9-Month Report

2011

united internet

Selected key figures acc. to IFRS

	2011 January – September	2010 January – September
Sales in € million	1,537.1	1,409.0
Earnings before interest, taxes, depreciation and amortization (EBITDA) in € million	285.9	270.8
Earnings before interest and taxes (EBIT) in € million	223.6	210.6
Earnings before taxes (EBT) in € million	210.2	181.6
Employees at end of September	5,407	4,869
Share price at end of September (Xetra) in €	12.73	11.86
Earnings per share (EPS) in €	0.69	0.53

Quarterly development in € million

	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q3 2010
Sales	498.1	498.6	510.8	527.7	478.2
EBITDA	86.9	90.5	110.4	85.0	88.8
EBIT	60.9	70.3	89.7	63.6	68.4
EBT	34.2	64.8	79.4	66.0	64.3

Development of customer contracts

	September 30, 2011	September 30, 2010
Access contracts, total	3.91	3.55
of which DSL complete (ULL)	2.45	2.21
of which Mobile Internet	0.61	0.17
of which narrowband / T-DSL / R-DSL	0.85	1.17
Applications contracts, total	6.46	6.03
of which “domestic”	3.83	3.63
of which “foreign”	2.63	2.40
Ad-financed accounts, total	30.4	27.3

Content

Dear shareholders, employees and business associates of United Internet

The first nine months of fiscal year 2011 have been a successful period for United Internet AG. We succeeded in raising sales and customer contract figures to new all-time highs while maintaining strong earnings – despite heavy investment in customer growth, the establishment of new business fields and international expansion. We are well on the way to safely reaching the targets we set for 2011.

To be precise, we raised consolidated sales to the new record level of € 1.537 billion in the first nine months of 2011 – corresponding to growth of 9.1% over the first nine months of 2010. We also achieved strong growth in customer contracts: with the addition of 610,000 new contracts to 10.37 million, we easily exceeded growth in the first nine months of 2010 (430,000 new contracts).

In September 2011, we launched an extensive marketing campaign for the roll-out of the 1&1 Do-it-Yourself Homepage in the USA, the UK, Spain, Poland and Austria. The campaign is aimed at raising brand awareness of 1&1 in these markets, positioning 1&1 as a solutions provider for small companies and accelerating customer growth. A total of € 35 million has been budgeted for this campaign in the second half of 2011, of which € 9.3 million was expensed in the third quarter. The campaign had not yet impacted customer figures as of September 30, 2011, as customers ordering the Do-it-Yourself Homepage are only registered as “genuine contractual customers” when their free 30-day trial is completed. We expect a positive impact on contract figures in the fourth quarter of 2011 with a noticeable acceleration in customer growth.

Despite the costs for this campaign, heavy smartphone subsidizing in our Mobile Internet business, and heavy investment in the development of new products and further international expansion, we succeeded in posting very healthy earnings. Earnings before interest, taxes, depreciation and amortization (EBITDA) grew by 5.6% to € 285.9 million (prior year: € 270.8 million), while earnings before interest and taxes (EBIT) reached year-on-year growth of 6.2% to € 223.6 million (prior year: € 210.6 million). Earnings before taxes (EBT) increased by 15.7% – from € 181.6 million to € 210.2 million. These earnings figures include a positive net balance of € 16.3 million resulting from the sale of our Versatel shares in the second quarter, the valuation of call options received in this connection, and the at-equity result of Versatel. The resulting positive earnings effect amounted to € 0.07 per share. Earnings per share (EPS) rose by 30.2% from € 0.53 last year to € 0.69 for the first nine months of 2011.

In our “Access” segment, the number of fee-based contracts grew by 280,000 to 3.91 million in the first nine months of 2011. In the segment’s Mobile Internet business, we were able to activate 340,000 new customer contracts and thus raise the total number of customers to 610,000. We also achieved growth in complete DSL contracts (of particular importance for us), adding a further 130,000 customers to reach a total of 2.45 million. As expected, the number of customer contracts for those business models gradually being phased out (narrowband, T-DSL and R-DSL) continued to fall in 2011 (-190,000 customer relationships). As a result of this encouraging development in customer figures, sales of our “Access” segment grew strongly by 10.4% to € 1.008 billion in the first nine months of 2011. Despite greatly increased costs for new customer acquisition, there was year-on-year growth in EBITDA of 6.3% to € 109.1 million (prior year: € 102.6 million), while EBIT rose by 5.3% to € 87.2 million (prior year: € 82.8 million).

We also invested heavily in customer growth in our “Applications” segment during the period under review. The number of fee-based contracts world-wide grew by 330,000 to 6.46 million (of which 2.63 million were abroad). This growth in contracts resulted from 250,000 new Business Applications contracts and 80,000 new Consumer Application contracts, raising their respective totals to 4.55 million and 1.91 million. The number of ad-financed accounts grew from 28.0 million to 30.4 million in the first nine months of 2011. Thanks to stable global customer growth, sales in the “Applications” segment rose by 6.7% to € 528.7 million in the first nine months of 2011. Key earnings figures in this segment comprise high expenditure for the development of new Cloud products, costs for international expansion, and greatly increased marketing expenses – especially for the marketing of our new 1&1 Do-it-Yourself Homepage. In the third quarter of 2011 alone, € 9.3 million was expensed for the marketing of our Do-it-Your-self-Homepage, which has a total budget of € 35 million. Against this backdrop, there was an expected year-on-year decline in segment EBITDA to € 153.0 million (prior year: € 172.8 million) and in segment EBIT to € 112.7 million (prior year: € 132.5 million).

In view of our strong performance in the first nine months of 2011, we can confirm our forecast for fiscal year 2011. We expect consolidated sales of around € 2.050 billion, EBITDA of approx. € 350 million, EBT of approx. € 250 million and an EPS figure of approx. € 0.80. On publication of our half-yearly figures, we raised our forecast for customer growth from 700,000 new contracts in 2011 to 840,000. Following the roll-out of our foreign marketing campaign for the 1&1 Do-it-Yourself Homepage, we have once again raised our forecast and now expect growth of around 900,000 contracts (comparable prior-year figures: 440,000 contracts in 2009, 610,000 contracts in 2010).

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

Montabaur, November 10, 2011

Ralph Dommermuth

Group management report for the first 9 months 2011

Economic environment

Global economy: IMF warns against dangerous new phase

The International Monetary Fund (IMF) is expecting a severe setback for global economic growth: both the Euro zone and the United States are in danger of sliding into recession unless they can deal effectively with the crises on both sides of the Atlantic. This was the IMF's clear message in its World Economic Outlook (WEO) published in September 2011. Although the economists stopped short of predicting global recession, they expect economic development to be both "weak and bumpy". Against this backdrop, the IMF believes the global economy is in a "dangerous new phase".

The IMF's economists state four causes for the global economy's unexpected weakness which began in mid 2011: the catastrophic earthquake in Japan, the Euro crisis, the weak US economy, and the risk aversion of many investors. At present, the IMF is warning against two main risks: that Europe's politicians could lose control of the continent's debt crisis and that America's politicians exacerbate the predicament of their own economy.

Following strong growth in 2011, the IMF believes that even Germany will feel the consequences of the current turbulence and can expect growth of only 1.3% in the coming year – 0.7 percentage points less than previously expected. According to the current WEO, the global economy will suffer a severe setback with growth of just 4.0% (compared to the most recent forecast of 4.5%).

This assessment of the current situation is also finding increasing support among Germany's financial experts. They are now more pessimistic about the future economic development than they have been since late 2008. The Centre for European Economic Research (Zentrum für Europäische Wirtschaftsforschung – ZEW) in Mannheim, Germany, announced that its Indicator of Economic Sentiment fell by 5.7 points to minus 43.3 in September. This was the seventh successive month that this important indicator for future economic growth had fallen. Although economists at the country's major banks do not yet see any clear signs of recession in Germany, they do expect a marked cooling down by year-end at the latest.

Sector: High-tech companies remain upbeat despite debt crisis and financial market turbulence

The problems of the finance sector have not yet impacted the real economy. Despite Europe's debt crisis and turbulence on the world's financial markets, business confidence continued to improve in the high-tech sector during the third quarter of 2011. This was underlined by a recent survey of the ICT industry conducted by the German ICT association BITKOM. It states that 75% of companies supplying information technology, telecommunications equipment and consumer electronics expect year-on-year revenue growth. The BITKOM sector index rose accordingly by 11 points to 63. The sector association believes that technologies such as cloud computing and the spread of high-performance mobile devices in particular will help fuel the ICT sector's dynamic development.

Most companies are also upbeat about their future prospects. 75% of those questioned expect sales to grow in 2011 as a whole. Business is particularly brisk among suppliers of software and IT services: 82% of software houses and 86% of IT service providers expect year-on-year sales growth – thus confirming their positive expectations at the beginning of the year. 63% of IT hardware suppliers forecast increased revenues.

Business development of the Group

Overview of United Internet

United Internet AG is the leading European internet specialist with over 10 million fee-based customer contracts and over 30 million ad-financed free accounts. The operating activities of United Internet AG are divided into the segments "Access" and "Applications".

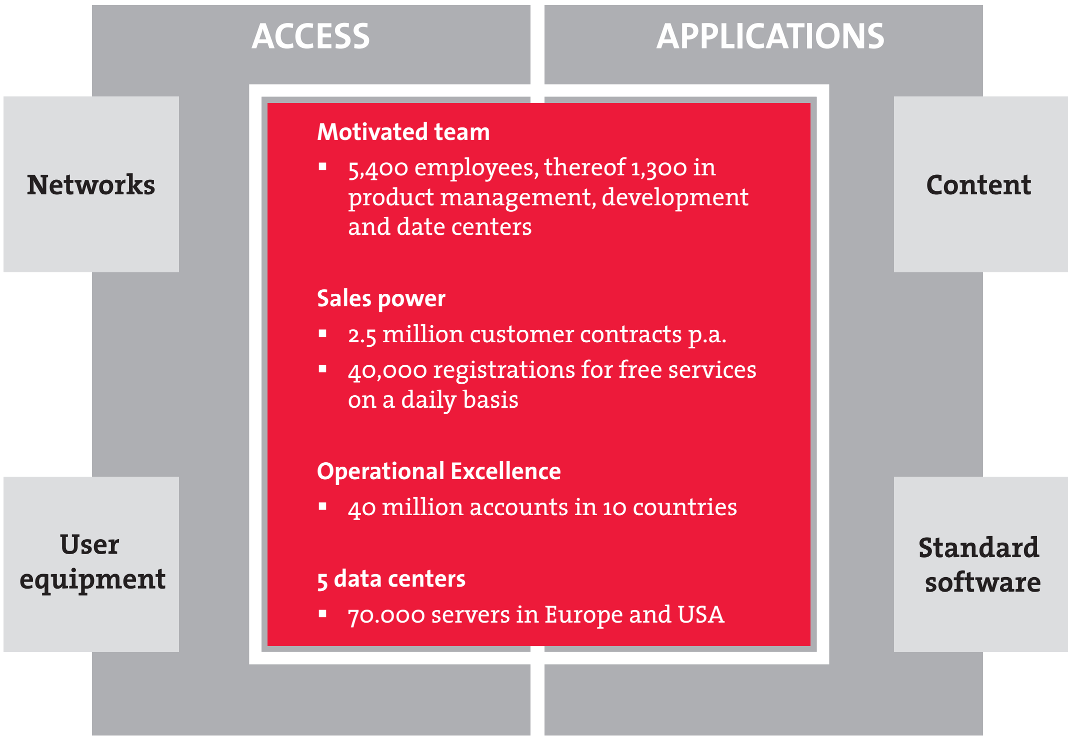
The "Access" segment comprises the company's fee-based fixed-line and mobile access products, including the respective applications (such as home networks, online storage, telephony and entertainment). We operate solely in Germany in this segment, where we are one of the leading providers. We remain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

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

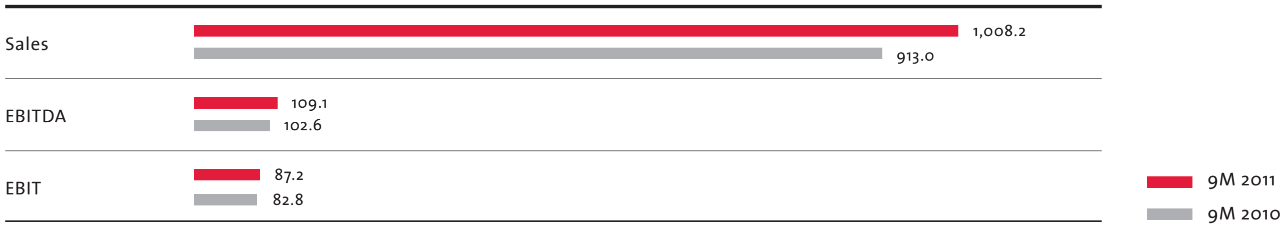
Development of "Access" segment

In line with the positive development of customer figures, sales of the "Access" segment grew strongly by 10.4% to € 1.008 billion in the first nine months of 2011. Despite greatly increased costs for new customer acquisition (+280,000 new customer contracts compared to +50,000 last year), there was year-on-year growth in EBITDA of 6.3% to € 109.1 million (prior year: € 102.6 million), while EBIT rose by 5.3% to € 87.2 million (prior year: € 82.8 million). All customer acquisition costs, as well as costs for the migration of resale DSL connections to complete packages (ULL), continue to be charged directly as expenses.

UNITED INTERNET – „INTERNET FACTORY“



Financial figures for “Access” segment in € million



Quarterly development in € million

	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q3 2010
Sales	317.1	321.2	336.0	351.0	310.8
EBITDA	20.0	31.1	34.4	43.6	36.4
EBIT	9.2	23.8	27.2	36.2	29.6

The number of fee-based contracts in this segment grew by 280,000 in the first nine months of 2011 to reach a total of 3.91 million as of September 30, 2011. In our Mobile Internet business we were able to activate 340,000 new customer contracts and thus raise the total number of customers to 610,000. We also achieved growth in complete DSL contracts (of particular importance for us), adding a further 130,000 customers to reach a total of 2.45 million. As expected, the number of customer contracts for those business models gradually being phased out (narrowband, T-DSL and R-DSL) continued to fall in 2011 (-190,000 customer relationships).

Development of customer contracts in the first nine months of 2011

“Access” customer contracts	Dec. 31, 2010	Sept. 30, 2011	Change
Access, total	3.63 million	3.91 million	+ 280,000
of which DSL complete (ULL)	2.32 million	2.45 million	+ 130,000
of which Mobile Internet	0.27 million	0.61 million	+ 340,000
of which narrowband / T-DSL / R-DSL	1.04 million	0.85 million	– 190,000

Development of customer contracts in the third quarter of 2011

“Access” customer contracts	June 30, 2011	Sept. 30, 2011	Change
Access, total	3.79 million	3.91 million	+ 120,000
of which DSL complete (ULL)	2.41 million	2.45 million	+ 40,000
of which Mobile Internet	0.48 million	0.61 million	+ 130,000
of which narrowband / T-DSL / R-DSL	0.90 million	0.85 million	– 50,000

Product highlights in the first nine months of 2011

In terms of products, the main focus during the period under review was placed on enhanced performance and a "money back guarantee" for our DSL products, as well as new end-user devices and new international options for our Mobile Internet products:

- **Cloud storage for 1&1 DSL Home Network:** As of January 2011, our 1&1 brand provides 100 GB of free online storage space for all DSL premium tariffs. Data can be archived via any computer in the customer's home network. The files are securely stored at one of 1&1's high-performance data centers. With the aid of a password, this Personal Cloud Storage data can not only be accessed from all PCs in the home network, but also from outside the home via the internet – as easily as using a local hard drive. Moreover, users can also share holiday photos with friends and acquaintances, for example, with password protection. If necessary, the storage space can also be expanded.
- **1&1 DSL now with money-back guarantee:** In July 2011, 1&1 added a new quality promise to its DSL tariffs with the introduction of a money-back guarantee for its DSL Surf and Double Flat tariffs with minimum contract terms. Customers have a right of return for up to 30 days after their DSL line has been activated. Anyone truly dissatisfied only has to call 1&1 and return the router. The DSL contract is immediately terminated and any fees paid so far are reimbursed.
- **International options for 1&1 Mobile:** Using a mobile device to send e-mails or make phone calls while abroad often used to result in a confusing list of additional charges. As of August 2011, 1&1 now offers greater transparency for such foreign charges with the addition of international options for its mobile tariffs. The new "1&1 Foreign Surf Package" option is available for both the „1&1 Notebook Flat" and "1&1 All-Net Flat" tariffs. Within the "1&1 All-Net Flat" tariff, a 50 MB data volume option costs € 9.99. As much as 100 MB is included in the Notebook Flat tariffs for €9.99. And to make the cost of phoning abroad cheaper and clearer, 1&1 also offers an optional "1&1 Travel Option" for users of its "1&1 All-Net Flat".

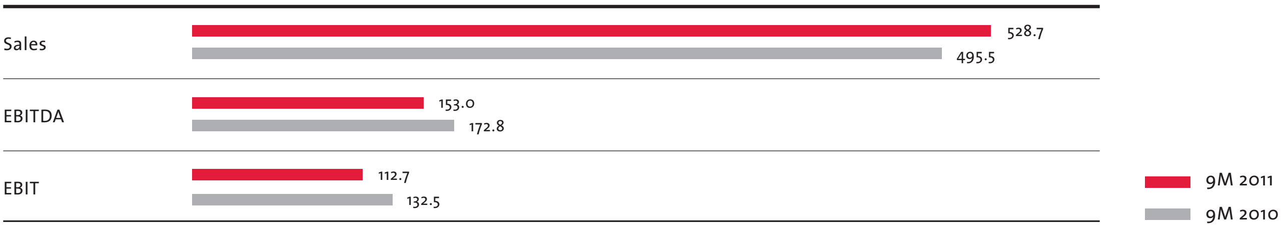
Outlook

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

Development of "Applications" segment

Thanks to stable customer growth, sales of the "Applications" segment rose by 6.7% to € 528.7 million in the first nine months of 2011. Business outside Germany grew by 9.8% and contributed a total of € 161.9 million (prior year: € 147.4 million) to segment sales. Key earnings figures in this segment comprise high expenditure for the development of new Cloud products, the cost of international expansion, and greatly increased marketing expenses – especially for the marketing of 1&1's Do-it-Yourself Homepage. In the third quarter of 2011 alone, € 9.3 million was expensed for the roll-out of 1&1's Do-it-Yourself-Homepage in 5 foreign markets. The campaign launched at the end of the third quarter of 2011 has a total budget of € 35 million. Against this backdrop, there was an expected year-on-year decline in segment EBITDA to € 153.0 million (prior year: € 172.8 million) and in segment EBIT to € 112.7 million (prior year: € 132.5 million).

Financial figures for "Applications" segment in € million



Quarterly development in € million

	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q3 2010
Sales	181.0	177.3	174.7	176.7	167.3
EBITDA	59.9	58.9	52.5	41.6	53.9
EBIT	44.8	46.0	39.1	27.6	40.2

We also invested heavily in customer growth in the "Applications" segment during the reporting period. The number of fee-based contracts world-wide grew by 330,000 to 6.46 million (of which 2.63 million were abroad). This growth in contracts resulted from 250,000 new Business Application contracts and 80,000 new Consumer Application contracts, raising their respective totals to 4.55 million and 1.91 million. The campaign launched in September 2011 for the roll-out of 1&1's Do-it-Yourself Homepage in five foreign markets did not yet impact customer figures as customers ordering are only registered as "genuine contractual customers" when their free 30-day trial is completed. In the first 9 months of 2011, the number of ad-financed accounts grew from 28.0 million to 30.4 million – whereby the free accounts of Mail.com (around 1.5 million) were included in our reporting for the first time in September 2011. In addition to this successful customer acquisition, we continued to drive our international expansion in 2011 with the launch of fee-based products in Poland and entry into the Canadian and Argentinean markets.

Development of customer contracts in the first nine months of 2011

"Applications" customer contracts	Dec. 31, 2010	Sept. 30, 2011	Change
Total fee-based contracts	6.13 million	6.46 million	+ 330,000
of which "domestic"	3.68 million	3.83 million	+ 150,000
of which "foreign"	2.45 million	2.63 million	+ 180,000
Ad-financed accounts	28.0 million	30.4 million	+ 2,400,000

Development of customer contracts in the third quarter of 2011

"Applications" customer contracts	June 30, 2011	Sept. 30, 2011	Change
Total fee-based contracts	6.37 million	6.46 million	+ 90,000
of which "domestic"	3.79 million	3.83 million	+ 40,000
of which "foreign"	2.58 million	2.63 million	+ 50,000
Ad-financed accounts	28.5 million	30.4 million	+1,900,000

Product highlights in the first nine months of 2011

In the period under review, activities focused on the expansion of our sales activities for Business Applications, the launch of new Consumer Applications, and the geo-redundant operation of our applications:

- **1&1 rolls out indirect sales for hosting and cloud products:** United Internet's 1&1 brand aims to enhance its appeal for professional sales partners with a new marketing and support program. 1&1 plans to extend its indirect sales activities to hosting and cloud products. The 1&1 Hosting Partner concept targets professional internet service providers and aims to support the sale of websites, domains, e-shops, mail and server solutions, for example, by offering attractive services and individualized partner support. 1&1 partners include IT companies which focus on the SoHo/SMB customer segment, especially web agencies, IT service providers, smaller computer retailers and full-service internet providers. 1&1 provides these business partners with a broad spectrum of products, which not only comprises attractive commissions but also a wide range of services.
- **WEB.DE mailbox becomes Online Office:** The new WEB.DE Online Office is a free office solution with programs for word processing, spreadsheet calculations and presentations. WEB.DE users can thus access all common office applications via their mailbox and open, create or edit documents, presentations and tables without installing any additional software. The service supports all standard office formats, such as doc, docx, ppt and xls. Files can be easily edited – even if they were created with other office applications – without having to be downloaded. A spell-check function is available for numerous languages. WEB.DE Online Office applications can access either the local hard drives on the respective computer or the virtual WEB.DE SmartDrive. Users who store their documents online on the WEB.DE SmartDrive can securely view, save, edit and mail them from any PC with an internet connection.
- **Double protection with geo-redundancy:** These days, companies simply cannot afford to have a website which cannot be accessed by its customers. As the first major provider world-wide, 1&1 is now offering the double protection of geo-redundant server technology also for freelancers, the self-employed and mid-sized companies. Such location-independent redundancy was previously the exclusive domain of financially strong users, such as banks and insurance companies, as it ensures maximum availability 365 days per year. In order to guarantee such geo-redundancy, 1&1 uses so-called geo-cluster systems. All data and processes are mirrored "live" and synchronously via cloud technology at various separately located data centers. Should any unexpected problems arise at one of the sites, such as a power cut or server failure, any requests received are automatically taken over by a different data center.

Outlook

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

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

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

Consolidated earnings

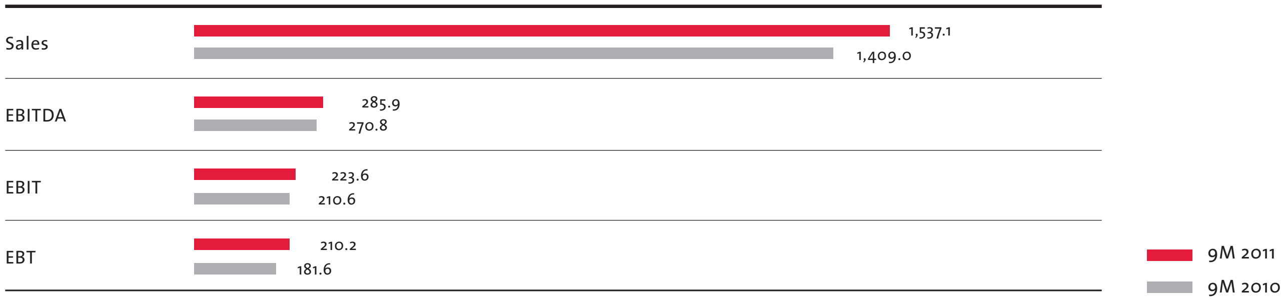
United Internet can look back on a successful first nine months of 2011. Consolidated sales of United Internet AG grew by 9.1% in the period under review, from € 1.409 billion last year to € 1.537 billion. In the "Access" segment, sales rose by 10.4% from € 913.0 million last year to € 1.008 billion, and in the "Applications" segment sales increased by 6.7% from € 495.5 million last year to € 528.7 million.

Consolidated gross margin fell from 37.5% in the same period last year to 33.7%. This was mainly due to increased purchases of pre-services as a result of strong customer growth in our Access business (+280,000 new contracts in the period under review compared to +50,000 in the previous year), as well as the complete recognition of smartphone subsidies for our fast growing Mobile Internet business with a corresponding effect on earnings, and the resulting change in the overall product mix.

Sales and marketing expenses rose from € 227.0 million (16.1% of sales) in the previous year to € 240.3 million (15.6% of sales) in the period under review. Administrative expenses increased more slowly than sales to € 71.4 million in the period under review (4.6% of sales), compared to € 67.9 million (4.8% of sales) in the previous year.

Despite a significant increase in the cost of sales, earnings before interest, taxes, depreciation and amortization (EBITDA) and earnings before interest and taxes (EBIT) recorded year-on-year growth of 5.6% and 6.2%, respectively. EBITDA grew to € 285.9 million (prior year: € 270.8 million), while EBIT rose to € 223.6 million (prior year: € 210.6 million). Earnings before taxes (EBT) increased by 15.7% from € 181.6 million to € 210.2 million. These earnings figures include a positive net balance of € 16.3 million resulting from the sale of our Versatel shares in the second quarter, the valuation of call options received in this connection, and the negative at-equity result of Versatel. The resulting positive earnings effect amounted to € 0.07 per share. Earnings per share (EPS) rose in total by 30.2% from € 0.53 last year to € 0.69 for the first nine months of 2011.

Group financial figures in € million



Quarterly development in € million

	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q3 2010
Sales	498.1	498.6	510.8	527.7	478.2
EBITDA	86.9	90.5	110.4	85.0	88.8
EBIT	60.9	70.3	89.7	63.6	68.4
EBT	34.2	64.8	79.4	66.0	64.3

Cash flow, investment and finance

Much stronger customer growth from the marketing of Mobile Internet products and the Do-it-Yourself Homepage and the complete expensing of the resulting costs led to a decline in operative cash flow from € 208.5 million to € 189.4 million.

Net cash flow from operating activities fell from € 239.2 million to € 165.1 million in the period under review. This was due to reduced trade payables as of the balance sheet date (€ -30.2 million compared to an increase of € 1.6 million in the previous year), increased tax payments (€ -22.7 million compared to € -5.0 million in the previous year), and prepayments already made for international marketing measures in the fourth quarter of 2011 (€ -16 million).

Net cash flow for investing activities amounted to € -15.8 million in the period under review (prior year: € -53.8 million). This resulted mainly from expenses of € 31.9 million for investments in intangible assets and property, plant and equipment. In the previous year, an amount of € 49.9 million was invested in intangible assets and property, plant and equipment and € 20.2 million was invested in the acquisition of other business units (Mail.com). Proceeds of € 16.4 million (prior year: € 15.6 million) resulted from the sale of investments belonging to the EFF funds.

Net cash flow for financing activities in the first nine months of 2011 was dominated by a cash outflow of € 276.0 million for the purchase of treasury shares (prior year: € 111.6 million) and of € 42.0 million for the dividend payment (prior year: € 88.0 million), as well as a cash inflow of € 156.4 million from the assumption of loans (prior year: redemption of loans totaling € 30.9 million).

Assets and equity

Compared with December 31, 2010, the Group's balance sheet total fell from € 1.271 billion to € 1.214 billion as of September 30, 2011. Non-current assets amounted to € 952.9 million. Of this total, goodwill of the highly profitable Applications segment accounted for € 401.7 million and was thus largely unchanged (€ 402.9 million as at December 31, 2010).

Due to the purchase of treasury shares, cash and cash equivalents fell from € 96.1 million to € 82.7 million, despite the reduction of other assets with an effect on liquidity. Net bank liabilities rose from € 273.3 million to € 443.2 million, mainly due to the refinancing of share buybacks. The number of treasury shares held by United Internet AG as of September 30, 2011 – and thus after the cancellation of 15,000,000 shares from the company's holdings in February 2011 and a further 10,000,000 shares in August 2011 – amounted to 16,746,932. After deduction of these treasury shares, the Group's equity ratio amounted to 16.5% as of September 30, 2011 (compared to 30.1% as of December 31, 2010).

Sale of Versatel investment to KKR / receipt of call options

Sale of Versatel investment to KKR

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

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

A net positive balance of € 16.3 million was recognized in EBT of the second quarter of 2011 from the sale of Versatel shares, the recognition of call options, and the negative at-equity result of Versatel included in the consolidated figures for the last time in the second quarter. .

Cancellation of treasury shares / share buyback

Based on the authorization granted by the Annual Shareholders' Meeting of United Internet AG on June 2, 2010 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Executive Board resolved on February 22, 2011 to cancel a total of 15 million shares from the company's stock of treasury shares, purchased in the course of share buyback programs, and thus reduce the company's capital stock by € 15 million, from € 240 million to € 225 million.

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

The cancellations and capital reductions were aimed at optimizing the company's balance sheet and capital structure.

On August 15, 2011, the Management Board also resolved to launch a further share buyback program. In the course of this new share buyback program, up to 9.3 million company shares (corresponding to 4.33% of the reduced capital stock of € 215 million) are to be bought back via the stock exchange. The buyback follows an authorization of the Annual Shareholders' Meeting of May 26, 2011 to buy back shares representing up to 10% of the company's capital stock. The authorization was issued for the period up to November 26, 2012. Treasury shares can be used for all purposes stated in the authorization of the Annual Shareholders' Meeting of May 26, 2011, in particular for current and future employee stock ownership plans and/or as an acquisition currency, but may also be cancelled.

As of September 30, 2011, United Internet AG held 16,746,932 treasury shares, corresponding to 7.79% of the reduced capital stock of € 215 million.

Share and dividend

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

The United Internet AG share closed on September 30, 2011 at € 12.73 and thus 4.6% up on December 31, 2010 (€ 12.17). Despite the dividend discount, our share easily outperformed the blue-chip DAX (-24.8%) and comparative TecDAX tech stock index (-22.1%) in the first nine months of 2011.

Employees

At the end of September 2011, United Internet employed a total of 5,407 people (December 31, 2010: 5,018), of which 1,148 were employed outside Germany (December 31, 2010: 999).

Risk report

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

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

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

Subsequent events

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

Forecast report

IMF downgrades its forecasts

In its World Economic Outlook published in September 2011, the IMF states that the global economy is in a dangerous phase. Two risks are of particular concern to the IMF's experts: that the Euro zone debt crisis may get out of control and that the situation of America's economy may deteriorate further. According to the IMF, each of these scenarios would have grave consequences for global growth. Against this backdrop, the Fund is demanding fast and effective measures from politicians. Without such action, economic activity in the Euro zone and the USA may end up 3 percentage points lower than forecast – which would mean recession for both.

Without fully accounting for this recession scenario, the IMF strongly downgraded its forecasts in September and now predicts global growth of just 4.0% in 2011 (0.3 percentage points down on its June forecast) and 4.0% in 2012 (-0.5 percentage points). The growth forecast for the world's classic industrial nations in 2011 and 2012 was reduced by 0.6 and 0.7 percentage points to 1.6% and 1.9%, respectively. Growth in the USA was downgraded by 1.0 and 0.9 percentage points for 2011 (to 1.5%) and 2012 (to 1.8%), respectively.

Expected economic growth within the Euro zone was reduced by 0.4 and 0.6 percentage points for 2011 (to 1.6%) and 2012 (to 1.1%). In Germany, the IMF now forecasts growth of 2.7% for 2011 and 1.3% for 2012 – and is thus 0.5 and 0.6 percentage points below its June forecast.

ICT sector expects further growth – despite debt and financial market crisis

Following the turnaround of the global and German ICT markets in 2010, the German ICT association BITKOM remains optimistic about the sector's future prospects. Based on its economic survey of September 2011, the association concludes that ICT markets have not as yet been affected by the debt crisis in Europe and financial market turbulence.

In its annual forecast of February 2011, the association expects the global ICT market to grow by 4.5% in 2011 and by as much as 5.3% in 2012. BITKOM is not quite as upbeat about the overall ICT market in Germany, but still expects solid growth of 2.0% in both 2011 and 2012.

In the field of information technology, BITKOM expects growth of 4.3% to € 68.8 billion in 2011. The hardware segment, demand for software and IT services are all expected to benefit strongly from the economic upswing.

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

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

Outlook for United Internet's most important sub-markets

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

"Access" segment

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

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

Growth of German mobile internet market

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

Source: BITKOM

"Applications" segment

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

Growth of German online advertising market in € billion

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

Source: BVDW

Megatrend cloud computing

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

Growth of cloud computing in Germany

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

Source: BITKOM

Outlook and forecast

In view of our strong performance in the first nine months of 2011, we can confirm our forecast for fiscal year 2011. We expect consolidated sales of around € 2.050 billion, EBITDA of approx. € 350 million, EBT of approx. € 250 million and an EPS figure of around € 0.80. On publication of our half-yearly figures, we also raised our forecast for customer growth from 700,000 new contracts in 2011 to 840,000. Following the roll-out of our foreign marketing campaign for 1&1's Do-it-Yourself Homepage, we have once again raised our forecast and now expect growth of around 900,000 contracts (comparable prior-year figures: 440,000 contracts in 2009, 610,000 contracts in 2010).

Forward-looking statements and forecasts

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

Financial Statements

Balance Sheet

as of September 30, 2011 in €k

	September 30, 2011	December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents	82,675	96,091
Accounts receivable and other assets	93,848	97,987
Inventories	16,873	16,912
Prepaid expenses	52,581	36,536
Other assets	15,883	28,297
	261,860	275,823
Non-current assets		
Shares in associated companies / joint ventures	30,443	84,079
Other financial assets	186,156	145,274
Property, plant and equipment	101,175	108,675
Intangible assets	195,241	221,415
Goodwill	401,681	402,868
Deferred tax asset	38,159	33,194
	952,855	995,505
Total assets	**1,214,715**	**1,271,328**

	September 30, 2011	December 31, 2010
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade accounts payable	182,920	213,509
Liabilities due to banks	116,726	178,167
Advance payments received	8,069	7,146
Accrued taxes	20,398	43,071
Deferred revenue	148,722	138,209
Other accrued liabilities	4,819	5,836
Other liabilities	71,845	59,603
	553,499	645,541
Non-current liabilities		
Liabilities due to banks	409,102	191,233
Deferred tax liabilities	28,702	28,483
Other liabilities	22,932	23,648
	460,736	243,364
Total liabilities	**1,014,235**	**888,905**
Equity		
Capital stock	215,000	240,000
Additional paid-in capital	20,292	41,649
Accumulated profit	171,795	326,663
Treasury stock	–209,931	–240,977
Revaluation reserves	14,857	25,442
Currency translation adjustment	–21,789	–20,038
Equity attributable to shareholders of the parent company	**190,224**	**372,739**
Non-controlling interests	10,256	9,684
Total equity	**200,480**	**382,423**
Total liabilities and equity	**1,214,715**	**1,271,328**

Income Statement

from January 1 to September 30, 2011 in €k

	2011 January – Sept.	2010 January – Sept.
Sales	1,537,135	1,409,019
Cost of sales	–1,018,525	–881,285
Gross profit	**518,610**	**527,734**
Selling expenses	–240,299	–227,027
General administrative expenses	–71,267	–67,898
Other operating income / expense	27,515	–7,468
Amortization of intangible assets resulting from company acquisitions	–10,925	–14,740
Operating result	**223,634**	**210,601**
Financial result	–3,735	–9,212
Result from at-equity companies	–9,687	–19,806
Pre-tax result	**210,212**	**181,583**
Income taxes	–63,948	–64,031
Net income (from continued operations)	**146,264**	**117,552**
Result from discontinued operations	0	1,000
Net income (after discontinued operations)	**146,264**	**118,552**
Attributable to		
- non-controlling interests	633	595
- shareholders of United Internet AG	145,631	117,957

	2011 January – Sept.	2010 January – Sept.
Result per share of shareholders of United Internet AG (in €)		
- basic	0.69	0.53
- diluted	0.69	0.52
thereof result per share (in €) – from continued operations		
- basic	0.69	0.53
- diluted	0.69	0.52
thereof result per share (in €) – from discontinued operations		
- basic	0.00	0.00
- diluted	0.00	0.00
Weighted average shares (in million units)		
- basic	210.13	223.35
- diluted	211.84	225.34
Statement of comprehensive income		
Net income	146,264	118,552
Results directly included in equity		
- currency translation adjustment	–1,751	2,954
- market value changes of available-for-sale financial instruments after taxes financial instruments after taxes	–10,280	–5,016
- changes in associated companies after taxes not affecting net income	–303	–151
	–12,334	–2,213
Total net income	**133,930**	**116,339**
Attributable to		
- non-controlling interests	635	637
- shareholders of United Internet AG	**133,295**	**115,702**

Cash Flow

from January 1 to September 30, 2011 in €k

	2011 January – Sept.	2010 January – Sept.
Cash flow from operating activities		
Net income (from continued operations)	146,264	117,552
Net income (from discontinued operations)	0	1,000
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization		
Depreciation and amortization of intangible assets and property, plant and equipment	51,367	45,446
Amortization of intangible assets resulting from company acquisitions	10,925	14,740
Compensation expenses from employee stock option plans	2,145	3,831
Results of at-equity companies	9,687	19,806
Distributed profit of associated companies	730	983
Income from deconsolidation of affiliated companies	–1,995	0
Profit from disposal of disposal of associated companies	–16,964	0
Change in deferred taxes	–4,745	3,366
Non-cash expenses / income	–7,983	1,813
Operative cash flow	**189,431**	**208,537**
Change in assets and liabilities		
Change in receivables and other assets	19,937	28,217
Change in inventories	39	–4,764
Change in deferred expenses	–16,046	–7,735
Change in trade accounts payable	–30,242	1,589
Change in advance payments received	924	–39
Change in other accrued liabilities	–1,017	1,969
Change in accrued taxes	–22,672	–5,008
Change in other liabilities	13,135	7,327
Change in deferred income	11,625	9,070
Change in assets and liabilities, total	**–24,317**	**30,626**
Cash flow from operating activities	**165,114**	**239,163**

	2011 January – Sept.	**2010** January – Sept.
Cash flow from investing activities		
Capital expenditure for intangible assets and property, plant and equipment	–31,924	–49,929
Purchase of further shares in affiliated companies	0	–465
Purchase of other business units	0	–20,207
Purchase of shares in affiliated companies less cash received	0	12
Purchase of shares in associated companies	–2,284	–1,170
Repayment from deconsolidation of financial assets	16,360	15,567
Investments in other financial assets	–906	–135
Repayment of loans granted	0	83
Payments of loans granted	–1,000	–12,088
Payments from disposal of assets	1,769	538
Refunding from shares in associated companies	2,200	14,034
Cash flow from investment activities	**–15,785**	**–53,760**
Cash flow from financing activities		
Purchase of treasury stock	–276,018	–111,600
Change in bank liabilities	156,429	–30,915
Dividend payments	–42,000	–88,000
Dividend payments to minority interests	–907	–1,148
Repayment from convertible bonds	0	–4
Cash flow from financing activities	**–162,496**	**–231,667**
Net decrease in cash and cash equivalents	–13,167	–46,264
Cash and cash equivalents at beginning of fiscal year	96,091	116,812
Currency translation adjustments of cash and cash equivalents	–249	1,354
Cash and cash equivalents at end of period	**82,675**	**71,902**

Changes in Shareholders' Equity

from January 1, 2011 to September 30, 2011

	Capital stock		Additional paid-in capital	Accumulated profit	Capital stock	
	Share	€k	€k	€k	Share	€k
Balance as of January 1, 2010	**240,000,000**	**240,000**	**39,971**	**285,546**	**10,272,371**	**-123,786**
Net income				117,957		
Other net income						
Total net income				**117,957**		
Issue of treasury shares			-60		-81,525	982
Purchase of treasury shares					9,809,154	-111,600
Employee stock ownership programme Sedo Holding			142			
Employee stock ownership programme United Internet			2,729			
Dividend payments				-88,000		
Distribution of profits						
Change amount of holding						
Balance as of September 30, 2010	**240,000,000**	**240,000**	**42,782**	**315,503**	**20,000,000**	**-234,404**
Balance as of January 1, 2011	**240,000,000**	**240,000**	**41,649**	**326,663**	**20,563,522**	**-240,977**
Net income				145,631		
Other net income						
Total net income				**145,631**		
Issue of treasury shares				-3,771	-305,616	3,771
Concellation of treasury shares	-25,000,000	-25,000	-23,565	-254,728	-25,000,000	303,293
Purchase of treasury shares					21,489,026	-276,018
Employee stock ownership programme Sedo Holding			-235			
Employee stock ownership programme United Internet			2,443			
Dividend payments				-42,000		
Balance as of September 30, 2011	**215,000,000**	**215,000**	**20,292**	**171,795**	**16,746,932**	**-209,931**

Revaluation reserves	Currency translation	Equity attributable to shareholders of the parent company	Minority interests	Total equity
€k	€k	€k	€k	€k
12,717	**–24,326**	**430,122**	**9,640**	**439,762**
		117,957	595	118,552
–5,167	2,912	–2,255	42	–2,213
–5,167	**2,912**	**115,702**	**637**	**116,339**
		922		922
		–111,600		–111,600
		142	38	180
		2,729		2,729
		–88,000		–88,000
		0	–151	–151
		0	–10	–10
7,550	**–21,414**	**350,017**	**10,154**	**360,171**
25,442	**–20,038**	**372,739**	**9,684**	**382,423**
		145,631	633	146,264
–10,585	–1,751	–12,336	2	–12,334
–10,585	**–1,751**	**133,295**	**635**	**133,930**
		0		0
		0		0
		–276,018		–276,018
		–235	–63	–298
		2,443		2,443
		–42,000		–42,000
14,857	**–21,789**	**190,224**	**10,256**	**200,480**

Notes

1. Information on the company

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

2. Significant accounting, valuation and consolidation principles

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

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

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

Mandatory adoption of new accounting standards

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

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

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

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

Use of estimates and assumptions

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

Changes in the reporting unit

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

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

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

Miscellaneous

The consolidated interim report includes all subsidiaries and associated companies.

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

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

Explanations of items in the statement of comprehensive income

3. Segment reporting

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

January – September 2011	"Access" segment €k	"Applications" segment €k	Head Office/ Investments €k	Reconciliation €k	United Internet Group €k
Total revenues	1,008,982	530,189	2,613	–	–
- thereof internal revenues	743	1,506	2,400	–	–
External revenues	1,008,239	528,683	213	–	1,537,135
- thereof domestic	1,008,239	366,817	213	–	1,375,269
- thereof non-domestic	0	161,866	0	–	161,866
EBITDA	109,089	153,009	23,828	–	285,926
EBIT	87,185	112,743	23,706	–	223,634
Financial result			–2,234	–1,501	–3,735
Results from at-equity companies			–9,739	52	–9,687
EBT			11,733	198,479	210,212
Tax expense				–63,948	–63,948
Net income (from continued operations)					**146,264**
Results from discontinued operations				–	–
Net income (from discontinued operations)					**146,264**
Investments in intangible assets, property, plant and equipment	4,150	27,737	37	–	31,924
Amortization / depreciation	21,904	40,266	122	–	62,292
- thereof intangible assets, property, plant and equipment	21,904	29,341	122	–	51,367
- thereof intangible assets capitalized during company acquisitions	0	10,925	0	–	10,925
Number of employees	1,773	3,605	29	–	5,407
- thereof domestic	1,698	2,532	29	–	4,259
- thereof non-domestic	75	1,073	0	–	1,148

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

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

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

January – September 2010	**“Access” segment €k**	**“Applications” segment €k**	**Head Office/ Investments €k**	**Reconciliation €k**	**United Internet Group €k**
Total revenues	914,232	498,545	2,766	–	–
- thereof internal revenues	1,189	3,058	2,277	–	–
External revenues	913,043	495,487	489	–	1,409,019
- thereof domestic	913,043	348,047	489	–	1,261,579
- thereof non-domestic	0	147,440	0	–	147,440
EBITDA	102,562	172,805	–4,580	–	270,787
EBIT	82,782	132,515	–4,696	–	210,601
Financial result			–8,517	–695	–9,212
Results from at-equity companies			–12,420	–7,386	–19,806
EBT			–25,633	207,216	181,583
Tax expense				–64,031	–64,031
Net income (from continued operations)					**117,552**
Results from discontinued operations	–	–	–	1,000	1,000
Net income (from discontinued operations)	**–**	**–**	**–**		**118,552**
Investments in intangible assets, property, plant and equipment	11,538	38,366	25	–	49,929
Amortization / depreciation	19,780	40,290	116	–	60,186
- thereof intangible assets, property, plant and equipment	19,780	25,550	116	–	45,446
- thereof intangible assets capitalized during company acquisitions	0	14,740	0	–	14,740
Number of employees	1,753	3,090	26	–	4,869
- thereof domestic	1,675	2,222	26	–	3,923
- thereof non-domestic	78	868	0	–	946

4. Personnel expenses

Personnel expenses amounted to € 167,631k (prior year: € 148,445k) in the reporting period of 2011. At the end of September 2011, United Internet employed a total of 5,407 people, of which 1,148 were employed outside Germany. The number of employees at the end of September 2010 amounted to 4,869, of which 946 were employed outside Germany.

5. Depreciation and amortization

Depreciation and amortization of intangible assets and property, plant and equipment amounted to € 51,367k (prior year: € 45,446k).

Amortization of capitalized intangible assets resulting from business combinations amounted to € 10,925k (prior year: € 14,740k).

Total depreciation and amortization thus amounted to € 62,292k in the reporting period of 2011 (prior year: € 60,186k).

6. Other operating expenses / income

In the period under review, other operating income was significantly affected by the disposal of shares held in Versatel AG (€ 16,964k). The sale of these shares resulted in disposal proceeds of € 63,206k. A major proportion of these proceeds was deferred, resulting in a discounting effect of € -3,239k.

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

Explanations of balance sheet items

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

7. Shares in associated companies

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

	2011 €k
Carrying amount at the beginning of the fiscal year	84,079
Additions	2,284
Adjustments	
- Dividends	–730
- Shares in result	–9,687
- Others	–302
Disposals	–45,201
	30,443

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

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

8. Other financial assets

The development of these shares was as follows:

			Amortization of revaluation reserve not recognized in income			
	Jan 1, 2011 **€k**	**Additions** **€k**	**Recycling** **€k**	**Addition** **€k**	**Disposal** **€k**	**Sept. 30, 2011** **€k**
Goldbach shares	28,120			–9,037		19,083
Hi-media shares	16,762			–5,114		11,648
Afilias shares	6,755					6,755
freenet shares	50,367			5,738		56,105
Portfolio companies of EFF No. 3	26,630		–1,995		–14,365	10,270
Purchase price receivable	9,163					9,163
Purchase price receivable	0	56,580				56,580
Call optionens	0	7,280				7,280
Others	7,477	1,906			–111	9,272
	145,274	**65,766**	**–1,995**	**–8,413**	**–14,476**	**186,156**

The outstanding purchase price receivable of € 56,580k results from the sale of shares in Versatel AG. We refer to Notes 2 and 6.

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

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

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

A total of € 31,924k (prior year: € 49,929k) was invested in property, plant and equipment and intangible assets during the interim reporting period. Investments focused mainly on the expansion of infrastructure and the data centers.

Goodwill of € 401,681k consists solely of assets belonging to the “Applications” segment.

10. Liabilities due to banks

Liabilities due to banks result mainly from two syndicated loans (I and II).

The syndicated loan agreement I was signed on September 14, 2007 and is divided into a Tranche A amounting to € 300 million and a Tranche B of originally € 200 million. Tranche A has a term of five years and is to be redeemed from March 14, 2010 in six equal half-yearly installments. As of December 30, 2009 the first partial amount of Tranche A amounting to € 50 million was repaid prematurely. The second, third and fourth contractual repayments of € 50 million each were made in the third quarter of 2010, the first quarter of 2011 and the third quarter of 2011. As of September 30, 2011, € 100 million has thus been used from Tranche A, of which € 100 million is disclosed under current liabilities due to banks. Tranche B was a revolving syndicated loan expiring on September 13, 2012, which was prematurely redeemed in connection with the conclusion of a new syndicated loan II with a total amount committed of € 480 million.

The syndicated loan II was concluded on June 7, 2011. The credit line II is divided into a Tranche A amounting to € 120 million and a Tranche B of € 360 million. Tranche A is a bullet loan with a term of five years. Tranche B is a revolving syndicated loan which is also used to refinance Tranche B of the syndicated loan of September 14, 2007. The syndicated loan II expires on June 6, 2016. As of September 30, 2011, € 120 million have been used from Tranche A and € 220 million from Tranche B.

A promissory note loan (“Schuldscheindarlehen”) of € 150.0 million was negotiated on July 23, 2008. The loan is redeemable on maturity and divided into a Tranche A of € 78.0 million with a term until July 23, 2011 and a Tranche B of € 72.0 million with a term until July 23, 2013. Tranche A was redeemed in the third quarter of 2011.

11. Other current liabilities

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

12. Other non-current liabilities

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

13. Capital stock / Treasury shares

As of September 30, 2011, fully paid capital stock amounted to € 215,000,000 divided into 215,000,000 registered shares each having a theoretical share in the capital stock of € 1.

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

Based on the authorization granted by the Annual Shareholders' Meeting of United Internet AG on May 26, 2011 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Executive Board resolved on August 15, 2011 to cancel a total of 10,000,000 shares from the company's stock of treasury shares, purchased in the course of share buyback programs, and thus reduce the company's capital stock by € 10,000,000.00, from € 225,000,000.00 to € 215,000,000.00. In execution of this resolution, 10,000,000 registered no-par value shares with a notional share of capital stock of € 1 each were cancelled.

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

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

As of September 30, 2011, the Company held a total of 16,746,932 treasury shares or 7.79% of current capital stock. Treasury shares reduce equity capital and are not entitled to dividend payments.

14. Revaluation reserve

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

Other items

15. Employee stock ownership plans

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

	United Internet AG		Sedo Holding AG	
	SAR	Average strike price (€)	SAR	Average strike price (€)
Outstanding of December 31, 2010	8,420,000	8.93	490,000	11.48
Issued	80,000	12.12	–	–
Issued	500,000	12.03	–	–
Issued	400,000	13.43	–	–
Expired	-150,000	5.52	-30,000	18.15
Expired	-200,000	13.89	-100,000	3.72
Expired	-300,000	11.30	-200,000	17.41
Expired	–	–	-40,000	4.32
Exercised	-300,000	9.89	–	–
Exercised	-570,250	5.52	–	–
Outstanding of September 30, 2011	7,879,750	9.45	120,000	8.80

16. Transactions with related parties

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

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

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

	September 30, 2011	
	Shares (units)	Subscription rights (units)
Management Board		
Ralph Dommermuth	90,000,000	–
Norbert Lang	442,877	1,400,000
Total	**90,442,877**	**1,400,000**
Supervisory Board		
Kurt Dobitsch (Chairman)	–	–
Kai-Uwe Ricke	–	–
Michael Scheeren	700,000	–
Total	**700,000**	**–**

In connection with the employee stock ownership plan of United Internet AG, Mr. Norbert Lang exercised 200,000 subscription rights in the reporting period 2011. Mr. Ralph Dommermuth sold a total of 2.0 million shares in United Internet AG during the reporting period 2011. This corresponds to 0.93% of current capital stock totaling € 215.0 million.

United Internet's premises in Montabaur are leased from Mr. Ralph Dommermuth. The resulting rent expenses are customary and amounted to € 1,802k in the reporting period of 2011 (prior year: € 1,684k).

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

No significant transactions took place.

17. Subsequent events

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

Montabaur, November 10, 2011

The Management Board

Ralph Dommermuth

Norbert Lang

Income Statement

Quarterly development in € million

	Q4 2010	Q1 2011	Q2 201	Q3 2011	Q3 2010
Sales	498.1	498.6	510.8	527.7	478.2
Cost of sales	–344.8	–327.1	–347.2	–344.2	–296.7
Gross profit	**153.3**	**171.5**	**163.6**	**183.5**	**181.5**
Selling expenses	–79.2	–80.3	–70.0	–90.0	–85.3
General administrative expenses	–26.8	–21.5	–24.9	–24.9	–22.9
Other operating income / expense	18.7	4.3	24.6	–1.4	0.0
Amortization of intangible assets resulting from company acquisitions	–4.9	–3.7	–3.6	–3.6	–4.9
Amortization of goodwill	–0.2	0.0	0.0	0.0	0.0
Operating result	**60.9**	**70.3**	**89.7**	**63.6**	**68.4**
Financial result	–0.9	–2.5	–2.8	1.6	–0.2
Results from associated companies	–13.8	0.0	0.0	0.0	0.0
Result from at-equity companies	–12.0	–3.0	–7.5	0.8	–3.9
Pre-tax result	**34.2**	**64.8**	**79.4**	**66.0**	**64.3**
Income taxes	–24.1	–20.8	–21.2	–21.9	–23.5
Net income (from continued operations)	**10.1**	**44.0**	**58.2**	**44.1**	**40.8**
Result from discontinued operations	0.8	0.0	0.0	0.0	0.2
Net income (after discontinued operations)	**10.9**	**44.0**	**58.2**	**44.1**	**41.0**
Attributabel to					
- minority interests	–0.2	0.2	0.2	0.3	0.1
- shareholders of United Internet AG	11.1	43.8	58.0	43.8	40.9
Result per share of shareholders of United Internet AG (in €)					
- basic	0.05	0.20	0.28	0.21	0.19
- diluted	0.05	0.20	0.28	0.21	0.18
thereof result per share (in €) – from continued operations					
- basic	0.04	0.20	0.28	0.21	0.19
- diluted	0.04	0.20	0.28	0.21	0.18
thereof result per share (in €) – from discontinued operations					
- basic	0.01	0.00	0.00	0.00	0.00
- diluted	0.01	0.00	0.00	0.00	0.00

Financial Calendar

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

Imprint

Publisher and copyright © 2011
United Internet AG
Elgendorfer Straße 57
D-56410 Montabaur
Germany
www.united-internet.com

Contact
Investor Relations
Phone: +49(0) 2602 96-1631
Fax: +49(0) 2602 96-1013
E-mail: investor-relations@united-internet.com

November 2011
Registry court: Montabaur HRB 5762

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

www.united-internet.com