint ventures	lar	0	0			0
Other assets	lar	6,042	6,042			6,042
Other financial assets	lar/afs					
Others	lar	7,176	7,176			7,176
Vendor loan	lar	12,195	12,195			12,195
Investments	afs	141,153		141,153		141,153
Financial liabilities						
Trade accounts payable	flac	193,197	193,197			193,197
Liabilities due to banks	flac	400,229	400,229			400,229
Other liabilities	flac/hft	66,177	54,463		11,714	66,177
Convertible bonds	flac	4	4			4
Of which aggregated acc. to valuation categories						
Loans and receivables (lar)	lar	233,515	233,515	0	0	233,515
Available-for-sale (afs)	afs	141,153	0	141,153	0	141,153
Financial liabilities measured at amortised cost (flac)	flac	647,893	647,893	0	0	647,893
Held-for-trading (hft)	hft	11,714			11,714	11,714

The following net results were stated for the individual categories of financial instruments acc. to IAS 39 in fiscal year 2009:

	Valuation category acc. To IAS 39	From interest and dividends	Net profits and losses from subsequent valuation: Fair value	Currency translation	Value adjusted	From disposal	Net result
Loans and receivables (lar)	lar	2,473	--	657	-33,087	--	-29,957
Available-for-sale (afs)	afs	--	--	--	--	--	0
- not affecting net income			3,479	--	--	--	3,479
- affecting net income		520	-3,478	--	--	--	-2,958
Financial liabilities measured at amortized cost (flac)	flac	-23,515	--	281	--	--	-23,234
Held-for-trading (hft)	hft	--	1,382	--	--	--	1,382
		-20,522	1,383	938	-33,087	0	-51,288

Cash and cash equivalents, trade accounts receivable and trade accounts payable mostly have short remaining terms. Their carrying values on the balance sheet date are thus similar to fair value.

Trade accounts payable generally have short remaining terms. Their carrying values on the balance sheet date are thus similar to fair value.

Financial liabilities carried at fair value through profit or loss mainly refer to a derivative financial instrument resulting from a delivery obligation for shares in listed companies and an interest hedging transaction.

The following table shows the carrying values for each category of financial assets and liabilities for fiscal year 2008:

	Valuation category acc. To IAS 39	Carryin value on Dec. 31,2008	Measured acc. To IAS 39: Amortized cost	Fair value not through profit or loss	Fair value through profit or loss	Fair value on Dec. 31, 2008
Financial assets						
Cash and cash equivalents	lar	55,372	55,372			55,372
Trade accounts receiveable	lar	119,066	119,066			119,066
Loans to joint ventures	lar	0	0			0
Other assets	lar	12,737	12,737			12,737
Other financial assets	lar/afs					
Others	lar	2,287	2,287			2,287
Investments	afs	70,498		70,498		70,498
Financial liabilities						
Trade accounts payable	flac	171,423	171,423			171,423
Liabilities due to banks	flac	544,370	544,370			544,370
Other liabilities	flac/hft	71,977	58,881		13,096	71,977
Convertible bonds	flac	74	74			74
Of which aggregated acc. to valuation categories						
Loans and receivables (lar)	lar	189,462	189,462	0	0	189,462
Available-for-sale (afs)	afs	70,498	0	70,498	0	70,498
Financial liabilities measured at amortised cost (flac)	flac	774,748	774,748	0	0	774,748
Held-for-trading (hft)	hft	13,096			13,096	13,096

The following net results were stated for the individual categories of financial instruments acc. to IAS 39 in fiscal year 2008:

	Valuation category acc. To IAS 39	From interest and dividends	Net profits and losses from subsequent valuation: Fair value	Currency translation	Value adjusted	From disposal	Net result
Loans and receivables (lar)	lar	2,139	--	591	-22,392	--	-19,662
Available-for-sale (afs)	afs	--	--	--	--	--	0
- not affecting net income			-19	--	--	--	-19
- affecting net income		1,768	-42,379	--	--	--	-40,611
Financial liabilities measured at amortized cost (flac)	flac	-33,497	--	253	--	--	-33,244
Held-for-trading (hft)	hft	--	-822	--	--	--	-822
		-29,590	-43,220	844	-22,392	0	-94,358

The fair value of financial assets and liabilities is stated at the amount at which the instrument concerned might be exchanged in a current transaction (excluding a forced sale or liquidation) between willing business partners.

The methods and assumptions used to determine fair values are shown below:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2009, and as in the previous year, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

- The fair value of unquoted instruments, loans from banks and other financial liabilities, as well as other non-current financial liabilities, is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. As at 31 December 2009 and 2008, the carrying amounts of such liabilities not materially different from their calculated fair values.

- Fair values of available-for-sale financial assets are derived from quoted market prices in active markets, if available.

- The fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.

- The Group enters into derivative financial instruments principally with financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps. The most frequently applied valuation techniques include swap models using present value calculations. These models use mainly interest rate curves as the valuation parameters.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Assets and liabilities measured at fair value

	31.12.2009	Stufe 1	Stufe 2	Stufe 3
	€k	€k	€k	€k
Available-for-sale financial assets				
Equity shares	153,348	98,993		
Shares in unlisted companies			54,355	
Financial liabilities at fair value through profit or loss				
Interest swap	11,714		11,714	

During the reporting period ending 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Derivative financial instruments

The United Internet Group holds the following derivative financial instruments:

On October 7, 2008 United Internet AG concluded two interest swap agreements. The nominal volume of each amounts to € 100,000k with a term until October 9, 2013. The interest hedging agreements can be terminated once by the credit institutes involved no sooner than in October 2010. The interest hedging transactions were concluded to hedge against the interest risk, but do not meet the requirements of IAS 39 on *Hedge Accounting* and were recognized at fair value through profit and loss. The negative fair value as of the balance sheet date amounts to € 11,714k (prior year: € 6,671k) and was disclosed under “Current other liabilities”.

In a contract dated December 16, 2008, United Internet AG submitted an offer to a contractual partner, limited to February 28, 2009, to purchase 5,399,409 shares in freenet AG at an agreed price. The negative fair value of the written call option amounted to € 6,425k as of the balance sheet date of the previous year and was disclosed under “Current other liabilities”. The contractual partner did not exercise the call option by the end of the term in February 2009. Derecognition resulted in other operating income of € 6,425k in fiscal year 2009.

In the course of the transfer of the Display Marketing business of the AdLINK Group to the Hi-media Group, a vendor loan in the amount of the cash component was granted with a standard market interest rate (see Note 17). The vendor loan is to be repaid by June 30, 2011 at the latest and is disclosed under other non-current financial liabilities.

In addition, the United Internet Group has various first refusal rights and call options for the purchase of further shares in certain investments, some of which are tied to certain prerequisites and conditions. The underlying purchase prices are mainly the fair values of the shares to be purchased, so that no significant financial assets or liabilities arise from these agreements.

42. Transactions with related parties

IAS 24 defines related parties as those persons and companies that control or can exert a significant influence over the other party. Accordingly, United Internet AG is subject to significant influence from Mr. Ralph Dommermuth, the major shareholder, as well as from the members of the Management Board and Supervisory Board.

United Internet's premises in Montabaur are leased from Mr. Ralph Dommermuth, the Chief Executive Officer and a major shareholder of the Company. The corresponding lease agreements run until June 2019, April 2015 and April and December 2016. The resulting rent expenses are customary and amounted to € 1,891k in fiscal year 2009 (prior year: € 1,609k).

At the ordinary shareholders' meeting on May 18, 2005, Mr. Kurt Dobitsch (chairman) and Mr. Michael Scheeren were elected once again as members of the Company's Supervisory Board. At the Annual Shareholders' Meeting of May 27, 2008, Mr. Kai-Uwe Ricke was elected by the shareholders to the Supervisory Board. Mr. Ricke was 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 2009.

In fiscal year 2009, the members of the Supervisory Board also held seats on supervisory boards or similar committees of the following companies:

Kurt Dobitsch

- 1&1 Internet AG, Montabaur
- Nemetschek AG, Munich (Chairman)
- Bechtle AG, Gaildorf
- docuware AG, Munich
- Hybris AG, Zürich / Switzerland
- Graphisoft S.E, Budapest / Hungary

Kai-Uwe Ricke

- 1&1 Internet AG, Montabaur
- AP Investment Europe Limited, Guernsey (Chairman, until July 14, 2009)
- Assicurazioni Generali S.p.A., Trieste / Italy
- easy cash GmbH, Eschborn (until December 1, 2009)
- Kabel Baden-Württemberg GmbH & Co. KG, Heidelberg
- Saudi Oger Telecom Ltd., Dubai / Emirate of Dubai
- Exigen Capital Europa AG, Zürich / Switzerland (as of September 1, 2009)

Michael Scheeren

- 1&1 Internet AG, Montabaur (Chairman)
- AdLINK Internet Media AG, Montabaur (Chairman)
- United Internet Media AG, Montabaur (Deputy Chairman)
- Goldbach Media AG, Küsnacht-Zürich / Switzerland

The members of the Supervisory Board receive compensation consisting of a fixed element and a variable element which depends on the Company's success. The fixed remuneration for an ordinary member of the Supervisory Board amounts to € 20k per full fiscal year. The chairman of the Supervisory Board receives the double amount. The variable element for each member of the Supervisory Board, including the chairman, amounts to € 2k for every cent which exceeds the consolidated earnings per share value of € 0.10 for United Internet AG, calculated according to IFRS. At the Supervisory Board meeting on December 17/18, 2009, the Supervisory Board agreed to use only the ordinary consolidated earnings per share of United Internet AG as the basis for calculating variable remuneration.

The following table provides details on the compensation received by members of the Supervisory Board:

2009	Fixed	Variable	Total
Kurt Dobitsch	40	120	160
Kai-Uwe Ricke	20	120	140
Michael Scheeren	20	120	140
	80	360	440

2008	Fixed	Variable	Total
Kurt Dobitsch	40	-	40
Kai-Uwe Ricke	20	-	20
Michael Scheeren	20	-	20
	80	0	80

There are no subscription rights or share-based payments for members of the Supervisory Board.

The Supervisory Board is responsible for determining the remuneration of the Management Board. The members of the Management Board are compensated according to performance. This compensation consists of a fixed and a variable element (bonus). A target remuneration figure is agreed for the fixed component and the bonus, which is regularly reviewed. The last review was made in fiscal year 2009. The fixed remuneration component is paid monthly as a salary. The size of the bonus 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. No subsequent amendment of the performance targets is allowed. There is no minimum guaranteed bonus. Payment is generally made after the annual financial statements have been adopted by the Supervisory Board. In fiscal year 2009, a preliminary remuneration of € 1,076k (prior-year: € 1,000k) was agreed for the Management Board. Of this total, € 600k or 56% was fixed and € 476k or 44% variable.

There are no retirement benefits from the Company to members of the Management Board.

In the fiscal years 2008 and 2009, Mr. Norbert Lang was granted 800,000 virtual stock options (SARs) in each year at an exercise price of € 12.85 and € 5.52. When the virtual stock options were granted, their fair values amounted to € 2,384k and € 1,104k.

The following table provides details on the compensation received by members of the Management Board:

2009	Fixed	Variable	Total
Ralph Dommermuth	300	266	566
Norbert Lang	300	210	210
	600	476	1.076

2009	Fixed	Variable	Total
Ralph Dommermuth	300	266	566
Norbert Lang	300	210	210
	600	476	1.076

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

Shareholding Vorstand Management Board	**January 1, 2009** direkt direct	indirekt indirect	**January 1, 2009** gesamt total	**December 31, 2009** direkt direct	indirekt indirect	**December 31, 2009** gesamt total
Ralph Dommermuth	17,600,000	74,400,000	92,000,000	17,600,000	74,400,000	92,000,000
Norbert Lang	---	576,128	576,128	---	576,128	576,128
	17,600,000	74,976,128	92,576,128	17,600,000	74,976,128	92,576,128

Aufsichtsrat Supervisory Board	direkt direct	indirekt indirect	gesamt total	direkt direct	indirekt indirect	gesamt total
Kurt Dobitsch	---	---	---	---	---	---
Kai-Uwe Ricke	---	---	---	---	---	---
Michael Scheeren	700,000	---	700,000	700,000	---	700,000
	700,000	---	700,000	700,000	---	700,000

The United Internet Group can also exert significant influence on its associated companies and joint ventures.

Conditions of transactions with related parties

Sales to and purchases from related parties are conducted at standard market conditions. The open balances at year-end are unsecured, non-interest-bearing and settled in cash. There are no guarantees for receivables from or liabilities due to related parties. No allowances were recognized for receivables from related parties in fiscal year 2009 or the previous year. An impairment test is conducted annually. This includes an assessment of the financial position of the related party and the development of the market in which they operate.

Interest income of € 31k accrued from a loan granted during fiscal year 2009 to MSP Holding GmbH amounting to € 1,700k.

In fiscal year 2008, interest income of € 33k resulted from a loan of € 4,000k granted in fiscal year 2007 to MSP Holding GmbH. The loan was repaid in full during fiscal year 2008. A loan granted during fiscal year 2008 resulted in interest income of € 511k in the previous year.

On December 29, 2008, United Internet AG acquired 10,798,817 shares in freenet AG from MSP Holding GmbH, equivalent to 8.43% of voting rights, at a price of € 3.38 per share. At the same time, Drillisch AG was granted the right to acquire 5,399,409 shares in freenet AG from United Internet AG by February 28, 2009. This call option in favor of Drillisch AG had a fair value of € 6,425k as of December 31, 2008. The fair value was calculated using an option pricing model. A volatility of 123.11% and a basic price of € 3.38 per share was assumed. As of the acquisition date, the fair value of a freenet share amounted to € 4.27. The option was not exercised by the contractual partner in the period up to February 28, 2009.

In fiscal year 2009, United Internet AG purchased 1,090,000 shares in freenet AG from MSP Holding GmbH at a price of € 9.10 per share. In a contract dated December 11, 2009, United Internet AG retired as shareholder of MSP Holding GmbH and in return received 50% of shares in freenet AG held by MSP Holding GmbH (5,285,591 shares). As of the balance sheet date, United Internet AG holds a total of 6,375,591 shares in freenet AG, corresponding to 4.98% of voting rights.

As part of the cooperation with ProSiebenSat.1 Media AG, 1&1 Internet AG owns an interest in the joint venture maxdome GmbH & Co. KG, which operates the video-on-demand portal maxdome. As part of this cooperation, 1&1 Internet AG provides hosting and other services. The revenues generated by order and on account of maxdome were forwarded to maxdome GmbH & Co. KG. Moreover, 1&1 Internet AG has undertaken to provide maxdome GmbH & Co. KG, under certain circumstances, with subordinated partner loans of up to € 15,750k. As of December 31, 2009, € 2,600k of this credit facility had already been utilized. The loan serves to finance the operating business of maxdome GmbH & Co. KG and has a term until December 31, 2013. No collateral was provided for the loan.

The following table presents the outstanding balances and total transactions volumes with associated companies and joint ventures in the respective fiscal year.

	Purchases / services from related parties		**Sales / services to related parties**		**Liabilities due to related parties**		**Receiveables from related parties**	
	2009 T€ €k	2008 T€ €k	2009 T€ €k	2008 T€ €k	2009 T€ €k	2008 T€ €k	2009 T€ €k	2008 T€ €k
maxdome GmbH & Co. KG	10,239	3,806	---	---	---	2,915	---	---
Sonstige	1,518	1,122	30	38	14	238	18	13

	Interest income		**Interest expense**	
	2009 T€ €k	2008 T€ €k	2009 T€ €k	2008 T€ €k
MSP Holding GmbH	31	544	---	---
maxdome GmbH & Co. KG	81	4	---	---

In the year under review, customer relations in the amount of € 126,348k (broadband customers) were acquired from freenet AG, which was included in the consolidation as an associated company when the contract was closed. A distribution agreement was also signed with freenet AG. We refer to Notes 28 and 37.2.

43. Objectives and methods of financial risk management

Principles of risk management

The risk management system introduced by the United Internet Group is based on the COSO-ERM framework and is described in detail in the Management Report.

The principles of finance policy are set by the Management Board and monitored by the Supervisory Board. Certain transactions require the prior approval of the Supervisory Board.

The main financial liabilities used by the Group include bank loans and overdraft facilities, convertible bonds, trade accounts payable and other financial liabilities.

The Group holds various financial assets which result directly from its business activities. They consist mainly of trade accounts receivable, available-for-sale financial investments and short-term deposits. As of the balance sheet date, the Group mainly held primary financial instruments. In addition, there are derivative financial instruments, which consist mainly of interest swaps.

The aim of financial risk management is to limit these risks through ongoing operating and financial activities. The Company is hereby exposed to certain risks with regard to its assets, liabilities and planned transactions, especially liquidity risks and market risks, as described below.

Liquidity risk

As in the previous year, the general liquidity risk of United Internet consists of the possibility that the Company may not be able to meet its financial obligations, such as the redemption of financial debts. The Company's objective is the continual coverage of its financial needs and securing flexibility by using overdraft facilities and loans.

Our global cash requirements and surpluses are managed centrally by our cash management system. By netting these cash requirements and surpluses within the Group, we can minimize the amount of external bank transactions. Netting is managed via our cash pooling process. The Company has established standardized processes and systems to manage its bank accounts and internal netting accounts as well as for the execution of automated payment transactions.

In addition to operating liquidity, United Internet also holds other liquidity reserves, available at short notice. These liquidity reserves consist of syndicated credit lines with varying terms.

The following table shows all contractually fixed payments for redemption, repayments and interest for financial liabilities carried in the balance sheet as of December 31, 2009 and 2008:

	12/31/2009	**2010**	**2011**	**2012**	**2013**	**> 2014**	**Total**
	€k	€k	€k	€k	€k	€k	€k
Liabilities to banks	400,229	55,356	184,648	104,186	73,872	0	418,062
Convertible bonds	4	4	0	0	0	0	4
Trade accounts payable	193,197	193,197	0	0	0	0	193,197
Other liabilities	84,515	56,023	3,407	1,085	581	22,546	83,642

	12/31/2008	**2009**	**2010**	**2011**	**2012**	**> 2013**	**Total**
	€k	€k	€k	€k	€k	€k	€k
Liabilities to banks	544,370	31,408	115,265	193,664	188,081	74,570	602,988
Convertible bonds	74	74	0	0	0	0	74
Trade accounts payable	170,743	170,743	0	0	0	0	170,743
Other liabilities	72,657	56,274	2,923	674	196	10,399	70,466

Please refer to Note 32 for details on interest and redemption payments for liabilities to banks. It is assumed that the revolving syndicated loan will be repaid by the end of its term in 2012. The obligations to minority shareholders of the Company's investment funds EFF No. 2 and EFF No. 3 disclosed under "Other liabilities" are only due on the sale of the underlying portfolio companies.

The Company has no significant concentration of liquidity risks.

Market risks

The activities of United Internet are mainly exposed to financial risks from changes in interest rates, exchange rates, stock exchange prices, and credit or contingency risks.

Interest risk

The Group is exposed to interest risks as the major share of its borrowing as of the balance sheet date bears variable interest rates with varying terms. As part of liquidity planning we constantly monitor the various investment and borrowing possibilities. Borrowing requirements are met by using suitable instruments to manage liquidity, while surplus cash is invested on the money market to achieve the best possible return. Due to developments on the global finance markets, the interest risk has increased since the previous year.

In fiscal year 2008, the Company concluded two interest swaps with a total nominal amount of € 200,000k in order to reduce its interest risk. As of the balance sheet date, liabilities due to banks amounting to € 400,229k is thus covered to around 50%. The agreements have a term until October 9, 2013 and can be unilaterally terminated by the other contractual partners no sooner than in October 2010.

Market interest rate changes might have an adverse effect on the interest result and are included in our calculation of sensitive factors affecting earnings. In order to present market risks, United Internet has developed a sensitivity analysis which shows the impact of hypothetical changes to relevant risk variables on pre-tax earnings. The reporting period effects are illustrated by applying these hypothetical changes in risk variables to the stock of financial instruments as of the balance sheet date.

A change in the market interest level has an effect on interest swaps stated at fair value with an effect on income. A parallel shift in the interest structure curve of + / - 100 basis points might have resulted in a comparable increase in pre-tax earnings of € 5,311k (prior year: € 5,139k) or a decrease of € 6,991k (prior year: € 7,141k).

The interest risk is negligible for other interest-bearing liabilities.

Currency risk

A currency risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate due to changes in the exchange rates. The Group is mainly exposed to currency risks as a result of its operations (if revenue and/or expenses are in a currency other than the Group's functional currency) and its net investments in foreign subsidiaries. The currency risk of United Internet results from investments, financing activities and operations. Currency risks which do not affect cash flows (i.e. risks from translating the assets and liabilities of foreign operations into the Group's reporting currency) are not hedged against. In the period under review, there were no foreign exchange risks with a significant impact on the cash flows.

With regard to operating activities, individual Group companies perform their business mainly in their respective functional currencies. As in the previous year, the Company therefore regards the currency risk from operations as low. Certain Group companies are exposed to foreign exchange risks in connection with planned payments outside their functional currency.

Foreign exchange risks arise from financial instruments which are denominated in a different currency to the functional currency and are of a monetary nature; exchange rate differences from the translation of annual financial statements into the Group's reporting currency are not considered. The relevant risk variables include all non-functional currencies in which the Company holds financial instruments.

A 10-percent change in the US dollar exchange rate against the euro upwards (downwards) might have resulted in a decrease (increase) in pre-tax earnings of € 913k based on the balance sheet of December 31, 2009. A 10-percent change in the English pound against the euro upwards (downwards) might have resulted in an increase (decrease) in pre-tax earnings of € 1,699k.

A 10-percent change in the US dollar exchange rate against the euro upwards (downwards) might have resulted in a decrease (increase) in pre-tax earnings of € 925k based on the balance sheet of December 31, 2008. A 10-percent change in the English pound against the euro upwards (downwards) might have resulted in an increase (decrease) in pre-tax earnings of € 648k.

Stock exchange risk (valuation risk)

The Company classifies certain (quoted) assets as available-for-sale and records changes in their fair value in equity without an effect on profit or loss. If there is a significant or persistent decrease in the fair value of an equity instrument below its acquisition cost, the Company recognizes an impairment of the financial instrument in its income statement. The fair value of these listed assets amounted to € 98,993k as of the balance sheet date (prior year: € 20,956k).

Impairments may result from the share price development of listed investments.

The Company has no significant concentration of market risks.

Credit and contingency risk

In the course of its operating activities, the Company is exposed to a contingency risk. Outstanding amounts are therefore monitored locally and on a continual basis. Individual and lump-sum allowances are made to account for such contingency risks. The Group does not see any significant increase in the contingency risk over the previous year.

With regard to trade accounts receivable, the maximum risk in the gross amount stated in the balance sheet is before allowances but after netting. Trade accounts receivable which are not impaired as of the balance sheet date, are classified according to periods in which they become overdue (see Note 21).

Internal rating system

In the Product segment, a pre-contractual fraud check is conducted and collection agencies are also used for the management of receivables. In the Online Marketing segment, a pre-contractual check of creditworthiness is made in the media sales business and collection agencies are also used for the management of receivables.

In the Product segment, individual allowances for receivables overdue are generally made on the basis of the respective age profile. These allowances are mainly derived from success rates of the agencies used for collecting such debts. 100% individual allowances are made for all receivables overdue more than 365 days. In the Online Marketing segment, individual allowances are made for each customer according to various criteria (e.g. dunning level, insolvency, fraud cases etc.).

The Company has no significant concentration of credit risks.

Risks from financial covenants

The existing credit lines of United Internet AG are tied to so-called financial covenants. An infringement of these covenants may cause the lender to terminate the financial arrangement and demand immediate repayment of the amounts drawn. The covenants contained in the loan agreements of United Internet require the Company to maintain a specified net debt-to-EBITDA ratio and a specified EBITDA-to-interest ratio. These ratios are used to calculate the relative burden which the financial liabilities and interest payments place on the Company. In view of the far superior ratios of United Internet at present, the probability of infringement is regarded as low. Compliance with the covenants is regularly monitored by the Company's Management Board.

Capital management

In addition to the legal provisions for stock corporations, the Company has no further obligations to maintain capital according to its statutes or other agreements. The key financial indicators used by the Company are mainly performance-oriented. The targets, methods and processes of capital management are thus subordinate to these performance-oriented financial indicators.

In order to maintain and adapt its capital structure, the Company can adjust dividend payments or pay capital back to its shareholders, can issue new shares or purchase treasury shares. As of December 31, 2009 and December 31, 2008, no changes were made to the Company's targets, methods and processes.

44. Specific contingencies and commitments

Litigation

Litigation risks mainly relate to various legal disputes of 1&1 Internet and AdLINK.

An accrual for litigation was formed for any commitments arising from these disputes (see Note 35).

Guarantees

As of the balance sheet date, the Company has issued no guarantees.

45. Other financial commitments, guarantees and contingent liabilities

Operating lease commitments

At the end of the fiscal year, there were fixed-term obligations from the renting of buildings, offices and movables.

Most leases have options to prolong the contractual relationship. The terms of these prolongation options are negotiable or identical with the current terms.

As of December 31, the future minimum lease obligations were as follows:

	2009 €k	**2008** €k
Up to 1 year	22,380	12,171
1 to 5 years	34,982	23,077
Over 5 years	16,427	3,046
	73,789	38,294

In the period under review, these operating leases incurred expenses of € 12,537k (prior year: € 11,857k).

Guarantees and other obligations

The Company is jointly and severally liable for credit lines granted to companies of the United Internet Group by a bank. The credit facilities had only been utilized with regard to guarantees as of the balance sheet date.

Other financial commitments for the following fiscal year total € 1,575k (prior year: € 4,200k).

The Management Board has no knowledge of any other facts which could have a significant, adverse effect on the business activities, the financial situation or the operating result of the Company.

Contingent liabilities

In the course of the completed tax audit for the assessment periods 2002 to 2005, there were findings with regard to the income tax treatment of so-called customer acquisition costs. Due to their sales cost character, these costs are expensed when incurred. According to the tax authority, certain parts of these costs are to be deferred beyond the minimum contract terms.

A mobile phone operator currently has a lawsuit pending at the German Federal Finance Court (BFH) in this matter. As this lawsuit is currently expected to be successful, no tax accrual was formed for the period following the tax audit.

Should these expectations not be met, income tax expenses in the low tens of millions may result, in line with the Group's business volume.

46. Cash flow account

In fiscal year 2009, cash flow from operating activities includes interest payments of € 17,789k (prior year: € 27,632k) and interest income of € 2,981k (prior year: € 2,036k). Income tax payments in fiscal year 2009 amounted to € 85,520k (prior year: € 74,062k). Proceeds from dividends distributed by other investments amounted to € 520k (prior year: € 1,768k) in fiscal year 2009. Proceeds from dividends paid by associated companies totaled € 392k in the previous year.

A total of € 4,802k (prior year: € 160,696k) was paid in cash for the purchase of shares in associated companies and joint ventures in fiscal year 2009. Further details are provided in Note 25.

An amount of € 1,858k (prior year: € 9,538k) was paid in cash for the purchase of additional shares of AdLINK and an amount of € 5,500k for the purchase of the remaining shares in sedo during fiscal year 2009. The acquisition costs for the purchase of shares in united-domains amounted to € 34,951k, of which € 34,070k was settled in cash. As part of the acquisition of united-domains, cash and cash equivalents of € 1,762k were received, while there was a disposal of € 1,154k from the deconsolidation of the Display Marketing business.

The sale of shares in associated companies and investments resulted in total cash proceeds of € 116,903k (prior year: € 12,268k) in fiscal year 2009.

47. Exemption pursuant to Sec. 264 (3) HGB

The following companies of United Internet AG make use of the exempting provisions of Sec. 264 (3) HGB:

- 1&1 Internet AG, Montabaur
- 1&1 Internet Service GmbH, Montabaur

- 1&1 Internet Service GmbH Zweibrücken, Zweibrücken
- A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur
- GMX Internet Services GmbH, Munich
- GMX GmbH, Munich
- United Internet Beteiligungen GmbH, Montabaur
- United Internet Media AG, Montabaur
- WEB.DE GmbH, Montabaur

48. Subsequent events

There were no significant events subsequent to the balance sheet date which may have resulted in a different representation of United Internet's situation.

49. Auditing fees

In fiscal year 2009, auditing fees totaling € 2,085k (prior year: € 1,651k) were expensed in the consolidated financial statements. These include auditing fees of € 937k (prior year: € 781k), tax consultancy services of € 499k (prior year: € 327k), and other services of € 703k (prior year: € 543k).

In addition, auditing fees for tax consultancy services and other services amounting to € 22k (prior year: € 47k) were carried in the consolidated financial statements without effect on income and capitalized as transaction costs in connection with company acquisitions.

50. Corporate Governance Code

The declaration pursuant to Sec. 161 AktG on observance of the German Corporate Governance Code has been made by the Management Board and Supervisory Board and has made available to shareholders via the internet portal of United Internet AG (www.united-internet.de) and AdLINK Internet Media AG (www.adlinkgoup.net).

Montabaur, March 16, 2010

The Management Board

United Internet AG - Development of consolidated fixed assets acc. to IFRS in fiscal year 2009 (€k)

	ACQUISITION AND PRODUCTION COSTS								ACCUMULATED DEPRECIATION								NET BOOK VALUE	
	Jan. 1, 2009	Additions from initial consolidation	Additions	Disposals	Reclassi-fications	Currency translation	Disposals from deconsolidation	Dec. 31, 2009	Jan. 1, 2009	Additions from initial consolidation	Additions	Disposals	Reclassi-fications	Currency translation	Disposals from deconsolidation	Dec. 31, 2009	Jan. 1, 2009	Dec. 31, 2009
Intangible assets																		
Licenses	28,337	0	311	204	0	-28	0	28,416	25,211	0	1,186	121	0	-12	0	26,264	3,126	2,152
Order backlog	2,141	0	0	0	0	0	0	2,141	2,141	0	0	0	0	0	0	2,141	0	0
Software	37,695	2,211	9,974	1,016	0	70	0	48,934	30,675	0	4,680	896	0	173	0	34,632	7,020	14,302
Trademark	21,423	4,198	75	0	0	345	0	26,041	44	0	79	0	0	-100	0	23	21,379	26,018
Kundenstamm	42,927	12,295	126,979	0	0	1,385	0	183,586	20,585	0	11,401	0	0	346	0	32,332	22,342	151,254
Portal	72,240	0	0	0	0	0	0	72,240	28,595	0	9,030	0	0	0	0	37,625	43,645	34,615
Goodwill	399,172	24,399	20,414	29,336	0	4,573	0	419,222	20,296	0	2	2	0	0	0	20,296	378,876	398,926
Total (I)	**603,935**	**43,103**	**157,753**	**30,556**	**0**	**6,345**	**0**	**780,580**	**127,547**	**0**	**26,378**	**1,019**	**0**	**407**	**0**	**153,313**	**476,388**	**627,267**
Property, plant and equipment																		
Land and buildings	8,047	0	2	0	0	0	0	8,049	4,028	0	110	16	0	0	0	4,122	4,019	3,927
Operational equipment	196,645	345	29,571	3,701	1,948	414	0	225,222	117,634	0	29,744	2,613	14	316	0	145,095	79,011	80,127
Payments in advance	3,464	0	8,443	117	-1,948	25	0	9,867	0	0	0	0	0	0	0	0	3,464	9,867
Total (II)	**208,156**	**345**	**38,016**	**3,818**	**0**	**439**	**0**	**243,138**	**121,662**	**0**	**29,854**	**2,629**	**14**	**316**	**0**	**149,217**	**86,494**	**93,921**
Total	**812,091**	**43,448**	**195,769**	**34,374**	**0**	**6,784**	**0**	**1,023,718**	**249,209**	**0**	**56,232**	**3,648**	**14**	**723**	**0**	**302,530**	**562,882**	**721,188**

United Internet AG - Development of consolidated fixed assets acc. to IFRS in fiscal year 2008 (€k)

	ACQUISITION AND PRODUCTION COSTS								ACCUMULATED DEPRECIATION								NET BOOK VALUE	
	Jan. 1, 2008	Additions from initial consolidation	Additions	Disposals	Reclassi-fications	Currency translation	Disposals from deconsolidation	Dec. 31, 2008	Jan. 1, 2008	Additions from initial consolidation	Additions	Disposals	Reclassi-fications	Currency translation	Disposals from deconsolidation	Dec. 31, 2008	Jan. 1, 2008	Dec. 31, 2008
Intangible assets																		
Licenses	27,462	0	701	0	133	41	0	28,337	22,405	0	2,770	0	29	7	0	25,211	5,057	3,126
Order backlog	2,141	0	0	0	0	0	0	2,141	1,680	0	461	0	0	0	0	2,141	461	0
Software	34,367	0	3,633	10	-12	-283	0	37,695	25,424	0	5,496	8	15	-252	0	30,675	8,943	7,020
Trademark	21,904	820	0	0	0	-1,301	0	21,423	0	0	44	0	0	0	0	44	21,904	21,379
Kundenstamm	45,525	2,662	0	0	1	-5,260	0	42,927	14,534	0	7,354	0	0	-1,303	0	20,586	30,991	22,342
Portal	72,240	0	0	0	0	0	0	72,240	19,565	0	9,030	0	0	0	0	28,595	52,675	43,645
Goodwill	399,874	9,302	7,398	0	0	-17,403	0	399,172	11,052	0	9,244	0	0	0	0	20,296	388,822	378,876
Total (I)	**603,513**	**12,784**	**11,732**	**10**	**122**	**-24,206**	**0**	**603,935**	**94,660**	**0**	**34,399**	**8**	**44**	**-1,548**	**0**	**127,548**	**508,853**	**476,388**
Property, plant and equipment																		
Land and buildings	6,986	0	1,061	0	0	0	0	8,047	3,877	0	151	0	0	0	0	4,028	3,109	4,019
Operational equipment	156,905	53	36,537	1,032	6,912	-2,730	0	196,645	93,136	26	27,654	925	-44	-2,213	0	117,629	63,769	79,011
Payments in advance	10,227	0	110	0	-6,966	93	0	3,464	0	0	0	0	0	0	0	0	10,227	3,464
Total (II)	**174,118**	**53**	**37,708**	**1,032**	**-54**	**-2,637**	**0**	**208,156**	**97,013**	**26**	**27,805**	**925**	**-44**	**-2,213**	**0**	**121,657**	**77,105**	**86,494**
Finanzanlagen																		
Anteile an verbundenen Unternehmen	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ausleihungen an verbundene Unternehmen	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Anteile an assoziierten Unternehmen	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sonstige finanzielle Vermögenswerte	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sonstige finanzielle Vermögenswerte	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Summe (III)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**777,631**	**12,837**	**49,440**	**1,042**	**68**	**-26,843**	**0**	**812,091**	**191,673**	**26**	**62,204**	**933**	**0**	**-3,761**	**0**	**249,205**	**585,958**	**562,882**

United Internet AG - Development of consolidated fixed assets acc. to IFRS in fiscal year 2009 (€k)

	ACQUISITION AND PRODUCTION COSTS								ACCUMULATED DEPRECIATION								NET BOOK VALUE	
	Jan. 1, 2009	Additions from initial consolidation	Additions	Disposals	Reclassi-fications	Currency translation	Disposals from deconsolidation	Dec. 31, 2009	Jan. 1, 2009	Additions from initial consolidation	Additions	Disposals	Reclassi-fications	Currency translation	Disposals from deconsolidation	Dec. 31, 2009	Jan. 1, 2009	Dec. 31, 2009
Intangible assets																		
Licenses	28,337	0	311	204	0	-28	0	28,416	25,211	0	1,186	121	0	-12	0	26,264	3,126	2,152
Order backlog	2,141	0	0	0	0	0	0	2,141	2,141	0	0	0	0	0	0	2,141	0	0
Software	37,695	2,211	9,974	1,016	0	70	0	48,934	30,675	0	4,680	896	0	173	0	34,632	7,020	14,302
Trademark	21,423	4,198	75	0	0	345	0	26,041	44	0	79	0	0	-100	0	23	21,379	26,018
Kundenstamm	42,927	12,295	126,979	0	0	1,385	0	183,586	20,585	0	11,401	0	0	346	0	32,332	22,342	151,254
Portal	72,240	0	0	0	0	0	0	72,240	28,595	0	9,030	0	0	0	0	37,625	43,645	34,615
Goodwill	399,172	24,399	20,414	29,336	0	4,573	0	419,222	20,296	0	2	2	0	0	0	20,296	378,876	398,926
Total (I)	**603,935**	**43,103**	**157,753**	**30,556**	**0**	**6,345**	**0**	**780,580**	**127,547**	**0**	**26,378**	**1,019**	**0**	**407**	**0**	**153,313**	**476,388**	**627,267**
Property, plant and equipment																		
Land and buildings	8,047	0	2	0	0	0	0	8,049	4,028	0	110	16	0	0	0	4,122	4,019	3,927
Operational equipment	196,645	345	29,571	3,701	1,948	414	0	225,222	117,634	0	29,744	2,613	14	316	0	145,095	79,011	80,127
Payments in advance	3,464	0	8,443	117	-1,948	25	0	9,867	0	0	0	0	0	0	0	0	3,464	9,867
Total (II)	**208,156**	**345**	**38,016**	**3,818**	**0**	**439**	**0**	**243,138**	**121,662**	**0**	**29,854**	**2,629**	**14**	**316**	**0**	**149,217**	**86,494**	**93,921**
Total	**812,091**	**43,448**	**195,769**	**34,374**	**0**	**6,784**	**0**	**1,023,718**	**249,209**	**0**	**56,232**	**3,648**	**14**	**723**	**0**	**302,530**	**562,882**	**721,188**

United Internet AG - Development of consolidated fixed assets acc. to IFRS in fiscal year 2008 (€k)

	ACQUISITION AND PRODUCTION COSTS								ACCUMULATED DEPRECIATION								NET BOOK VALUE	
	Jan. 1, 2008	Additions from initial consolidation	Additions	Disposals	Reclassi-fications	Currency translation	Disposals from deconsolidation	Dec. 31, 2008	Jan. 1, 2008	Additions from initial consolidation	Additions	Disposals	Reclassi-fications	Currency translation	Disposals from deconsolidation	Dec. 31, 2008	Jan. 1, 2008	Dec. 31, 2008
Intangible assets																		
Licenses	27,462	0	701	0	133	41	0	28,337	22,405	0	2,770	0	29	7	0	25,211	5,057	3,126
Order backlog	2,141	0	0	0	0	0	0	2,141	1,680	0	461	0	0	0	0	2,141	461	0
Software	34,367	0	3,633	10	-12	-283	0	37,695	25,424	0	5,496	8	15	-252	0	30,675	8,943	7,020
Trademark	21,904	820	0	0	0	-1,301	0	21,423	0	0	44	0	0	0	0	44	21,904	21,379
Kundenstamm	45,525	2,662	0	0	1	-5,260	0	42,927	14,534	0	7,354	0	0	-1,303	0	20,586	30,991	22,342
Portal	72,240	0	0	0	0	0	0	72,240	19,565	0	9,030	0	0	0	0	28,595	52,675	43,645
Goodwill	399,874	9,302	7,398	0	0	-17,403	0	399,172	11,052	0	9,244	0	0	0	0	20,296	388,822	378,876
Total (I)	**603,513**	**12,784**	**11,732**	**10**	**122**	**-24,206**	**0**	**603,935**	**94,660**	**0**	**34,399**	**8**	**44**	**-1,548**	**0**	**127,548**	**508,853**	**476,388**
Property, plant and equipment																		
Land and buildings	6,986	0	1,061	0	0	0	0	8,047	3,877	0	151	0	0	0	0	4,028	3,109	4,019
Operational equipment	156,905	53	36,537	1,032	6,912	-2,730	0	196,645	93,136	26	27,654	925	-44	-2,213	0	117,629	63,769	79,011
Payments in advance	10,227	0	110	0	-6,966	93	0	3,464	0	0	0	0	0	0	0	0	10,227	3,464
Total (II)	**174,118**	**53**	**37,708**	**1,032**	**-54**	**-2,637**	**0**	**208,156**	**97,013**	**26**	**27,805**	**925**	**-44**	**-2,213**	**0**	**121,657**	**77,105**	**86,494**
Total	**777,631**	**12,837**	**49,440**	**1,042**	**68**	**-26,843**	**0**	**812,091**	**191,673**	**26**	**62,204**	**933**	**0**	**-3,761**	**0**	**249,205**	**585,958**	**562,882**

Audit opinion of the Independent Auditior

We have audited the consolidated financial statements prepared by United Internet AG, Montabaur – comprising the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements – together with the management report for the group and the company for the fiscal year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the management report for the group and the company in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the management report for the group and the company based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with [German] principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the management report for the group and the company are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the management report for the group and the company. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The management report for the group and the company is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks relating to future development.

Eschborn/Frankfurt am Main, March 17, 2010

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Bösser	Kemmerich
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Management Report and Group 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.

Montabaur, March 16, 2010

Board of Management

Ralph Dommermuth Norbert Lang

United Internet AG,
Montabaur

Annual Financial Statements of the Parent Company
acc. to HGB

as at
December 31, 2009

United Internet AG - Balance Sheet acc. to HGB

as of December 31, 2009 in €k

ASSETS	31/ December 2009	31/ December 2008
FIXED ASSETS		
Intangible assets		
Concessions, industrial and similar rights and assets as well as licenses in such rights and assets	27	45
	27	45
Property, plant and equipment		
Other equipment, operational and office equipment	269	314
	269	314
Financial assets		
Shares in affiliated companies	404,533	403,099
Loans to affiliated companies	1,750	2,200
Investments	150,137	169,613
Loans to companies in which an investment is held	0	0
	556,420	574,912
	556,716	575,271
CURRENT ASSETS		
Accounts receivable and other assets		
Trade accounts receivable	23	2
Receivables due from affiliated companies	203,934	141,751
Receivables due from companies in which an investment is held	3	3
Other assets	37,539	4,422
	241,499	146,178
Securities		
Treasury stock	94,711	138,380
	94,711	138,380
Cash in hand and bank balances	73,806	15,842
	410,016	300,400
PREPAID EXPENSES	40	56
	966,772	875,727

EQUITY AND LIABILITIES	31/ December 2009	31/ December 2008
EQUITY		
Capital stock	240,000	251,469
Capital reserves	70,977	58,827
Revenue reserves		
Reserves for treasury stock	94,711	138,380
Retained earnings	91,834	-176,940
	497,522	271,736
ACCRUALS		
Accrued taxes	30,980	29,055
Other accrued liabilities	18,644	9,530
	49,624	38,585
LIABILITIES		
Bonds	0	40
Liabilities due to banks	400,000	530,000
Trade accounts payable	318	416
Liabilities due to affiliated companies	9,515	21,001
Liabilities due to companies in which an investment is held	745	482
Other liabilities	9,048	13,467
	419,626	565,406
	966,772	875,727

United Internet AG - Income Statement acc. to HGB

from January 1, 2009 to December 31, 2009 in €k

	2009 January - December	2008 January - December
Sales	3,567	3,846
Other operating income	121,817	979
Cost of materials		
Cost of purchased services	-2,457	-2,693
Personnel expenses		
a. Wages and salaries	-5,434	-2,204
b. Social security contributions	-204	-200
Amortization and depreciation of intangible assets and property, plant and equipment	-103	-81
Other operating expenses	-6,750	-11,207
Income from profit transfer agreements	278,933	250,900
Other interest and similar income	4,549	6,069
Expence from loss transfer agreements	0	-93,378
Amortization and depreciation of financial assets and securities	-27,619	-342,561
Interest and similar expenses	-21,117	-27,840
Profit before tax	345,182	-218,370
Taxes on income	-46,511	-60,957
Other taxes	-441	-6
Net profit / net loss for the year	298,230	-279,333
Loss carried forward	-176,940	27,436
Asset reduction due to cancellation of treasury shares	-73,125	0
Drawing from reserve for treasury stock	43,669	74,957
Income from capital reduction	11,626	0
Transfer to capital reserves acc. to the regulations governing simplified capital reduction	-11,626	0
Balance sheet profit / loss	91,834	-176,940

UNITED INTERNET AG, MONTABAUR

Notes to the Financial Statements for Fiscal Year 2009

GENERAL PROVISIONS

The annual financial statements for fiscal year 2009 were prepared in accordance with Sections 242 ff. and Sections 264 ff. German Commercial Code (HGB), as well as with the respective provisions of the German Stock Corporation Law (AktG) and Company articles.

Due to its capital market orientation, United Internet AG, Montabaur, classifies as a large corporation pursuant to Sec. 267 (3) HGB.

The annual financial statements are based on the provisions of the German Commercial Code and Stock Corporation Act, as amended.

The income statement is prepared according to the cost summary method.

We make reference to the fact that consolidated financial statements have been prepared according to International Financial Reporting Standards (IFRS) to comply with the listing requirements for the Prime Standard segment of the Frankfurt Stock Exchange and have been disclosed in accordance with Sec. 325 HGB. We refer to Sec. 315 a HGB.

INFORMATION ABOUT THE COMPANY

The business activities of United Internet AG go back to "Eins & Eins EDV Marketing GmbH", which was founded by Mr. Ralph Dommermuth and two other shareholders in 1988. The name of this marketing company was changed to "1&1 EDV Marketing GmbH", before being finally renamed as "1&1 Holding GmbH" in 1993.

United Internet AG was founded on January 29, 1998 as a new holding company for the 1&1 Group, with the name 1&1 Aktiengesellschaft & Co. Kommanditgesellschaft auf Aktien, a partnership limited by shares. The Company was entered into the commercial register at the Local Court of Montabaur against HRB 5762 on February 16, 1998; 1&1 Holding GmbH was then merged into the company with effect from January 1, 1998.

On March 20, 1998 the Company’s shares were admitted to the regulated market with listing in the Neuer Markt on the Frankfurt Stock Exchange. The shares were traded for the first time on March 23, 1998.

The extraordinary shareholders’ meeting on February 22, 2000 adopted a resolution to change the name of the Company to United Internet Aktiengesellschaft & Co. KGaA. The new name was entered in the commercial register on February 23, 2000.

The change of legal form to a stock corporation by the name of United Internet AG, also decided on February 22, 2000, was entered in the commercial register on March 23, 2000.

PURPOSE OF THE COMPANY

The purpose of the Company is to provide marketing, selling and other services, especially in the fields of telecommunications, information technology, including the Internet, and data processing or related areas. The Company's purpose also includes the acquisition, holding and management of investments in other companies, especially those operative in the aforementioned business segments. The Company is entitled to bring companies in which it holds an investment under its common control and may restrict itself to the management or administration of its investments.

The Company is authorized to acquire or hold investments in all types of companies in Germany and other countries and to transact all business that is conducive to its purpose. The Company is also authorized to conduct its business through subsidiaries, associated companies and joint ventures. It may outsource or transfer all or part of its operations to affiliated companies.

MANAGEMENT AND REPRESENTATION OF THE COMPANY

The Company's Management board manages and represents the Company. According to its by-laws, the Management Board has one or more members, the number of which is determined by the Supervisory Board. If the Management Board has only one member, the Company is represented by this person. If it has more than one member, the Company is represented by two members of the Management Board or by one member of the Management Board collectively with a person holding power of attorney; however, the Supervisory Board may authorize particular members of the Management Board to represent the Company on their own.

NOTES TO BALANCE SHEET ITEMS

All figures are in euro (€), thousand euro (€k) or million euro (€m).

ACCOUNTING AND VALUATION METHODS

The following (mostly) unchanged accounting and valuation methods were used in the preparation of the annual financial statements.

Additions of assets are capitalized at acquisition or production costs.

Intangible assets acquired for consideration are capitalized at acquisition cost and, insofar as their value diminishes, amortized in scheduled amounts according to their expected useful life.

Property, plant and equipment are valued at acquisition or production cost less scheduled depreciation over their normal useful lives. Property, plant and equipment are depreciated over their expected useful lives at the highest rates permitted under tax laws. Wherever permitted by tax law, the declining balance method is applied for movable assets. The straight-line method is then applied as soon as it leads to higher annual depreciation rates. Other fixed assets are depreciated using the straight-line method. Low-value items (acquisition costs of no more than € 150) are fully expensed in the year of acquisition; it is assumed that they are disposed of immediately. Other depreciation of additions to property, plant and equipment is always made pro rata temporis.

Operational equipment is usually depreciated over 4 to 5 years. Leasehold improvements are generally written off over a period of 10 years or the shorter lease period. The normal useful life of office furniture and equipment is 8 to 13 years, that of the vehicles 5 to 6 years.

Shares in affiliated companies, investments and other financial assets are recorded at the lower of the acquisition cost or realizable value on the balance sheet date.

Receivables and other assets are recorded at nominal value. All risk-bearing items, which are significant in terms of amount, are covered by reasonable allowances. Receivables in foreign currencies are measured at the buying rate or the lower value as of the balance sheet date.

Tax accruals and other accruals consider all contingent liabilities, recognizable risks, and impending losses. They are carried at an amount deemed necessary according to sound commercial judgment.

Liabilities are stated at the amount repayable. Liabilities in foreign currencies are measured at the buying rate or the lower value as of the balance sheet date.

FIXED ASSETS

Reference is made to the fixed asset movement schedule (exhibit 1 of the notes) for the classification and development of fixed assets.

Intangible assets and property, plant and equipment

Investments in this area mainly concern vehicles.

Financial assets

Information on the equity situation and results of operations of the affiliated companies and associated companies, stating the share held, has been filed with the electronic Commercial Register.

Additions to shares in affiliated companies amount to € 1,858k and result from the purchase of further shares in AdLINK Internet Media AG via the stock exchange. Disposals of € 424k in shares of AdLINK Internet Media AG result from option agreement signed in fiscal year 2004 between Mr. Stéphane

Cordier, former member of the Management Board of AdLINK Internet Media AG and United Internet AG. The agreement included the right to purchase 400,000 shares in AdLINK Internet Media AG from the stock of United Internet AG at an issue price per AdLINK share of € 1.50. The option rights were exercised in October 2009.

The additions to investments amount to € 61,411k. Of this total, an amount of € 9.919k results from the purchase of 1,090,000 shares in freenet AG from MSP Holding GmbH. Further additions amounting to € 51,482k result from the transfer of shares held by MSP Holding GmbH in freenet AG to United Internet AG at fair value. In a contract dated December 11, 2009, United Internet AG retired as shareholder of MSP Holding GmbH and in return received 50% of the freenet shares held by MSP Holding GmbH (5,285,591 shares).

Net disposals of investments amount to € 53,268k, of which an amount of € 36,500k results from the sale of shares in freenet AG purchased in fiscal year 2008. Further disposals amounting to € 16,768k refer to the retirement of United Internet AG as a shareholder of MSP Holding GmbH.

Due to an expected permanent impairment, the investment in Versatel AG was written down to fair value of € 27,619k as of the balance sheet date.

CURRENT ASSETS

Receivables and other assets

The classification and maturities of receivables and other assets are shown in the following table (€k):

	Dec. 31, 2009		Dec. 31, 2009		Dec. 31, 2008
			Remaining term		
	Total	Up to 1 year	1 to 5 years	Over 5 years	Total
Trade accounts receivable	23	23			2
Accounts receivable from affiliated companies	203,934	203,934			141,751
Accounts receivable from companies in which an investment is held	3	3			3
Other assets	37,359	37,359			4,422
	241,499	241,499			146,178

No specific bad debt allowances nor lump-sum bad debt allowance to cover the general credit risk had to be made for trade receivables.

Receivables from affiliated companies mainly comprise receivables due from 1&1 Internet AG (€ 200,994k) and United Internet Beteiligungen GmbH

(€ 2,617k). Receivables result mainly from the profit and loss transfer agreement concluded with 1&1 Internet AG and United Internet Beteiligungen GmbH, as well as from balances of the United Internet Group's internal cash management system and receivables from these companies for services rendered.

Other assets mainly comprise receivables from the tax authority. In the previous year, this item mainly comprised a purchase price installment due in 2009 and settled fully in cash from the sale of shares in NT plus AG in fiscal year 2007.

Treasury shares

As of December 31, 2009 the Company held 10,272,371 treasury shares, representing 4.28% of current capital stock. The average purchase price per share was € 12.04. Treasury shares were valued at the lower closing rate on the balance sheet date of € 9.22 (prior year: € 6.29) per share. An accrual for treasury stock is to be formed for those treasury shares acquired pursuant to Sec. 71 (1) No. 8 AktG, in combination with Sec. 272 (4) HGB. Up to March 12, 2010 a further 4,809,154 treasury shares were purchased. As part of an employee stock ownership plan, 81,525 treasury shares were issued so that the Company holds 15,000,000 treasury shares or 6.25% of current capital stock. The average purchase cost per share of those shares purchased in fiscal year 2010 amounted to € 11.34. Treasury shares can be used for all purposes approved by the Annual Shareholders' Meeting of May 26, 2009.

EQUITY

The Company has the legal form of a stock corporation ("Aktiengesellschaft").

Capital stock and shares

As at the balance sheet date, the fully paid-in capital stock amounts to € 240,000,000.00 divided into 240,000,000 registered no-par shares having a theoretical share in the capital stock of € 1.00 each.

On the basis of the conditional increase of the Company's capital stock by up to € 4,903,576.00, as agreed at the general meeting of shareholders on May 16, 2003, a total of 35,212 registered, no-par shares with a theoretical share in the capital stock of € 35,212.00 were issued in exchange for convertible bonds in fiscal year 2008, as part of the Company's employee stock ownership plan. The transaction was entered in the Commercial Register on February 16, 2009. In fiscal year 2009, a total of 156,472 registered, no-par shares with a theoretical share in the capital stock of € 156,472.00 were issued in exchange for convertible bonds as part of the Company's employee stock ownership plan. The transaction was entered in the Commercial Register on December 29, 2009.

The Annual Shareholders' Meeting of May 26, 2009, with the approval of the Supervisory Board, authorized the Management Board to cancel treasury shares without further need for a resolution of the Annual Shareholders'

Meeting. In execution of this authorization and with a resolution of the Management Board and Supervisory Board of December 18, 2009, it was decided to reduce the Company's capital stock by € 11,625,656.00 from € 251,625,656.00 to € 240,000,000.00 in a simplified capital reduction process by the cancellation of shares. The capital reduction was conducted in order to optimize the company's balance sheet and capital structure. The transaction was entered in the Commercial Register in December 2009.

Approved capital

The Company's Management Board is authorized, subject to the approval of the Supervisory Board, to increase the capital stock by June 12, 2011 by a maximum of € 124,550,402.00 by issuing on one or more occasions new no-par common shares in return for cash and/or non-cash contributions.

In the case of a capital increase in return for cash contributions, the shareholders shall be granted subscription rights. However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the right to subscribe in the case of fractional amounts and also to exclude the right to subscribe to the extent that this should be necessary in order to grant subscription rights for new shares to bearers of warrants, convertible bonds or warrant bonds issued by the Company or subordinated Group companies in the amount to which they are entitled on conversion of their conversion or warrant rights or fulfillment of their conversion obligation. The Management Board is also authorized, subject to the approval of the Supervisory Board, to exclude the right of shareholders to subscribe in the case that the issue amount of the new shares is not substantially lower than the quoted market price of Company shares with the same terms at the time of finalizing the issue amount and the shares issued in accordance with Sec. 186 (3) Sentence 4 AktG do not exceed in total 10% of capital stock. Shares sold or issued due to other authorizations in direct or corresponding application of Sec. 186 (3) Sentence 4 AktG under exclusion of subscription rights are to be accounted for in this limitation.

Furthermore, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the right of shareholders to subscribe in the case of capital increases in return for non-cash contributions, especially in connection with the acquisition of companies, shareholdings or assets.

Conditional capital

There are the following lots of conditional capital:

The capital stock has been conditionally increased by up to a further € 4,711,892.00, divided into 4,711,892 no-par registered shares. The conditional capital increase is earmarked for conversion options to be granted to bearers of convertible bonds, which the shareholders' meeting on May 16, 2003 authorized the Management Board to issue. The conditional capital increase will only be executed to the extent that the bearers exercise their conversion rights and the Company does not fulfill the conversion rights by transfer of treasury shares. As of the balance sheet date no convertible bonds have been issued or are outstanding.

The capital stock has been conditionally increased by up to a further € 3,000,000.00, divided into 3,000,000 no-par registered shares. The conditional capital increase is earmarked for conversion options to be granted to bearers of convertible bonds, which the shareholders' meeting on May 18, 2005 authorized the Supervisory Board to issue. The conditional capital increase will only be executed to the extent that the bearers exercise their conversion rights and the Company does not fulfill the conversion rights by transfer of treasury shares. As of the balance sheet date no convertible bonds have been issued or are outstanding.

The capital stock has been conditionally increased by up to a further € 92,000,000.00, divided into 92,000,000 no-par registered shares. The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds, which the shareholders' meeting on May 18, 2005 authorized the Company or a subordinated Group company to issue, providing the issue is in return for cash and the warrant or convertible bonds are not serviced from the stock of treasury shares or approved capital. The conditional capital increase will only be executed to the extent that the bearers exercise their warrant or conversion rights from the aforementioned bonds or to the extent that conversion obligations from such bonds are fulfilled and the Company does not service warrant or conversion rights from its stock of treasury shares or from approved capital. No bonds were issued or were outstanding during the period under review.

Pursuant to Sec. 71 (1) No. 8 AktG, the Company is entitled to acquire treasury shares until November 25, 2010 up to a limit of ten percent of capital stock. The purchase price may be no lower than ten percent of the share's market price, nor higher than ten percent above its market price. As of the balance sheet date 10,272,371 treasury shares were held.

The Company's Management Board is authorized, subject to the approval of the Supervisory Board, to sell treasury stock it has acquired in other ways than through the stock exchange or by offering to all shareholders, if the acquired treasury stock is sold for cash contribution at a price not significantly below the market price for such shares at the time of sale, or for reasonable non-cash consideration.

Subject to approval by the Supervisory Board, the Management Board is authorized to use the own shares acquired on the basis of this authorization to grant shares to members of the Management Board, to other Company employees as well as to the management and employees of affiliated companies acc. to Sec. 15 ff. AktG, who are entitled to them on the basis of employee stock ownership plans. The Company's Supervisory Board shall decide in all cases where own shares are to be transferred to members of the Management Board.

The Management Board is further permitted, subject to the approval of the Supervisory Board, to call in shares without a further resolution of the general meeting of shareholders.

The shareholders‘ subscription rights to treasury shares are excluded insofar as these shares are used according to the above authorizations. The authorization to purchase, sell or withdraw treasury shares can be exercised once or severally and either in total or in parts.

Total shareholders' equity developed as follows (€):

Development of the total shareholders' equity

Capital stock	
- Balance as of December 31, 2008	251,469,184.00
- Capital increase for cash contribution employee stock ownership plan	156,472.00
- Capital reduction via the cancellation of treasury shares	-11,625,656.00
- Balance as of December 31, 2009	**240,000,000.00**
Capital reserves	
- Balance as of December 31, 2008	58,826,449.36
- Capital increase for cash contribution employee stock ownership plan	524,572.38
- Transfer to capital reserves acc. to the regulations governing simplified capital reduction pursuant to Sec. 237 (5) AktG	11,625,656.00
- Balance as of December 31, 2009	**70,976,677.74**
Reserves for treasury stock	
- Balance as of December 31, 2008	138,380,000.00
- Drawing acc. to Sec. 272 (4) HGB	-641,410.17
- Drawing acc. to Sec. 272 (4) HGB due to cancellation of treasury shares	-73,125,376.24
- Transfer acc. to Sec. 272 (4) HGB	30,098,047.03
- Balance as of December 31, 2009	**94,711,260.62**
Balance sheet profit / loss	
- Balance as of December 31, 2008	-176,939,421.28
- Net profit for the year	298,229,974.91
- Asset reduction due to cancellation of treasury shares	-73,125,376.24
- Drawing from reserve for treasury stock due to cancellation of treasury shares	73,125,376.24
- Drawing from reserve for treasury stock	641,410.17
- Transfer to reserve for treasury stock	-30,098,047.03
- Income from capital reduction acc. to Sec. 240 S. 1 AktG	11,625,656.00
- Transfer to capital reserves acc. to the regulations governing simplified capital reduction pursuant to Sec. 237 (5) AktG	-11,625,656.00
- Balance as of December 31, 2009	**91,833,916.77**
Total shareholders' equity	**497,521,855.13**

According to section 21 of the by-laws of United Internet AG, the Annual Shareholders' Meeting decides on the appropriation of retained earnings. The balance sheet profit as of the balance sheet date amounts to € 91,833,916.77. The balance sheet profit contains a loss carry forward from the previous year amounting to € 176,939,421.28. The Management Board and the Supervisory Board will discuss the dividend proposal for fiscal year 2009 in the Supervisory Board meeting on March 24, 2010.

Pursuant to Sec. 71b AktG, the Company does not accrue any rights from treasury shares and thus has no pro-rated dividend rights. As at the date of the signed annual financial statements, United Internet AG holds 15,000,000 treasury shares..

ACCRUALS

Accrued taxes of € 22,748k refer to corporation tax, the solidarity surcharge and trade tax for fiscal 2009. Accrued taxes from the completed tax audit for the years 2002 to 2005 including consequential effects amount to € 8,232k.

Other accrued liabilities contain appropriate accrued liabilities which have been set up for all foreseeable liabilities whose amount and nature are uncertain as well as for pending losses. They were formed mainly for an interest hedging transaction (€ 10,337k), legal, auditing and consulting fees (€ 525k) and bonuses and commissions (€ 476k). They also include provisions for personnel expenses (€ 400k). In addition, accrued liabilities were formed for the employee stock ownership plan (€ 3,146k) and for interest accruing from the tax audit (€ 2,967k).

LIABILITIES

The classification and maturities of the liabilities are shown in the following table (€k):

	12/31/2009	12/31/2009			12/31/2008
		Remaining term			
	Total	up to 1 year	1 to 5 years	over 5 years	Total
Bonds thereof convertible € 0k (prior year: € 40k)	0	0			40
Bank liabilities	400,000	50,000	350,000		530,000
Trade payables	318	318			416
Liabilities due to affiliated companies	9,515	9,515			21,001
Liabilities due to companies in which an investment is held	745	745			482
Other liabilities thereof for social security € 0k (prior year: € 0k)	9,048	9,048			13,467
	419,626	**69,626**	**350,000**	**0**	**565,406**

The bonds concerned convertible bonds granted to executives of the Company and its affiliated companies as part of the employee stock ownership plan. The last conversion took place in fiscal year 2009.

The Company's general meeting of May 16, 2003 resolved that convertible bonds may be granted to employees of the Company and its subsidiaries, as well as to executives of Company subsidiaries. Conditional capital of € 6,000k was originally created for this purpose, of which € 4,712k was available as of the balance sheet date.

The convertible bonds, which bear 3.5% interest p.a., may be exchanged as a whole or in parts for shares in United Internet AG. Following the capital increase for non-cash contribution, each € 1 par value of the convertible bonds can be exchanged for four registered shares.

If the conversion option is exercised, an additional payment has to be made for the purchase of one share. In the case of those convertible bonds issued on September 1, 2003, this additional payment amounts to € 4.10. Bonds may be converted no sooner than two years after issuance.

In the period under review, no convertible bonds from the authorization of May 16, 2003 were issued. € 1k was repaid when employees left the Company.

Conversion rights totaling € 39k were exercised. Hence as of the balance sheet date, no more convertible bonds are shown under bonds.

Bank liabilities of € 250,000 result from a syndicated loan, which was granted with a maturity until September 13, 2012. The total credit line amounts to € 500.0 million. No collateral was required for the syndicated loan. The total credit facility is divided into Tranche A amounting to € 300.0 million and Tranche B totaling € 200.0 million. Repayment of Tranche A is to be made from March 14, 2010 in six equal installments. On December 30, 2009 a part of Tranche A amounting to € 50.0 million was repaid prematurely, so that the next contractual repayment is due on September 14, 2010. Tranche B is a revolving syndicated loan which has not been utilized as of the balance sheet date.

Further liabilities due to banks result from a promissory note loan of € 150.0 million. The promissory note loan was issued on July 23, 2008. The promissory note is a bullet loan and divided into a Tranche A of € 78.0 million with a term ending July 23, 2011 and a Tranche B of € 72.0 million with a term ending July 23, 2013. No separate collateral was provided for this promissory note loan.

Liabilities to affiliated companies mainly consist of liabilities due from balances as part of the United Internet Group's cash management system, and from liabilities for services received from these companies.

Other liabilities consist mainly of sales tax liabilities.

NOTES TO THE INCOME STATEMENT

SALES

The Company's sales were generated exclusively in Germany and mainly comprise charges to subsidiaries for services rendered (€ 3,040k) and rent (€ 527k).

OTHER OPERATING INCOME

Other operating income of € 56,370k results from the sale of shares in freenet AG purchased in fiscal year 2008. Further income of € 34,714k is due to the retirement of United Internet AG from MSP Holding GmbH and the resulting share exchange in connection with the receipt of shares in freenet AG. The revaluation of treasury shares held as of the balance sheet date results in income of € 30,098k.

Other operating income of € 81k results from income not relating to the period.

OTHER OPERATING EXPENSES

In addition to expenses from an interest hedging transaction (€ 2,879k) and legal, consulting and audit fees and Supervisory Board remuneration (€ 2,124k), other operating expenses mainly contain expenses for investor relations, marketing and press PR (€ 344k) and rent expenses.

INCOME FROM PROFIT TRANSFER AGREEMENTS

This item comprises the profit and loss transferred by 1&1 Internet AG (€ 244,336k) and United Internet Beteiligungen GmbH (€ 34,597k).

AMORTIZATION OF FINANCIAL ASSETS AND SHORT-TERM SECURITIES

This item includes the non-scheduled amortization of the carrying value of the investment in Versatel AG to its fair value as of the balance sheet date amounting to € 27,619k. For the calculation of non-scheduled amortization, a share price was assumed for Versatel AG of € 8.00 per share as of December 31, 2009.

INCOME TAXES

Income taxes of € 76,497k concern current taxes, of which € 41,153k were corporation tax and the solidarity surcharge and € 35,344k for trade tax.

There was also income of € 37,527k not relating to the period from the tax consideration of write-downs on treasury shares in the previous year, as a result of a change in legislation.

As a result of the tax audit findings for the years 2002 to 2005, there are tax expenses not relating to the period for income taxes amounting to € 7,541k. In addition, there were also related expenses not relating to the period for sales tax of € 425k and interest of € 2,967k. These are disclosed under other taxes or in the interest result.

OTHER DISCLOSURES

Average number of employees

An average of 16 (prior year: 20) permanent salaried staff were employed in the past fiscal year (without Management Board members, apprentices, part-time and employees on maternity leave).

Executive bodies of United Internet AG

The Management Board consists of the following members:

Ralph Dommermuth, (CEO), Montabaur

Norbert Lang, (CFO), Waldbrunn

The members of the Management Board also belong to the supervisory boards of the following companies:

Ralph Dommermuth

- United Internet Media AG, Montabaur (chair)
- AdLINK Internet Media AG, Montabaur (as of December 16, 2009)

Norbert Lang

- AdLINK Internet Media AG, Montabaur (until December 15, 2009)
- United Internet Media AG, Montabaur
- united-domains AG, Starnberg (chair, as of March 9, 2009)

The Supervisory Board is responsible for determining the remuneration of the Management Board. The members of the Management Board are compensated according to performance. This compensation consists of a fixed and a variable element (bonus). A target remuneration figure is agreed for the fixed component and the bonus, which is regularly reviewed. The last review was made in fiscal year 2009. The fixed remuneration component is paid monthly as a salary. The size of the bonus depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on the 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. No subsequent amendment of the performance targets is allowed. There is no minimum guaranteed bonus. Payment is made after the annual financial statements have been adopted by the Supervisory Board. In fiscal year 2009, preliminary remuneration of € 1,076k (prior-year: € 1,000k) was agreed for the Management Board. Of this total, € 600k or 56% was fixed and € 476k or 44% variable.

There are no retirement benefits from the Company to members of the Management Board.

In fiscal years 2008 and 2009, Mr. Norbert Lang was granted 800,000 virtual stock options each year (so-called Stock Appreciation Rights or SARs) at an exercise price of € 12.85 and € 5.52. At the time these virtual stock options were issued, the fair values amounted to € 2,384k and € 1,104k.

SARs refer to the Company’s commitment to pay the beneficiary a cash amount equivalent to the difference between the share price on the date of granting the option (strike price) 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.

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. The Company retains the right, however, to fulfill its commitment to pay the SAR in cash by also transferring one United Internet AG share per SAR from its stock of treasury shares to the beneficiary, at its own discretion.

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 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. Mr. Norbert Lang can exercise the rights no sooner than in June 2010 and June 2011.

The following table provides details on the compensation received by members of the Management Board (€k):

2009	Fixed	Variable	Total
Ralph Dommermuth	300	266	566
Norbert Lang	300	210	210
	600	476	1.076

2008	Fixed	Variable	Total
Ralph Dommermuth	300	211	511
Norbert Lang	300	189	489
	600	400	1,000

As of December 31, 2009, the Supervisory Board of United Internet AG consisted of the following members:

Kurt Dobitsch, chair,
self-employed entrepreneur, Markt Schwaben

Kai-Uwe Ricke
Managing Partner, Thalwil / Switzerland

Michael Scheeren, deputy chair
qualified banker, Cologne

In fiscal year 2009, the members of the Supervisory Board also held seats on supervisory boards or similar committees of the following companies:

Kurt Dobitsch

- 1&1 Internet AG, Montabaur
- Nemetschek AG, Munich (Chairman)
- Bechtle AG, Gaildorf
- docuware AG, Munich
- Hybris AG, Zürich / Switzerland
- Graphisoft S.E, Budapest / Hungary

Kai-Uwe Ricke

- 1&1 Internet AG, Montabaur
- AP Investment Europe Limited, Guernsey (Chairman, until July 14, 2009)
- Assicurazioni Generali S.p.A, Trieste / Italy
- easy cash GmbH, Eschborn (until December 1, 2009)
- Kabel Baden-Württemberg GmbH & Co. KG, Heidelberg
- Saudi Oger Telecom Ltd., Dubai / Emirate of Dubai
- Exigen Capital Europa AG, Zürich / Switzerland (as of September 1, 2009)

Michael Scheeren

- 1&1 Internet AG, Montabaur (Chairman)
- AdLINK Internet Media AG, Montabaur (Chairman)
- United Internet Media AG, Montabaur (Deputy Chairman)
- Goldbach Media AG, Küsnacht-Zürich / Switzerland

The members of the Supervisory Board receive compensation consisting of a fixed element and a variable element which depends on the Company's success. The fixed remuneration for an ordinary member of the Supervisory Board amounts to € 20k per full fiscal year. The chairman of the Supervisory Board receives the double amount. The variable element for each member of the Supervisory Board, including the chairman, amounts to € 2k for every cent which exceeds the consolidated earnings per share value of € 0.10 for United Internet AG, calculated according to IFRS. At the Supervisory Board meeting on December 17/18, 2009, the Supervisory Board agreed to use only the ordinary consolidated earnings per share of United Internet AG as the basis for calculating variable remuneration.

The following table provides details on the compensation received by members of the Supervisory Board (€k):

2009	Fixed	Variable	Total
Kurt Dobitsch	40	120	160
Kai-Uwe Ricke	20	120	140
Michael Scheeren	20	120	140
	80	360	440

2008	Fixed	Variable	Total
Kurt Dobitsch	40	-	40
Kai-Uwe Ricke	20	-	20
Michael Scheeren	20	-	20
	80	0	80

There are no subscription rights or share-based payments for members of the Supervisory Board.

Share ownership and subscription rights as of December 31, 2009

	Shares (units)	Subscription rights (units)
Management Board		
Ralph Dommermuth	92,000,000	-
Norbert Lang	576,128	1,600,000
Supervisory Board		
Kurt Dobitsch	-	-
Kai-Uwe Ricke	-	-
Michael Scheeren	700,000	

Contingent liabilities

The Company is jointly and severally liable for a credit line granted by banks to companies of the United Internet Group. As of the balance sheet date, the credit line was used for guaranties amounting to € 10,218k. With regard to other bank liabilities, we refer to the explanations under "Liabilities".

Disclosures to derivative financial instruments

In fiscal year 2008, the Company concluded two interest swaps with a total nominal amount of € 200,000k in order to reduce its interest risk. The agreements have a term until October 9, 2013 and can be unilaterally terminated by the other contractual partners no sooner than in October 2010. The fair value including accrued interest of € 1,377k amounts to € 11,714k as of the balance sheet date. Negative market value of € 10,337k was carried under accruals for pending losses, while deferred interest of € 1,377k is included in other liabilities. The change in fair value is recognized in other operating expenses, while the cash-relevant interest component is included in interest expenses. The measurement of fair value was made on the basis of current market data using recognized mathematical valuation methods (discounted cash flow method).

Miscellaneous

The carrying value of certain listed shares disclosed as financial assets pursuant to Sec. 285 No. 19 HGB amounted to € 128,064k as of the balance sheet date. The carrying value is thus € 10,516k above the fair value of these securities. The Company assumes that the impairment will not be permanent, as the share price also exceeded the carrying value again during the value clarification period.

Other financial commitments

The Company has obligations from lease agreements, mostly for its offices and business premises in Montabaur.

	2009 €k
Liabilities from long-term financial obligations	3,985
of which due within one year	527
of which due between two and five years	1,627
of which due in more than five years	1,831

Publication of voting right announcements acc. to Sec. 26 WpHG

Publication on July 4, 2007

ComBOTS AG of Karlsruhe, Germany, informed our company on July 3, 2007 of the following:

“In accordance with Section 21 (1), 22 (1) p. 1 no. 1 WpHG, we hereby inform you that the voting rights of ComBOTS AG in United Internet AG are now held again directly by ComBOTS AG. The shares were transferred from ComBOTS AG to ComBOTS Product GmbH on the basis of a share loan agreement dated May 16, 2007, the share loan is paid back by transfer of the same number of shares in United Internet AG to ComBOTS AG.

The share in voting rights currently held by ComBOTS AG amounts to 9.27% of total voting rights (23,200,000 voting rights).”

Publication on December 28, 2007

1. ComBOTS International GmbH of Karlsruhe, Germany, informed our company on December 28, 2007 in accordance with Section 21 (1) WpHG that the shareholding of ComBOTS International GmbH in United Internet AG exceeded the thresholds of 3% and 5% as of December 27, 2007 and amounted to 6.76% as of this day (17,000,000 voting rights).

2. ComBOTS Product GmbH of Karlsruhe, Germany, informed our company on December 28, 2007 in accordance with Section 21 (1) WpHG that the shareholding of ComBOTS Product GmbH in United Internet AG exceeded the thresholds of 3% and 5% as of December 27, 2007 and amounted to 6.76% as of this day (17,000,000 voting rights). In accordance with Section 22 (1) Sentence 1 No. 1 WpHG, 6.76% (17,000.,000 voting rights) are attributable to it via ComBOTS International GmbH.

Publication on January 29, 2009

Deutsche Bank AG, London, United Kingdom informed our company on January 27, 2009 of the following:

Pursuant to sections 21 (1), 24 WpHG (German Securities Trading Act) in conjunction with section 32 (2) InvG (German Investment Act), we hereby notify that the percentage of voting rights of our subsidiary DWS Investment GmbH, Frankfurt, Germany, in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany, crossed below the threshold of 5% on 26 January 2009 and amounts to 4.86% (12,213,000 voting rights) as per this date.

Publication on December 22, 2009

Pursuant to section 26 (1) Sentence 2 WpHG (German Securities Trading Act), United Internet AG, Montabaur, Germany, notifies that due to the cancellation of treasury shares and the change in the total number of voting rights in respect of treasury shares, it crossed below the threshold of 5% and the proportion of treasury shares held as of this date amounted to 4.28% (10,272,291 voting rights).

Publication on December 22, 2009

In accordance with Sec. 21 (1) WpHG, Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft, Montabaur, Germany, has informed us that its proportion of voting rights in United Internet AG, Montabaur, exceeded the threshold of 30% due to a reduction in the total number of voting rights as of December 21, 2009, and amounted to 31.00% on this day (74,400,000 voting rights). Of this amount, 1.67% of voting rights (4,000,000 voting rights) are attributable to Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft according to Sec. 22 (1) Sentence 1 No. 1 WpHG.

In accordance with Sec. 21 (1) WpHG, Ralph Dommermuth Verwaltungs GmbH, Montabaur, Germany, has informed us that its proportion of voting rights in United Internet AG, Montabaur, exceeded the threshold of 30% due to a reduction in the total number of voting rights as of December 21, 2009, and amounted to 31.00% on this day (74,400,000 voting rights). Of this amount, 31.00% of voting rights (74,000,000 voting rights) are attributable to Ralph Dommermuth Verwaltungs GmbH according to Sec. 22 (1) Sentence 1 No. 1 WpHG. Voting rights attributed to Ralph Dommermuth Verwaltungs GmbH are held by the following companies it controls, whose voting rights in United Internet AG amounted to 3% or more:

Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft.

Publication on December 22, 2009

Correction to publication on December 22, 2009

Pursuant to section 26 (1) Sentence 2 WpHG, United Internet AG, Montabaur, Germany, notifies that due to the cancellation of treasury shares and the change in the total number of voting rights in respect of treasury shares as of December 21, 2009, it crossed below the threshold of 5% and the proportion of treasury shares held as of this date amounted to 4.28% (10,272,291 voting rights).

Publication on February 18, 2010

Pursuant to section 26 (1) Sentence 2 WpHG, United Internet AG, Montabaur, Germany, notifies that on February 17, 2010 it exceeded the threshold of 5% of treasury shares and the proportion of treasury shares held as of this date amounted to 5.02% (12,058,932 voting rights). Of these shares, 0.06% (corresponding to 151,210 shares) are held by a person in their own name but acting on behalf of United Internet AG.

Corporate Governance Code

The declaration of conformity with the German Corporate Governance Code acc. to Sec. 161 AktG was filed by the Management Board and Supervisory Board and is available to shareholders via the internet portal of United Internet AG (www.united-internet.de).

Montabaur, March 16, 2010

The Management Board

Ralph Dommermuth	Norbert Lang

United Internet AG

Development of Fixed Assets from January 1, 2009 to December 31, 2009

	Acquisition and production costs (€k)					Accumulated Depreciation (€k)				Net book value (€k)	
	1/1/2009	Additions	Disposals	Reclassification	12/31/2009	1/1/2009	Additions	Disposals	12/31/2009	12/31/2009	12/31/2008
Intangible assets											
Licenses	148				148	143	4		147	1	5
Software	656				656	616	14		630	26	40
Total (I)	**804**	**0**	**0**	**0**	**804**	**759**	**18**	**0**	**777**	**27**	**45**
Property, plant and equipment											
Operational equipment	933	11			944	902	10		912	32	31
Office equipment	584				584	580	1		581	3	4
Improvements	108	6			114	104	2		106	8	4
Vehicles	553	23	54		522	278	72	54	296	226	275
Low-cost assets	3				3	3			3	0	0
Total (II)	**2,181**	**40**	**54**	**0**	**2,167**	**1,867**	**85**	**54**	**1,898**	**269**	**314**
Financial assets											
Shares in affiliated companies	403,099	1,858	424		404,533	0			0	404,533	403,099
Loans to affiliated companies	2,200		450		1,750	0			0	1,750	2,200
Investments	411,547	61,411	201,938		271,020	241,934	27,619	148,670	120,883	150,137	169,613
Loans to companies in which an investment is held	0				0	0			0	0	0
Total (III)	**816,846**	**63,269**	**202,812**	**0**	**677,303**	**241,934**	**27,619**	**148,670**	**120,883**	**556,420**	**574,912**
Total	**819,831**	**63,309**	**202,866**	**0**	**680,274**	**244,560**	**27,722**	**148,724**	**123,558**	**556,716**	**575,271**

Audit opinion of the Independent auditor

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report for the group and the company of United Internet AG, Montabaur, for the fiscal year from January 1 to December 31, 2009. The maintenance of the books and records and the preparation of the annual financial statements and management report for the group and the company in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report for the group and the company based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report for the group and the company. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements [and supplementary provisions of the partnership agreement/articles of incorporation and bylaws] and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report for the group and the company is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks relating to future development.

Eschborn/Frankfurt am Main, March 17, 2010
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bösser	Kemmerich
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility statement

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

Montabaur, March 16, 2010

Board of Management

Ralph Dommermuth Norbert Lang