



**United Internet AG,
Montabaur**

**Management Report and Group
Management Report**

for the fiscal year 2008

Management Report and Group Management Report

Key figures 2008

Dynamic customer growth: the number of customer contracts grew by 800,000 to 7.95 million in 2008.

Strong demand for complete DSL packages: as well as increasing DSL contracts by 230,000 to 2.82 million, we also expanded the number of DSL customers with complete packages by 670,000 to 780,000.

Successful international expansion: we added 380,000 new webhosting contracts outside Germany to reach a total of 1.93 million.

Growing user figures in portal business: the number of active e-mail users on our online portals GMX and WEB.DE grew by 3.68 million to 25.47 million.

Further operative growth: consolidated sales grew by 10.9% in 2008 to around € 1.65 billion, while EBITDA increased by 3.2% to around € 319 million.

High writedowns on investments: key earnings figures for 2008 are burdened by writedowns (impairment) on investments amounting to around € 275.4 million.

Economic environment

Financial crisis placing increasing burden on real economy

As the financial and banking crisis placed an increasing burden on the real economy in 2008, the International Monetary Fund (IMF) was forced to make several downward corrections to its global growth forecasts in the course of the year. After predicting global growth of 4.1% for 2008 at the beginning of the year, the IMF had reduced its forecast to 3.4% by year-end. At the same time, the IMF expects that the real economic crisis will not be fully noticeable in individual countries nor globally until 2009 and forecasts global growth of around 0%.

Following a strong first quarter, the Euro zone's economy shrank in all subsequent quarters during 2008 (compared with the previous year). At -1.5% and -1.2%, the fourth quarter in particular was well behind the previous quarter and prior-year quarter, respectively. According to the European statistics agency Eurostat, annual growth in 2008 reached just 0.7% – thanks above all to the strong first quarter.

German growth was almost halved in 2008. According to a report of the Federal Statistics Agency (Destatis) in February 2009, however, the strong start to 2008 helped the German economy reach growth of 1.3% for the year as a whole. The corresponding figure for 2007 was 2.5% and as much as 3% in the boom year 2006. After a buoyant first quarter, the downward trend accelerated toward

year-end. In the fourth quarter, gross domestic product was down 2.1% on the previous quarter – following similar declines in the second and third quarters.

Limited impact of economic crisis on ITC markets

The economic crisis has so far only had a limited impact on the ITC segment (information technology, telecommunications and digital consumer electronics) of the high-tech industry. This was confirmed by a representative survey of the ITC sector, which the German ITC association BITKOM (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.) presented on the eve of the CeBIT 2009 fair in Hanover. According to the survey, 55% of companies questioned had so far felt no direct effects of the crisis on their business. The others reported lower sales or fewer new orders than expected before the crisis. In total, the German ITC market grew by 1.2% in 2008, from € 142.9 billion to € 144.6 billion.

Whereas the Consumer Electronics (+5.2% to € 12.2 billion) and Information Technology (+3.4% to € 66.2 billion) segments displayed robust growth in 2008, sales in the Telecommunication segment were down 1.6% on the previous year to € 66.3 billion. BITKOM blames the difficult market situation in the Telecommunication segment above all on further price erosion. In 2008, for example, tariffs on average by 3.3%.

United Internet's target markets continue to grow

Apart from the ITC market as a whole, the most important markets for United Internet are the German DSL market, the German and European advertising market and the global market for webhosting services. A look at these markets shows that all segments were able to grow in 2008 – although the online advertising market suffered heavily from reduced advertiser spending from mid 2008 onwards, as a result of the financial and economic crisis.

On the basis of publications released by active companies in the German broadband market, we calculate that the number of broadband connections grew by 3.2 million or 16.1% to a total of 23.1 million in 2008 (including cable internet). The Federal Network Agency's official figures were not available at the time of writing. 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 increase in Deutsche Telekom's TAL connections of 1.95 million, or over 30%, to 8.37 million and the decrease in Telekom fixed line connections of 2.49 million, or 8%, to 28.56 million. According to calculations of the industry association BITKOM, revenues generated by internet connections amounted to around € 13.2 billion in 2008.

The leading market research institutes all expected further strong growth for the global online advertising market and forecast – before the onset of the global financial crisis – similarly high growth rates as in previous years. As fears of

global recession grew, however, advertisers became increasingly cautious with their spending and market researchers were forced to downgrade their growth forecasts for all major advertising markets. However, in contrast to the development in many other economic sectors, online advertising was able to continue its success story of the past few years.

According to the Interactive Advertising Bureau (IAB) and PricewaterhouseCoopers (Internet Advertising Revenue Report Q3/2008), online advertising revenues continue to grow in the USA. However, there was a noticeable slowdown in the pace of growth during 2008 as a result of the financial and economic crisis – from 18.2% in the first quarter to 12.8% in the second and 11.0% in the third. At the time of writing, the figures for the fourth quarter of 2008 were not yet available.

According to calculations prepared by Nielsen Media Research, gross online advertising revenues in Germany – generated with graphic advertising – grew by 26.9% in 2008 to € 1.5 billion. Nielsen Media Research also reported that there was a marked slowdown in the pace of growth in Germany over the last quarters. The Online Marketing Group (Online-Vermarkterkreis - OVK) of the German Digital Economy Association (Bundesverband Digitale Wirtschaft – BVDW) comes to similar figures: with growth of 25%, OVK states that online advertising in Germany boasts the highest growth rate by far compared with other media. Gross advertising revenues from classic online advertising, search word marketing and affiliate networks totaled € 3.65 billion. Classic online advertising displayed the strongest growth in 2008 (+27%), generating revenues of around € 1.9 billion. Search word marketing achieved year-on-year growth of 24% and climbed to around € 1.48 billion. The affiliate marketing segment grew by 25% to € 268 million.

Despite the adverse economic conditions, the German online advertising market thus once again confirmed the positive trend of the preceding years in 2008. While the proportion of spending on classic media formats continues to stagnate or steadily decline, online advertising continues to grow and gain further ground. Online advertising's share of the total advertising market has grown from 4.4% to 14.4% in the last four years. At the same time, media formats such as general-interest magazines (-3.3%), newspapers (-3.0%) and TV (-3.2%) have all lost market share.

Although online advertising continues to grow in significance – as part of the overall marketing mix – it was not able to escape the effects of the general economic situation. The same is still true today. As a consequence, the OVK's growth forecast of around 10% for 2009 is much more conservative than in previous years.

When comparing market growth as calculated by Nielsen or the OVK with actual market growth of companies operating in the market, it should be noted that both Nielsen Media Research and the OVK only "measure" gross spendings, and thus the official list prices. Discounts granted on these list prices – which became increasingly in 2008 in the face of fierce competition – are not considered in these figures. Against this backdrop, we expect that the growth in real sales of the online advertising market – based on spending – will fall significantly in total as a result of strong pressure on prices and discounts.

The international webhosting market also continues to enjoy strong 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 9.8 million in 2008 to reach a total of 107.3 million – an increase of around 10% over December 31, 2007. The German top-level domain “.de” also enjoyed strong demand in 2008 – despite a comparatively high online presence already achieved among consumers and businesses – and grew by 780,000 (+6.7%) to 12.45 million domains by the end of December. This purely quantitative market growth is also confirmed by forecasts, such as those of Gartner and IDC who expect annual growth rates of 15% and 16% until 2010. In their European Managed Webhosting Forecast of October 2007, the experts of IDC forecast growth of 11.3% to USD 4.2 billion for western Europe in 2008 – in the B-to-B webhosting sector alone. Good growth opportunities are forecast for all European markets in which we operate: Germany (+9.4%), the UK (+11.3%), France (+11.0%), Austria (+12.3%) and Spain (+13.4%).

This wide-scale market growth is driven primarily by the global demand for ever faster internet access. According to figures of the Deutschland Online report, maximum speeds were still around 3 Mbits/s in 2004, rose to 6Mbits/s in 2005 and had already reached 16 Mbits/s in 2006. For 2015, experts forecast that over 30% of all internet connections will be broadband and well beyond the current “16-Mbits/s barrier”. The sector association BITKOM forecasts that total online data traffic is already growing by 50-60% – whereby the data volume of private internet users is growing particularly fast, as ever more photos, videos and films in high-resolution quality are transmitted.

The growing penetration of private households with ever faster broadband connections enables internet service providers (ISPs), such as United Internet, to offer increasingly data-intensive and innovative products and services, such as video-on-demand or in future internet TV, and complex, web-based applications previously only known as PC software – often referred to as Software as a Service (SaaS) or Cloud Computing – which end customers or companies can use without any fall in performance. Widespread broadband access also opens up new opportunities for internet advertising, a field in which we are represented by our portals GMX, WEB.DE and 1&1, as well as by our Online Marketing segment. Advertisers are now able to use ever more data-intensive advertising formats, such as high-resolution video clips, for their online campaigns. According to the OVK, the use of video advertising formats already grew by 236% in Germany during 2008.

With its wide market coverage, United Internet benefits from this market development on several levels: as one of Germany’s largest DSL providers, as the leading provider of online advertising in Germany, as one of the leading European marketers of third-party online advertising space and as one of the world’s leading web hosts of complex, value-added applications at our data centers.

Business development

Successful development of Group's operating business

With 7.95 million fee-based customer contracts, United Internet AG is a leading international ISP. United Internet's operations are primarily through its subsidiaries 1&1 Internet AG, including WEB.DE GmbH, GMX GmbH, GMX Internet Services GmbH, United Internet Media AG, Fasthosts Internet Ltd., via InterNetX GmbH and via AdLINK Internet Media AG, including Sedo GmbH and affilinet GmbH.

Our brands are currently active in two business segments:

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

In our **Online Marketing** segment, we are mainly represented by the brands AdLINK Media, affilinet and Sedo. We offer advertisers a variety of marketing and sales solutions in this segment: Display Marketing via AdLINK Media, Affiliate Marketing via affilinet and Domain Marketing via Sedo. In contrast to the marketing of our own portals in the Product segment, we primarily market third-party domains and websites in this segment.

Quantitative performance indicators

In line with our positioning in the "Product" and "Online Marketing" segments, we measure our business success above all via the key indicators: sales, gross margin, EBITDA and EBT on the one hand, and customer contracts, reach/active users and marketable domains and websites on the other.

Successful international expansion

We continue to make strong progress in our international expansion. In 2008, our Group companies were active in 14 different nations through their own local offices. Despite a very strong Euro (especially against the US dollar and British pound), non-German sales grew by 4.1% during the period under review and contributed € 216.2 million (prior year: € 207.7 million) to total consolidated sales of € 1,649.6 million. Adjusted for currency fluctuations, foreign sales amounted to approximately € 238.2 million, corresponding to growth of 14.7%.

In the Product segment, we operate our “Webhosting” business in Germany, France, the UK, Austria, Spain and the USA. We also serve customers in numerous other countries via our international US website. In 2008, we raised the total number of non-German customer contracts by 380,000 – from 1.55 million as of December 31, 2007 to 1.93 million on December 31, 2008. After being represented on the US end-user market since 2004 by the 1&1 brand, our reseller brand Fasthosts also started activities there in the third quarter of 2008. To mark the brand’s US launch, Fasthosts offered resellers a free high-quality reseller-hosting package with unlimited storage space and data volume for one year. As in the UK, resellers in the USA can now also use Fastshosts’ white-label products to offer their customers completely independent webhosting packages or pre-confectioned all-in-one packages under their own name. All offers are hosted at our data farm in Lenexa, Kansas.

The international presence we have already achieved in the Online Marketing segment is a key element of our overall concept. In addition to the USA, our brands are represented in 13 European countries (Belgium, Germany, France, the UK, Italy, Croatia, the Netherlands, Norway, Austria, Sweden, Switzerland, Slovenia and Spain). In Display Marketing, we expanded into South-East Europe in early 2008 via our investment Goldbach Media. This involved the acquisition of online marketers in Croatia and Slovenia. In Affiliate Marketing, we added Spain and the Netherlands to our international platform in 2008. In our Domain Marketing business, Sedo has also been represented in London (UK) since mid 2008 – in addition to Cologne and Boston (USA) – via a cooperation with AdLINK Media.

Qualitative growth in DSL

In comparison with December 31, 2007 we succeeded in activating 230,000 new DSL contracts (net), bringing the total to approximately 2.82 million DSL customers as of December 31, 2008. Approx. 60,000 further DSL orders were being processed as of this date. In addition to the acquisition of new customers, the main focus of our DSL business during the period under review was to raise customer loyalty and expand business with our current client base. With now four pre-service providers (Arcor, Deutsche Telekom, QSC and Telefonica) we succeeded in converting a large number of existing customers to our all-inclusive packages in 2008, thus maximizing customer retention. Compared with December 31, 2007, we were able to raise the number of our all-inclusive packages – which no longer require a Telekom phone connection – by 670,000 to 780,000.

Strategic investments in Versatel and freenet

Versatel

United Internet acquired further shares in Versatel AG during the period under review and held a total stake of 25.21% in Versatel AG as of December 31, 2008.

freenet

United Internet and Drillisch also increased their shareholding in freenet AG to 24.52% in January 2008, via the jointly held company MSP Holding GmbH. In the course of the capital increase of freenet AG, in connection with its acquisition of Debitel, the shares held by MSP Holding GmbH in freenet AG were diluted from 24.52% to 18.39% as of July 5, 2008. On December 29, 2008, United Internet acquired 10,798,817 shares in freenet AG from MSP Holding GmbH, equivalent to 8.43% of voting rights. The proceeds were used to reduce the financial liabilities of MSP Holding GmbH. After executing this share transfer, MSP Holding GmbH still holds 12,751,183 shares in freenet AG, or 9.96% of voting rights. Drillisch AG continues to hold 7.52% of the voting rights in freenet AG. Due to the contractual voting commitment between United Internet AG and Drillisch AG, there is no difference in the share of voting rights in freenet AG held by United Internet AG, together with Drillisch and MSP Holding, which still totals 25.91% – as before the share transfer.

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 (United Internet shareholding: 66.67%), 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 (United Internet shareholding: 90.00%). In a contract dated March 5, 2008, United Internet also acquired an 80.00% stake in the European Founders Fund GmbH & Co. Beteiligungs KG No. 3. This fund specializes in small percentage investments in “later-stage companies”. In 2008, United Internet invested € 24.4 million in EFF No. 1 for shareholdings in young internet and technology companies (portfolio companies). Via the fully consolidated EFF No. 2 and EFF No. 3 funds, a total of € 24.5 million and € 50.1 million, respectively, was invested in portfolio companies. Proceeds from the sale of portfolio companies totaled € 20.0 million in 2008.

New investments in 2008

On February 8, 2008, United Internet acquired a 48.65% stake in the media holding company virtual minds AG and thus also in ADITION technologies AG. ADITION is the third-largest adserving supplier on the German online market, after DoubleClick and AdTech. United Internet’s strategic investment is aimed at securing the continued independence and competitive neutrality of ADITION via a minority holding. This will help to strengthen ADITION’s role as a neutral service provider following the takeover of DoubleClick and AdTech by Google and AOL, respectively, and their integration into the companies’ respective marketing systems.

On March 7, 2008, United Internet acquired 33.36% of shares in the Swiss BW2 Group AG. BW2 offers professional CRM and ERP business solutions.

ProSiebenSat.1 Media AG and United Internet placed their cooperation in the field of video-on-demand on a new basis in 2008. A jointly controlled company, maxdome GmbH & Co. KG, was founded in which ProSiebenSat.1 and United Internet (via 1&1 Internet AG) each hold 50% of shares. The respective contracts were signed on February 22, 2008. The transaction was approved by the anti-trust authorities of the European Commission on April 29, 2008.

On May 30, 2008, United Internet acquired all shares in the British Fasthosts reseller Dollamore Ltd., including its 130,000 customer relationships, via the Group subsidiary Fasthosts Internet Ltd..

On July 1, 2008 United Internet acquired a 30% stake in Jimdo GmbH. With its "Jimdo" website tools, the company offers a service for the easy creation of private or commercial home pages.

Segment development

Product segment posts 13.5% sales growth

The United Internet Group's dominant business remained its Product segment in 2008, with the brands GMX, WEB.DE, 1&1, InterNetX and Fasthosts, which together account for 86.9% of total sales.

In fiscal year 2008, sales in this segment grew by 13.5%, from € 1,261.9 million to € 1,432.8 million (currency adjusted: +14.7% to € 1,447.3 million). Earnings before interest, taxes, depreciation and amortization (EBITDA) improved by 6.9%, from € 279.4 million to € 298.6 million. Earnings before taxes (EBT) reached € 249.2 million, representing growth of 13.3% compared with € 219.9 million in the previous year. Despite high expenses for customer acquisition and retention (conversion to all-inclusive packages), the EBT margin once again reached 17.4%. Customer acquisition costs continue to be charged directly as expenses. The number of employees in this segment grew by 16.3% to 4,020 (prior year: 3,456).

Financial figures for Product segment
in € million

	31.12.2007	31.12.2008	Change
Sales	1,261.9	1,432.8	+13.5%
EBITDA	279.4	298.6	+6.9%
EBT	219.9	249.2	+13.3%

Quarterly development
in € million

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q4 2007
Sales	346.0	356.6	359.1	371.1	346.4
EBITDA	77.2	85.1	73.5	62.8	75.0
EBT	64.9	73.0	60.9	50.4	56.7

Our very healthy key financials in this segment are closely linked with the dynamic growth of our customer base. As of December 31, 2008 we had 7.95 million fee-based customer contracts (year-end 2007: 7.15 million). These are divided among the three product lines of our Product segment:

Information Management with professional e-mail solutions, messaging, address management, Pocket Web and 0700 numbers

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

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

Customer contracts
in million – without DSL backlog

2006	2007	2008
6.31	7.15	7.95

Customer contracts up by over 11%

Divided according to product lines, the contract figures comprise 1.36 million customer contracts in the field of Information Management, 3.62 million in Webhosting (of which 1.93 million outside Germany) and 2.97 million in Internet Access (of which 2.82 million DSL). The marketing of our all-inclusive DSL packages, which no longer require a Telekom phone connection, made very good progress in 2008. The number of complete customers grew by 670,000 in 2008 to stand at 780,000 by year-end.

Customer contracts by product line
in million – without DSL backlog

	31.12.2007	31.12.2008	Growth
Information Management	1.21	1.36	+0.15
Webhosting	3.21	3.62	+0.41
of which abroad	1.55	1.93	+0.38
Internet Access	2.73	2.97	+0.24
of which DSL	2.59	2.82	+0.23
of which resale/T-DSL	2.48	2.04	-0.44
of which all-inclusive DSL	0.11	0.78	+0.67
Total	7.15	7.95	+0.80

Leading supplier of internet advertising in Germany

With around 19.8 million active users, the United Internet AG portals (GMX, WEB.DE and 1&1) are used by more than 47% of all German internet users. According to the current "internet facts 2008-III" of the online research working group AGOF, the marketing company for our portals "United Internet Media" once again represents the largest supplier of internet advertising in Germany, in terms of both reach and advertising space volume. United Internet's portals rank 2nd (WEB.DE), 5th (GMX) and 34th (1&1) among the 500 online media measured in Germany.

Key player in global webhosting business

With 3.62 million webhosting customers around the world, over 65,000 servers, and more than 13 million domains, United Internet AG and its webhosting brands is one of the world's leading shared and dedicated hosts and a leading global domain registry. We succeeded in further enhancing our position and winning new customers in all our foreign markets during 2008. In addition to organic growth, we also acquired our UK reseller Dollamore and its 130,000 customer relationships in the past year.

Webhosting customers by country
in million

	31.12.2007	31.12.2008	Growth
Germany / Austria	1.66	1.69	+0.03
UK	0.74	0.94	+0.20
France	0.17	0.21	+0.04
USA	0.64	0.74	+0.10
Spain	-	0.04	+0.04
Total	3.21	3.62	+0.41

Hanau nuclear power plant to become green server farm

United Internet is building one of Europe's biggest data centers on the site of the Siemens Technopark in Hanau, Germany. In the building of the former "Neue MOX" fuel element factory, United Internet will set up an internet data center on 10,000 square meters of building space which will be gradually expanded according to needs and will ultimately offer space for up to 100,000 servers. By placing the new facility far away from the company's existing data centers in the Karlsruhe region, the company can guarantee the availability of its services in the case of catastrophes. Since late 2008, the building – originally planned as a nuclear plant – has been gradually converted into a "green" data center, as its energy needs will be supplied in future exclusively from regenerative sources, as with all other data centers. The first stage of the Hanau-based data center is expected to go into operation in late 2009.

No. 3 on the German DSL market

In its German DSL business, United Internet is the market's third largest provider after Deutsche Telekom and Vodafone/Arcor. In the period under review, we activated 230,000 new customer contracts (net) and had around 2.82 million contracts as of the balance sheet date. Approx. 60,000 further contracts were still being processed on this date.

In addition to the acquisition of new customers, the main focus of our DSL business in 2008 was to raise customer loyalty and expand business with our current client base. With now four pre-service providers (Arcor, Deutsche Telekom, QSC and Telefonica) we succeeded in converting a large number of existing customers to our all-inclusive packages in 2008, thus maximizing customer retention. Compared with December 31, 2007, we were able to raise the number of our complete packages – which no longer require a separate phone connection – by 670,000 to 780,000.

In addition to United Internet Media, the online marketer of our portals, we are represented by 8 brands in our Product segment:

GMX is one of the leading suppliers of communication services

GMX targets private users with its Information Management products. With 8.7 million unique 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.

Highlights 2008

GMX.com roll-out in UK and USA. Following extensive preparations, GMX launched its e-mail products in the USA and UK at the beginning of 2008.

Launch of GMX.at and GMX.ch. Following the roll-out of GMX.at and GMX.ch, e-mail users in Austria and Switzerland now also have access to high-quality, country-specific content and service areas.

Expansion of MultiMessenger. The GMX MultiMessenger was further developed into a communications center in 2008, combining various communication channels and aggregated them at a central place.

WEB.DE, Germany's No. 2 portal

WEB.DE is Germany's second largest portal with 12.8 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.

Highlights 2008

Software and freeware downloads. In January 2008 WEB.DE expanded its range of portal services with the addition of a platform for the legal download of around 800 fee-based and 10,000 free computer programs.

Expansion of Unified Messaging Services. With the change to 032 numbers, WEB.DE added convenient fax and answer phone functionality to its Unified Messaging Service.

Home banking with WEB.DE. In cooperation with the market leader Star Finanz GmbH, WEB.DE launched the safe and convenient online banking software Star Money in September 2008.

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

1&1 offers a wide range of reliable online applications for consumers 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 (PIM) via the internet (e.g. Pocket Web and Profi-E-Mail accounts). 1&1 is Germany's third-largest DSL supplier and one of the world's largest webhosting company, with operations in 6 countries.

Highlights 2008

Expansion of data network. With the expansion of its network in 2008, 1&1's data centers in Germany and the USA now enjoy internet connections with bandwidths of over 120 Gigabit/s.

Roll-out of 1&1 MediaCenter. The MediaCenter centrally aggregates personal media (photos, video and music files) and internet offerings (e.g. maxdome or ZDF Mediathek) for use via the TV or hi-fi system.

1&1 introduces Homeserver. The Homeserver combines six devices (network server, router, media server, telephone system, DECT basis station and DSL modem) for jointly used applications throughout the house.

Expansion of mobile data services. In the field of "Mobile Internet", 1&1 launched a number of new tariff options (including flat rates) and end-user devices (such as UMTS) for consumers and professionals in 2008.

InterNetX – the provider's provider in Germany

InterNetX comprises all United Internet's reselling activities in Germany. 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 2008

Expansion of reseller network. In 2008, InterNetX succeeded in gaining further new sales partners. The company now serves some 19,100 resellers (prior year: 17,700), for which it hosts 2.4 million domains and 1,100 servers.

Portfolio expanded. Apart from expanding its portfolio of domains (.cz, .vn, .pe, .cn, .me, .tel and others), InterNetX also launched a trustee service in 2008 for many top-level domains, such as .de, .eu, .fr and .nl.

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 over 5,700 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 2008

Acquisition of Dollamore. In 2008 Fasthosts acquired approx. 130,000 customer relationships of its former reseller Dollamore Ltd., as well as the Streamline.net brand.

US roll-out. Fasthosts launched its reseller products in the USA during the third quarter of 2008. In the course of the market launch, sales partners were allowed an unlimited and free test of the products for a period of one year.

Difficult year for online marketing

In our Online Marketing segment, we offer advertisers a variety of marketing and sales solutions: Display Marketing via AdLINK Media, Affiliate Marketing via affilinet and Domain Marketing via Sedo. In contrast to the marketing of our own portals in the Product segment, we market third-party domains and websites in this segment – in 12 European countries and the USA.

In addition to the problematic development of the Domain Marketing segment since the second quarter of 2008, the strong fall in demand for Display Advertising especially in the third and fourth quarters had a significant negative impact on key sales and earnings figures in the Online Marketing segment in 2008. The reluctance of our customers to spend on advertising led to falling sales volumes as well as fierce competition for the remaining budgets, which in turn increased the pressure on prices and margins. In contrast to the sales and earnings figures in our Domain and Display business, which fell well short of expectations, our Affiliate Marketing business performed as expected.

Against this backdrop, sales in the Online Marketing segment fell by 3.9%, from € 224.8 million in the previous year to € 216.1 million. Adjusted for currency fluctuations, segment sales remained virtually stable at € 223.6 million – despite the adverse market conditions. Without adjustment, the Online Marketing segment accounted for 13.1% of the United Internet Group's total sales in the period under review. EBITDA fell by 70.2%, from € 43.3 million in the previous year to € 12.9 million – whereby the prior-year figure contains positive non-recurring effects of € 16.8 million from the contribution of our shares in AdLINK Switzerland and AdLINK Austria to Goldbach Media AG. EBT decreased from € 29.6 million to € -7.9 million – whereby prior-year EBT contains positive non-recurring effects of € 7.4 million (€ 16.8 million income from the contribution of company shares to Goldbach and € 9.4 million expenses for good impairment charges), while EBT in 2008 was burdened by negative special items totaling € 17.1 million (€ 7.9 million writedown on our Goldbach investment and € 9.2 million good impairment charges in Germany and France). As of December 31, 2008 the segment employed 516 people (prior year: 472).

Financial figures for the Online Marketing segment
in € million

	31.12.2007	31.12.2008	Change
Sales	224.8	216.1	-3.9%
EBITDA	43.3*	12.9	-70.2%
EBT	29.6*	-7.9**	

Quarterly development
in € million

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q4 2007
Sales	55.8	55.6	48.1	56.6	67.8
EBITDA	5.3	4.7	1.2	1.7	8.4
EBT	4.3	4.2	0.1	-16.5	7.3

* EBITDA and EBT 2007 include a non-recurring positive effect of € 16.8 million (EBITDA) and € 7.4 million (EBT)

** EBT 2008 includes a non-recurring negative effect of € 17.1 million

AdLINK Media: independent online marketer in Europe

AdLINK Media is one of Europe's largest independent online marketers. The company's business model is based on an online advertising network consisting of high-reach websites generating over 10 billion ad impressions per month, which it markets to advertisers for Display Marketing (branding purposes or direct product sales). Payment is either on a CPM basis (cost per thousand contacts) and/or performance-based pay-per-click basis.

Highlights 2008

Expansion into South-East Europe. In 2008, AdLINK continued its expansion into South-East Europe – via its investment in Goldbach Media – with the acquisition of online marketers in Croatia and Slovenia.

Launch of TGPopen. In the second half of 2008, the targeting standard TGPopen of sister company United Internet Media was introduced in the company's German Display Marketing business.

Portfolio expanded. A number of top-quality websites were gained for marketing during the year, including CinemaxX and Zattoo in the field of entertainment, and eBay Belgium in the field of e-commerce.

Reach extended. In the period under review, the number of ad impressions generated via the network grew from 8.5 billion (average in Q4/2007) to over 10.3 billion (average in Q4/2008).

Sedo: World's leading domain marketing company

Sedo operates the global domain trading platform sedo.com, where some 15.3 million domains are currently traded. 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 2008

Portfolio expanded. In the period under review, the company's portfolio of marketable domains grew from 5.1 million at year-end 2007 to 6.2 million domains at the end of 2008.

Investment in DomainsBot S.r.l. Effective January 1, 2008, Sedo acquired a 40% stake in the Italian company DomainsBot S.r.l., a specialist for innovative domain search technology.

Platform optimized. Certifications for customers and bidders were introduced in 2008, in order to enhance the quality of the advertising offer on the one hand and guarantee a safe market place for sellers on the other.

Further internationalization. Sedo has been represented by an office in London (UK) since mid 2008 – in addition to its offices in Cologne and Boston (USA) – via a cooperation with AdLINK Media.

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 2008

Roll-out in the Netherlands and Spain. In 2008, affilinet continued its international expansion policy with its entry into two further European nations – the Netherlands and Spain.

Publisher Communication Center. The new Publisher Communication Center enables more efficient administration for advertisers and optimum communication with their online sales partners.

International Developer Portal. In September, affilinet launched an International Developer Portal. The aim of the portal is to develop innovative web applications and thus raise program revenues.

Research and development

R&D results quickly translated into marketable products

United Internet is not only a supplier of internet services, but also stands for innovations developed by its own team of specialists. Our success is rooted in an ability to develop or adapt innovative products and services and launch them on major markets. In the future-oriented internet market, it is particularly important to implement marketable ideas as swiftly as possible. With our own development teams, we are able to quickly translate ideas into marketable products and continually enhance products already on the 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 a decisive competitive edge on the market. At our development centers in Karlsruhe and Bucharest, over 450 developers use mainly open source code (Linux). 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 solutions.

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, 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 pre-service providers.

The overwhelming majority of our product developments and implementations in 2008 were for our Product segment. These focused in particular on expanding line and computing capacities as well as on the fields of internet entertainment and mobile internet.

Data network expanded

The expansion of our Wide Area Network (WAN) has provided our high-performance data centers in Germany and the USA with internet connections of over 120 Gigabit/s. We also made our first direct connection with a major exchange node outside Europe – Equinix in Chicago. As a result, our external bandwidth tripled within just twelve months. At the same time, the Europaring, which connects our Karlsruhe-based data centers with the most important internet nodes in Frankfurt, London and Amsterdam, was expanded to a standard level of at least 10 Gigabit/s. The expansion of internet bandwidth ensures that the content and applications of our webhosting customers in Europe and the USA can continue to be delivered reliably and at high speed and that we are prepared already for the demand for greater bandwidth, due above all to multimedia applications such as video streams.

At the same time as the expansion of our Wide Area Network, we also changed the underlying technology. Instead of SDH (Synchronous Digital Hierarchy), we now use Ethernet technology – as known from use in companies and homes. This also enables us to achieve cost savings by using more powerful routers. Improved external connections also saves further costs, as the data streams can be distributed optimally with the aid of new peerings and routing alternatives.

TGP® becomes separate product under TGPopen brand

Our media targeting tool TGP®, with which advertisers can tailor their campaigns to specific target groups throughout the entire United Internet Media portfolio, was expanded and refined again in 2008. TGP® enables direct and efficient customer targeting, without the need for aids, such as topic environments, and without any restrictions regarding advertising format or targets. Targeting with TGP® is based on a huge database using four data sources: socio-demographics, surfing behavior, psychographics and also real-life purchase behavior data from GfK's ConsumerScan. This variety of data sources allows detailed target group profiling and analysis. The TGP® ad system shows each person of a target group, wherever they are on our portals, the advertising which is exactly relevant to them when they call up a website. This means that target groups can be contacted precisely, irrespective of their momentary surfing environment. Advertising is thus no longer regarded as annoying. This enhances the impact and thus the efficiency of the advertiser's campaign. In addition to continual development of the system, work on TGP® in 2008 focused in particular on developing the system as a separate product "TGPopen", which can also be provided to other marketers with the aid of a licensing model. Our sister company AdLINK Media became the first partner for TGPopen in the second half of 2008.

MediaCenter links internet and TV

With the new 1&1 MediaCenter box, internet entertainment can now be enjoyed together with other personal media in the comfort of the consumer's living room. The MediaCenter provides a connection between the consumer's TV and hi-fi equipment and the internet. Using the remote control, users can access web content – such as videos, breaking news, songs, audio and video podcasts and Germany's largest online video rental service maxdome – as well as private photos and videos, and their own MP3 files stored on their home PC.

The 1&1 MediaCenter is also the first device to enable viewers to watch the 7-day catch-up service of Germany's ZDF Mediathek on their TV. This was previously only possible on PCs. The programs on offer also include news, business magazines, talk shows, sports broadcasts and selected series. The news and services of N24 can also be accessed as a free and up-to-date source of interactive information from the field of politics, business and sport. In addition, the latest regional and national weather forecasts are provided by wetter.com.

1&1 MailXchange for Symbian cellphones

1&1 expanded its professional e-mail solution 1&1 MailXchange so that it is now also available with free client software for Symbian cellphones. The software

enables users to organize personal e-mail, dates, contacts and tasks with extensive functions for efficient team work and file administration, and to synchronize them in real time. Symbian is the most widely used operating system for so-called smartphones. With Windows Mobile and Symbian, 1&1 MailXchange now supports the overwhelming majority of all internet-capable cellphones and expands the target group for the reasonably priced mobile communication solution 1&1 MailXchange, especially with regard to freelancers, small firms and sales representatives.

Internationalization of GMX e-mail product

With the roll-out of the e-mail services gmx.com, gmx.co.uk and gmx.fr, GMX laid the foundation for the expansion of its international presence in 2008, particularly with regard to the USA, the UK and France. The e-mail product for these countries includes a new type of e-mail client. The new client was developed with the aid of qooxdoo, a framework based on Ajax programming technology, which was initiated and is being driven by 1&1 and GMX as an open-source project. The client provides private and professional e-mail users with an innovative and convenient interface, which is adapted to the functions of desktop applications. The product also includes a state-of-the-art organizer, offering full Outlook compatibility, as well as a file store with 5 GB of storage space for filing, archiving and backing up files.

Employees

As of December 31 2008, the United Internet Group employed a total of 4,565 people – an increase of 15% over the previous year (3,954). There were 4,020 employees in the Product segment, 516 in the Online Marketing segment and 29 employed at the Group's headquarters. Our non-German subsidiaries employed 947 people (prior year: 827). Personnel expenses rose by 17.8%, from € 145.8 million to € 171.8 million.

Principles of the remuneration system for the Management Board and Supervisory Board

The Supervisory Board is responsible for determining the remuneration of the Management Board. The members of the Management Board of United Internet AG are compensated according to performance. This compensation consists of a fixed and a variable element. In the case of one Management Board member, there is a component providing long-term incentives in the form of Stock Appreciation Rights (SARs). The exercise hurdle for this program is 120% of the strike price. Payment of value growth is limited to 100% of the calculated share price.

The amount of these remuneration components is regularly reviewed. The fixed remuneration component is paid monthly as a salary. The size of the variable 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% and 120%. No bonus is paid below 80% of the agreed target and the bonus calculation ends at 120% of the agreed target. Subsequent amendment of the performance targets is not provided for. There is no minimum guaranteed bonus. In 2008, the fixed component accounted for 60% and the variable component for 40% of Management Board remuneration. 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 programs for members of the Supervisory Board. There was only fixed remuneration in 2008.

Result of operations, financial position and net assets

Growth in operating business; earnings burdened by high impairment charges for strategic investments

Despite the strength of the euro against the US dollar and UK pound, and the growing weakness of the online advertising market during 2008, consolidated sales of United Internet AG grew by 10.9%, from € 1,487.4 million in the previous year to € 1,649.6 million in 2008. Adjusted for currency fluctuations, consolidated sales grew by 12.4% to € 1,671.6 million.

As expected, the subscription-based business of the dominant "Products" segment – with the brands 1&1, GMX, WEB.DE, Fasthosts and InterNetX – not only proved stable but enjoyed further growth. However, sales in the "Online Marketing" segment – with the brands AdLINK Media, affilinet and Sedo – were burdened initially by problems in the field of Domain Marketing and, especially in the second half of the year, by the reduced spending of advertisers in our media business in the wake of the global financial and economic crisis, as well by falling prices due to fierce competition for remaining advertising budgets.

In our Product business, we benefited from rising customer figures in all product lines (+800,000 customer contracts in 2008) and were able to convert this growth into increasing sales and earnings figures. However, the reduced spending of our advertising customers in the second half of the year, and especially the fourth quarter, was also noticeable in this segment – for the marketing of our portals. With regard to expenses, we invested in gaining new customers for our DSL business (+230,000 contracts), but above all also in strengthening customer loyalty. We made very strong progress in the marketing of our DSL complete packages in 2008. These packages, for which customers no longer require a separate phone connection, are of great importance for

customer retention. The number of complete customers grew by 670,000 in 2008 to a total of 780,000 at year-end.

In Online Marketing, sales and earnings were already burdened from the beginning of the second quarter by the problematic development in the field of Domain Marketing. Changes in the policy and algorithms of our most important partner in the field of search engines have since been slowing down the development of this business, which still boasted high growth and margins in 2007. Sales and earnings in the Online Marketing segment were also burdened by the increasing weakness of the online advertising market in the second half of the year, which deteriorated noticeably from quarter to quarter. The weakness of the UK pound and US dollar against the euro also had an adverse effect.

All in all, consolidated gross margin fell from 39.8% in the previous year to 39.0% in the period under review. The main reason was the stronger growth of our DSL business and the related change in the product mix. Compared with other products, such as webhosting and information management, the DSL business has higher sales but a lower gross margin.

Due to high costs for customer acquisition and increased spending on customer retention, sales and marketing expenses grew from € 248.2 million (16.7% of sales) to € 278.6 million (16.9% of sales). Thanks to economies of scale, administrative expenses grew more slowly than sales, from € 82.5 million (5.5% of sales) in 2007 to € 83.7 million (5.1% of sales) in the period under review.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose by 3.2% to € 318.8 million, compared with € 308.8 million in the previous year. It should be noted that EBITDA in the previous year contained a positive special item of € 16.8 million in the Online Marketing segment, which resulted from the contribution of AdLINK Switzerland and Austria to Goldbach Media.

Against a backdrop of greatly reduced stock market prices in 2008 for our strategic investments freenet (also via MSP Holding), Versatel, Drillisch and Goldbach Media, the Management Board and Supervisory Board resolved to write down the carrying values of the aforementioned companies to their market prices as of December 31, 2008 and to make further writedowns on the valuation of non-listed investments. These writedowns are included in particular in the items "Result from associated companies" (€ -234.2 million) and "Writedowns on investments" (€ -42.4 million). These impairment charges resulted in total non-cash, and non-tax-effective special items totaling € -275.4 million, which in turn led to net income of € -121.5 million and earnings per share (EPS) of € -0.52. Adjusted for these negative special items, net income remained virtually stable at € 153.9 million, compared with the previous year .

Consolidated financial figures
in € million

	31.12.2007	31.12.2008	Change
Sales	1,487.4	1,649.6	+10.9%
EBITDA	308.8	318.8	+3.2%
Net income from continued operations	155.4	-121.5*	
Net income after discontinued operations	223.5	-121.5*	

Quarterly development
in € million

	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q4 2007
Sales	402.0	412.4	407.4	427.8	414.3
EBITDA	83.2	88.6	77.7	69.3	73.3
Net income	45.1	45.2	-103.8*	-108.0*	52.5

* The figures for 2008 include total negative, non-recurring and non-cash effects of € 275.4 million – of which € 145.6 million refer to Q3 and € 129.8 million to Q4.

Cash flow, investment and finance

Despite high expenses for customer acquisition and retention, operative cash flow was slightly above the prior-level at € 210.5 million (prior year: € 209.8 million). The decline in cash flow from operating activities from € 291.9 million in the previous year to € 153.0 was primarily due to the increase in trade payables of € 73.3 million in the previous year, due to the balance sheet date, compared with a decrease in trade payables of € 62.1 million in 2008.

In terms of capital expenditures, the Group invested a total of € 237.2 million in 2008 (prior year: € 343.4 million). As in the previous year, the main item was the purchase of shares in associated companies / joint ventures amounting to € 160.7 million (prior year: € 309.3 million). This resulted mainly from the acquisition of shares in Versatel and freenet as well as contributions to EFF Funds No. 1 and No. 2. The sale of twenty4help in 2007 resulted in proceeds of € 85.2 million.

Investments in tangible and intangible assets amounting to € 42.0 million (prior year: € 58.8 million) focused mainly on the Product segment, and in particular on the scheduled expansion of data centers, infrastructure and server capacities. An amount of € 50.9 million was invested in other financial assets in 2008 (mainly for investments as part of EFF Fund No. 3). This was opposed by capital repayments from EFF Fund No. 1 and proceeds from the sale of our investment

Bigpoint amounting to € 32.3 million. The disbursement of € 31.5 million in the previous year resulted mainly from the acquisition of shares in Drillisch AG.

With regard to cash flow from financing activities, proceeds from new loans totaling € 172.5 million (prior year: € 250.7 million) were offset mainly by disbursements for the acquisition of treasury shares amounting to € 51.6 million (prior year: € 133.8 million) and dividend payments of € 45.9 million (prior year: € 42.5 million)

Assets and equity

In 2008, the Group's overall asset structure was influenced in particular by the decrease in shares held in associated companies and joint ventures from € 309.0 million in the previous year to € 221.7 million – as a result of impairment charges on the carrying values of these companies. The shares held in associated companies consist mainly of our stake in Versatel AG (€ 116.4 million) and freenet AG (€ 44.8 million) as well as the investment in MSP Holding GmbH (freenet AG) amounting to € 16.8 million. Cash and cash equivalents amounted to € 55.4 million as of the balance sheet date (prior year: € 59.8 million). Total consolidated assets decreased from € 1,214.0 million in the previous year to € 1,102.0 million, of which goodwill accounted for € 388.8 million at year-end 2007 and € 378.9 million at year-end 2008.

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

Net borrowing grew from € 311.3 million in 2007 to € 489.0 million in 2008. This was mainly the result of largely debt-financed acquisitions and the purchase of treasury shares. Bank liabilities grew from € 371.1 million to € 544.4 million. Due to the deduction of treasury shares from shareholders' equity, and high impairment charges on the carrying values of our investments, the consolidated equity ratio fell from 31.6% to 13.2%. Mainly as a result of writedowns, the Group's accumulated profit fell from € 171.7 million in 2007 to € 5.6 million.

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.

Annual financial statements of the parent company United Internet AG

Earnings of United Internet AG

In the period under review, sales of United Internet AG amounted to € 3.8 million (prior year: € 9.2 million) and mainly comprise services provided to the Group's subsidiaries. In the previous year, sales also included cost allocations within the Group for sponsoring activities in connection with the America's Cup.

Other operating income in the previous year amounting to € 77.2 million resulted mainly from the contribution of AdLINK shares to a 100% subsidiary of

United Internet AG (€ 69.7 million) and from the sale of shares in NT plus (€ 6.2 million).

Due mainly to increased investment income from the operating subsidiary 1&1 Internet AG, income from profit transfer agreements increased to € 250.9 million. This was opposed by the loss transfer from United Internet Beteiligungen of € 93.4 million due above all to writedowns on financial assets.

As a result of the negative share price performance of our listed investments in freenet AG (via MSP Holding) and Versatel AG, as well as the treasury shares held by United Internet AG, there writedowns on financial assets and marketable securities of € 342.6 million in the period under review.

As a result of these writedowns on financial assets and marketable securities of € 342.6 million (prior year: € 0), pre-tax earnings of the parent company amounted to € -218.4 million (prior year: € 249.7 million). The parent company's net loss amounted to € 279.3 million – compared with a net profit of € 182.0 million in the previous year.

Assets and financial position of United Internet AG

The parent company's balance sheet is mainly influenced by shares in affiliated companies amounting to € 403.1 million (prior year: € 393.6 million) as well as by investments of € 169.6 million (prior year: € 291.8 million). The decline in investments results mainly from writedowns on the carrying values of investments amounting € 216.0 million. The main additions to investments in 2008 were the investment in Versatel AG (€ 57.3 million) and freenet AG (€ 36.5 million). As of December 31, 2008, United Internet held 22,000,000 treasury shares (prior year: 18,000,000). As a result of the share price value on the balance sheet date, treasury shares were written down by € 126.6 million.

Bank liabilities of United Internet AG result from a revolving syndicated loan, € 380 million of which had been drawn as of the balance sheet date (prior year: € 370 million), as well as a promissory note loan of € 150 million placed in 2008. The equity ratio fell to 31.0% as of December 31, 2008 (prior year: 58.4%), due in particular to partially debt-financed investments and high writedowns.

The Annual Shareholders' Meeting of United Internet AG followed the recommendation of the Management Board and Supervisory Board of United Internet AG and resolved on May 27, 2008 to pay a dividend of 20 cents per share (prior year: 18 cents). The total dividend payment of € 45.9 million was made on May 28, 2008. No dividend payment is planned for the fiscal year 2008.

Additional disclosures on financial instruments and financial risk management of the parent company

The main financial liabilities incurred by the parent company to finance its activities include bank loans, promissory notes, overdraft facilities, convertible bonds 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 held derivative financial instruments resulting mainly from an obligation to deliver shares in listed companies and interest-hedging agreements.

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

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 maintain continual coverage of its financial needs while 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 which are available at short notice. These liquidity reserves consist of syndicated credit lines with varying terms.

The Company has no significant concentration of liquidity risks.

Market risk

The activities of United Internet are mainly exposed 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 liquidity planning we constantly monitor the various investment possibilities and borrowing terms. 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.

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.

Two interest hedging agreements totaling € 200 million were concluded in the period under review to cover the risk from interest rate changes.

Currency risk

The currency risk of United Internet results mainly from operating activities (if revenues and/or expenses are in a different currency than the Group's functional currency) and net investments in foreign subsidiaries. There were no foreign exchange risks with a significant impact on cash flow in the period under review.

Stock exchange risk (valuation risk)

A stock exchange risk results mainly from investments in listed companies. These investments are valued at cost. As soon as the (pro rata) stock exchange value of an investment lies permanently below its acquisition cost, the Company recognizes the impairment of this financial instrument in its result for the period.

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 (sales, gross profit, EBITDA and EBT) 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, 2008 and December 31, 2007, no changes were made to the Company's targets, methods and processes.

Dividend

At the Annual Shareholders' Meeting on May 27, 2008, it was voted to accept the proposal of the Management Board and Supervisory Board of United Internet AG concerning the payment of a dividend of 20 cents per share (prior year: 18 cents). The payment of € 45.9 million in total was effected on May 28, 2008. In view of the balance sheet loss in the annual financial statements of the parent company United Internet AG, no dividend will be paid for the fiscal year 2008.

Investments as of December 31, 2008

In addition to its core brands, United Internet also holds investments in a number of other companies.

fun communications GmbH (United Internet stake: 49.00%) posted a positive operating result in the period under review.

Together with the Samwer brothers, United Internet has been investing since mid 2007 in funds with a variety of focus areas. In 2008, United Internet invested in around 60 companies via the three funds. Writedowns/impairments were made on the carrying values of certain portfolio companies as at the end of 2008.

On February 8, 2008, we acquired a 48.65% stake in the media holding company virtual minds AG. virtual minds posted a positive operating result in 2008.

On March 7, 2008, United Internet acquired 33.36% of shares in BW2 Group AG. BW2 offers professional CRM and ERP business solutions. The company is currently in the process of realigning its business model.

On July 1, 2008 United Internet acquired a 30% stake in Jimdo GmbH. With its "Jimdo" website tools, the company offers a service for the easy creation of private or commercial home pages. The company is still in the process of establishing its business.

The cellphone provider Drillisch AG, in which we have held a 9.68% stake since November 2007, posted a significant loss for its fiscal year 2008 as the result of high impairment charges.

United Internet acquired further shares in Versatel AG during the first half of 2008 and held a total stake of 25.21% in Versatel AG as of December 31, 2008. The company is expected to post a significant loss for its fiscal year 2008.

In January 2008, United Internet and Drillisch raised their shareholding in freenet AG to 24.52% via their jointly held company MSP Holding, in which each company holds a 50% stake. In the course of the capital increase of freenet AG, in connection with its acquisition of Debitel, the shares held by MSP Holding GmbH in freenet AG were diluted from 24.52% to 18.39% as of July 5, 2008. On December 29, 2008, United Internet acquired 10,798,817 shares in freenet AG from MSP Holding GmbH, equivalent to 8.43% of voting rights. The proceeds were used to reduce the financial liabilities of MSP Holding GmbH. After executing this share transfer, MSP Holding GmbH still holds 12,751,183 shares in freenet AG, or 9.96% of voting rights. Drillisch AG continues to hold 7.52% of the voting rights in freenet AG. Due to the contractual voting commitment between United Internet AG and Drillisch AG, there is no difference in the share of voting rights in freenet AG held by United Internet AG, together with Drillisch and MSP Holding, which still totals 25.91% – as before the share transfer. As a result of high impairment charges on the carrying value of the freenet shares, MSP Holding posted a significant loss for its fiscal year 2008.

Explanation of disclosures acc. to Secs. 289 (4), 315 (4) German Commercial Code (HGB)

Composition of capital

The subscribed capital of United Internet AG as of December 31, 2008, amounts to € 251,469,184 divided into 251,469,184 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, owns 92,000,000 shares or 36.58% 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 € 4,868,364.00, divided into 4,868,364 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 27, 2008 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 26, 2009. The price for the acquisition of these shares may not be more than 10% lower or 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 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 27, 2008, 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 26, 2009.

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) NO. 8 AktG.

Subsequent events

According to leading market analysts, the predominantly positive conditions for those target markets of relevance to United Internet remain unchanged in 2009 – despite global recessionary tendencies.

On February 25, 2009, United Internet's subsidiary Sedo acquired all shares in its US competitor RevenueDirect. At the same time, Sedo agreed a close strategic alliance with the previous owner, Dotster. The acquisition of RevenueDirect will enable Sedo GmbH to significantly expand its share of the North American market. Sedo expects its alliance with Dotster – one of the "heavyweights" on the US domain registry market with over three million registered domains – to offer further strategic benefits with regard to its further expansion on the fiercely competitive US domain parking market.

Subject to approval from the respective anti-trust authorities, United Internet signed an agreement on December 12, 2008 with the owner of united-domains AG, LYCOS Europe NV, concerning United Internet's acquisition of united-domains. Following approval from the anti-trust authorities, the acquisition was concluded on February 27, 2009. 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 by a young team of software developers, business specialists and lawyers in August 2000 and has since become one of Europe's leading domain registries. united-domains currently administers over 1.1 million domains of around 180,000 customers. The company is still run by the founders Florian Huber (CEO), Alexander Helm and Markus Eggensperger, who will retain a shareholding of around 15% after the acquisition. In the run-up to the transaction, the value of united-domains AG was set at around € 34 million. The final purchase price will be determined after united domains AG has posted its annual financial statements for fiscal year 2008 and an accrual account based on the date of completion. The purchase price was settled fully in cash – whereby € 7 million will be held in escrow as a security guarantee for United Internet.

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

Risk report

Risk management system

The aim of 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 Enterprise Risk Management was defined by the Management Board and Supervisory Board of United Internet AG and documented as part of a risk manual available to all members of the Group. These requirements are continually compared with the changing legal conditions and adapted or developed further as required.

The risk management system is based on the COSO ERM framework, which we have adapted to the needs of United Internet AG. 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 Enterprise Risk Management 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 significant negative impact on the Group's net assets, financial situation and results of operations.

The identified risks of United Internet AG are given a monetary rating where possible and assessed according to the probability of their occurrence. Wherever sensible, risk-limiting measures were defined for each significant risk. The current risk status is communicated to the Management Board and Supervisory Board on a quarterly basis. Sudden risk occurrences or significant changes in the risk situation trigger an ad-hoc reporting obligation. The respective risk is 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. United Internet AG 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 have been developed aimed at minimizing possible damage and protecting 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 AG, this has resulted in a significant rise in our capacity utilization with the effect that processes may be impeded. We continually monitor mail traffic and take 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 damage.

Market regulation

In the field of internet access, the decisions of the Federal Network Agency and Federal Cartel Office in Germany have an influence on the pricing of internet access tariffs in the Product segment. 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 these tariffs. On the other hand, there is also the possibility that a lack of regulation may lead to a deterioration of market circumstances for United Internet AG under certain circumstances. United Internet attempts to counter this regulation risk by cooperating with several supply partners in our DSL business. Decisions taken by the Federal Network Agency in the field of internet telephony (VoIP) also have an impact on our business processes. External requirements 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 in a phase of market share allocation, during which its former strong growth is subsiding. We assume that fiscal year 2009 will continue to be marked by takeovers and company mergers along the value chain. In addition to our major competitors, local town network operators, cable network operators and other network operators with their own infrastructure are active on the market. There is a risk that the achievable level of end-user prices

may continue to fall and/or that customer acquisition costs may rise further. Increasing competition and/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 by, for example, developing innovative and high-value products, using exclusive sales channels, and creating high customer with all-inclusive packages and a variety of added values.

Dependency on customers/business partners

The advertising budgets of advertisers are highly dependent on the economic development, which is currently subject to many uncertainties. Moreover, advertising budgets are often awarded only for a single campaign. In the Online Marketing segment, a considerable proportion of sales is generated with individual key accounts. Business relations are once again due for renegotiation in fiscal year 2009. 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. Our sub-group Online Marketing attempts to reduce this risk by using experienced key account managers, by maintaining close cooperation with our business partners, by widening our customer base, and in particular by offering a compelling range of products and services.

Operating risks

Product development

A significant success factor of United Internet AG is the development of new products and services for our core brands in order to provide new and existing customers with top-quality and innovative value-added internet services and thus raise the total number of customer contracts. There is always a risk, however, that new developments might be launched too late on the market or not accepted. United Internet AG attempts to minimize such risks by closely observing market trends and undertaking extensive product development. In cooperation with the Samwer brothers and the jointly held "European Founders Fund", United Internet AG also supports European internet and technology companies in order to profit in future from their innovations.

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. There is also the risk of targeted attacks from inside and outside the Company, e.g. from hackers or willful manipulation by staff. The integration of purchased business systems into the existing system landscape also bears the risks of interruptions and malfunctions due to the inherent complexity of our systems. Non-availability or deterioration of our services could have a sustained negative impact on the image and thus the operating business of United Internet AG. A wide variety of software- and hardware-based safety precautions have therefore been taken to 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. Access restrictions also ensure that employees may only operate within their particular area. As a precautionary measure, all data are regularly backed up and hosted in separate data centers.

Legal risks

Property rights

Both United Internet AG 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 excluded. This may reduce the competitive advantage we have achieved. In the same way, United Internet AG may also face damage claims for infringing rights or patents of which we had no knowledge.

Data protection

United Internet AG hosts the data of several million customers on its servers. These data are subject to certain 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. Should employees or third parties succeed, however, in willfully breaking through the various security measures and stealing personal data, United Internet AG might be made liable for any 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 or utilizing favorable market opportunities. Should the acquired companies not fulfill the expectations we placed in them, or should the integration processes to leverage synergies prove more difficult than planned, this may have a negative impact on the profitability and financial position of United Internet AG. We generally counter this risk by means of extensive due diligence audits prior to acquisitions, but cannot exclude such risks.

Writedowns / impairment

The same applies for – generally strategic – investments in listed companies. A change in the valuation basis caused by falling global share prices – as in 2008 – may require extensive writedowns on existing investments. Depending on the further share price development of our listed investments, there may be further non-cash-effective burdens on our operating business from writedowns/impairment.

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 introducing various 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 2008, neither from individual risk positions nor from the overall risk situation for the United Internet Group.

Dependent Company Report

In compliance with Sec. 312 (1) AktG, the Management Board of United Internet AG presented the Supervisory Board with a Dependent Company Report dealing with the Company's possible dependence on its CEO and major shareholder Mr. Ralph Dommermuth. It closes with the declaration that the Company received adequate compensation (quid pro quo) for each legal transaction in accordance with the circumstances known at the time when such transactions 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.

Outlook

Global economy 2009 near to zero growth

The International Monetary Fund (IMF) has reduced its economic forecast for 2009 once again. The IMF now expects the global economy to grow by just 0.5% in the current year. That would be the lowest growth rate since the end of World War Two, according to the updated "World Economic Outlook" report published in late January 2009. In November 2008 the IMF was still expecting growth of 2.2%: it therefore reduced its own forecast by 1.7 percentage points within just two months – whereby IMF Managing Director Dominique Strauss-Kahn did not exclude further reductions toward "zero" in mid February 2008. For 2010, the IMF expects global growth of 3.0%.

The financial problems remain acute and will also affect the real economy – states the IMF report. According to the IMF, a sustained economic recovery will not be possible until the finance sector is fully functional again and the credit crunch has been resolved.

Even worse than the IMF's forecast for the USA (-1.6%) is its expectation for the Euro zone (-2.0%).

All leading institutes also forecast a steep downturn for the German economy in 2009. The general view is that economic output will fall by around 2%. At the same time, Germany faces a considerable increase in borrowing in 2009, due in part to the direct consequences of the economic crisis and in part to the cost of the government's recovery packages. The German government hopes to support industry and consumers with investments, economic aid and tax breaks in order to dampen the effects of the expected recession.

Prospects for ITC markets remain healthy

The economic crisis has so far only had a limited impact on the high-tech industry. This was confirmed by a representative survey of the ITC sector, which the sector association BITKOM presented on the eve of the CeBIT fair in Hanover. According to the survey, 55% of companies questioned had so far felt no direct effects of the crisis on their business. The others reported lower sales or fewer new orders than expected before the crisis.

According to the latest survey, 46% of companies expect a turnaround in their sector already in 2009. 42% expect a marked improvement in 2010 and only 5% not until 2011.

Despite the difficult economic conditions, the association has confirmed its sales forecast for 2009. In other words, it expects the total German market for information technology, telecommunications and digital consumer electronics to maintain its prior-year level of around € 144.6 billion. In view of the uncertain economic situation, however, the association announced that it would review its forecasts after the first quarter.

BITKOM expects sales growth of 1.5% to around € 67 billion for the information technology segment in 2009. The outsourcing market in particular is expected to buck the trend with growth of 7% to € 14.6 billion, as more companies outsource IT tasks to external service providers to save costs and gain liquidity. In the field of telecommunication, BITKOM expects sales to fall by 1.2% to around € 65 billion in 2009. However, the association believes that this fall in sales will be due less to the economic crisis and more to failed EU intervention and fierce price competition. In 2008, for example, tariffs fell by an average of 3.3%. However, there are also segments which are still displaying strong growth, such as fixed-line data services and mobile telephony. In the digital consumer electronics segment, the market is expected to decline in 2009, after many years of strong growth. Total sales are expected to shrink by 2.5% to around € 12 billion in 2009. According to BITKOM, an innovation cycle will come to an end for consumer electronics in 2009. However, with internet TV (IP-TV) and the new megatrend toward home networking, there are already new technologies waiting for their mass-market breakthrough.

Boom in broadband connections continues

According to the study "LIFE - Digitales Leben", published in late February, the trend toward broadband connections will continue. The experts forecast growth

to 36 million broadband connections in Germany by 2015 and data transmission speeds of over 100 Mbit/s in some cases. The experts also expect mobile broadband connections (UMTS) to quadruple to 41 million by 2015.

Broadband means economic strength! Innovative broadband internet applications will continue to drive the development of the World Wide Web in future. Broadband internet therefore plays an extremely important role for our economy. In the study "Germany Online", experts predict that information technologies and telecommunication applications will grow significantly over the coming years. Their share of gross domestic product is expected to almost double to around 12% by 2015.

Based on the latest figures of market research institute EITO, BITKOM forecast in late February that the German market for fixed-line internet access would grow by 4.2% to € 13.8 billion in 2009, thus reaching a new record level. Despite the economic slump, it forecast that sales with private internet access alone would grow by 7.5% to € 8.8 billion in 2009.

Above all, this rapid growth means increasing bandwidths and thus an improved performance of the broadband network. Without this development, attractive applications like internet telephony, internet TV or video-on-demand would simply not be possible. The customer equates increased speed with greater convenience and new application possibilities. This market driver will continue to play a key role for web-based applications – such as software-as-a-service and cloud computing. Bandwidths must, and will, continue to grow. Already, the internet's global data volume is growing at an annual rate of 50-60% – states BITKOM.

Whereas broadband connections of over 16 Mbit/s are still restricted to very few households, such speeds are expected to be available to over 30% of all households by 2015. In contrast, the market share of the most widespread bandwidths under 6 Mbit/s will fall in the coming years. The trend is thus clear: the strong decline in lower-speed internet connections will go hand-in-hand with an increase in ultra-high bandwidth connections.

The ongoing boom in broadband connections will also positively impact many other markets in which we operate. With growing household penetration of broadband internet, we can offer new and innovative products and services which users can access without any drop in performance. At the same time, our online portals GMX, WEB.DE und 1&1 and marketing brands AdLINK Media, Sedo and affilinet will be able to use increasingly data-intensive advertising formats.

Further growth for webhosting and online advertising

Market researchers also predict continuing growth for the webhosting industry. Gartner and IDC forecast annual growth rates of 15% and 16% until 2010. In their European Managed Webhosting Forecast of October 2007, the experts of IDC predicted growth of 10.4% to USD 4.6 billion in 2009 – in the B-to-B hosting sector alone. Good growth opportunities are forecast for all European markets in which we operate: Germany (+8.4%), the UK (+10.4%), France

(+9.9%), Austria (+11.3%) and Spain (+12.4%). New web-based services – subsumed under the terms “software-as-a-service” and “cloud computing” – will further strengthen this “outsourcing trend” (toward internet-based and away from PC-based applications).

The online advertising market is also expected to continue its strong growth – although a temporary but significant downturn is expected in 2009 as a result of the global economic problems.

The overall importance of online advertising in the total advertising mix will continue to rise. The “Marketers' Internet Ad Barometer 2008” report shows that eight out of ten European advertisers will invest more heavily in online advertising in the coming years. The study commissioned by the European Interactive Advertising Association, the association of pan-European online marketers and technology service providers, questioned marketing executives of leading European companies. According to the report, almost three quarters of all advertisers questioned in Europe (2008: 73%; 2006: 52%) used the internet increasingly as an advertising medium. Over one third of these deciders regard the internet as an essential channel for their marketing. In 2006 this proportion was just 17%. 82% of those companies which raised their online advertising budget in 2008, moved part of their media budget from print (40%), TV (39%) and direct marketing (32%) to the internet.

Although online advertising will continue to grow in importance in Germany, it will not be able to escape the effects of the general economic situation. The OVK's growth forecast for 2009 is thus much more conservative than in previous years. The online experts total growth of 10%. This corresponds to segment growth of 10% in both classic online advertising and search word marketing, and 15% in the affiliate networks. The OVK forecasts an increase in total to just over € 4 billion.

Opportunities for United Internet despite less encouraging environment

Thanks to our successful positioning in the growth markets of DSL, Webhosting, Portals and Online Marketing, we expect good growth opportunities in the medium term. Due to difficulty of forecasting the future economic development, however, all such forecasts are subject to uncertainty.

In view of the continued slump in advertising spending, and the resulting pressure on prices and margins, as well as the significant reductions in the forecasts of market researchers, we expect a difficult year for our Online Marketing business in 2009.

In our Product segment, we are confident that our international expansion strategy in the field of webhosting will continue to make good progress in the coming years and that we can maintain our dynamic growth – thanks in part to further product innovations such as the 1&1 Sector Home Page, and entry into further markets.

In view of our innovative products, such as 1&1 DSL HomeNet, and attractive price-performance ratio, we also see good opportunities for our DSL business. In particular, we expect further successful growth from the migration of our customers to complete packages – of great importance to us with regard to customer retention.

All in all, we expect further growth in the number of customer contracts in all product lines, as the trend continues toward broadband connections and the resulting strong increase in web-based applications offered by our data centers.

The prospects for further growth are also encouraging for the marketing of our portals GMX, WEB.DE and 1&1 – albeit at a slower pace due to the current cyclical weakness of the market.

All in all, we expect slight growth in consolidated sales for 2009. After reaching new record levels for EBITDA and EBIT in 2008, we aim to hold EBITDA and EBIT at the prior-year level in fiscal year 2009 despite the weakness of the online advertising market.

Montabaur, March 16, 2009

The Executive Board



**United Internet AG,
Montabaur**

**Consolidated Annual Financial
Statements**
according to IFRS

as of December 31, 2008

United Internet AG - Consolidated balance sheet acc. to IFRS as of December 31, 2008

ASSETS	Note	December 31, 2008	December 31, 2007
Current assets			
Cash and cash equivalents	20	55,372	59,770
Accounts receivable and other assets	21	119,066	123,788
Inventories	22	19,048	16,785
Prepaid expenses	23	28,791	23,020
Loans to joint ventures	42	0	4,007
Other assets	24	12,737	16,371
		<u>235,014</u>	<u>243,741</u>
Non-current assets			
Shares in associated companies / joint ventures	25	221,684	309,023
Other financial assets	26	72,785	67,867
Property, plant and equipment	27	86,494	77,105
Intangible assets	28	97,512	120,031
Goodwill	29	378,876	388,822
Deferred tax asset	16	9,632	7,437
		<u>866,983</u>	<u>970,285</u>
Total assets		<u>1,101,997</u>	<u>1,214,026</u>
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade accounts payable	31	170,743	232,421
Liabilities due to banks	32	16,069	2,056
Advance payments received		6,453	6,069
Accrued taxes	33	33,855	30,172
Deferred revenue	34	106,401	102,200
Other accrued liabilities	35	4,513	7,683
Other liabilities	36, 42	61,765	60,243
		<u>399,799</u>	<u>440,844</u>
Non-current liabilities			
Convertible bonds	37	74	245
Liabilities due to banks	32	528,301	369,049
Deferred tax liabilities	38	17,351	19,061
Other liabilities	36	10,892	886
		<u>556,618</u>	<u>389,241</u>
Total liabilities		<u>956,417</u>	<u>830,085</u>
Equity			
Capital stock	39	251,469	251,434
Additional paid-in capital	40	163,896	160,095
Accumulated profit		5,619	171,688
Treasury stock	39	-264,987	-213,338
Revaluation reserves	40	10,002	9,411
Currency translation adjustment		-28,692	-7,726
Equity attributable to shareholders of the parent company		<u>137,307</u>	<u>371,564</u>
Minority interests		8,273	12,377
Total equity		<u>145,580</u>	<u>383,941</u>
Total liabilities and equity		<u>1,101,997</u>	<u>1,214,026</u>

United Internet AG - Consolidated income statement acc. to IFRS
from January 1, 2008 to December 31, 2008 in €k

		2008	2007
	Note	January - December	January - December
Sales	4	1,649,571	1,487,429
Cost of sales	5, 9, 11	-1,006,951	-896,001
Gross profit		642,620	591,428
Selling expenses	6, 9, 11	-278,564	-248,234
General administrative expenses	7, 9, 11	-83,652	-82,470
Other operating expenses	8	-39,879	-34,380
Other operating income	8	46,567	42,386
Amortization of intangible assets resulting from company acquisitions	9	-21,283	-22,494
Amortization of goodwill	10	-9,244	-9,373
Operating result		256,565	236,863
Interest and similar expenses	12	-33,498	-6,674
Interest and similar income	13	3,928	2,049
Result from associated companies	14	-42,379	0
Result from at-equity companies	15	-234,193	2,284
Pre-tax result		-49,577	234,522
Income taxes	16	-71,886	-79,119
Net income before minority interests		-121,463	155,403
(from continued operations)			
Result from discontinued operations	17	---	68,098
Net income before minority interests		-121,463	223,501
(after discontinued operations)			
Attributabel to minority interests shareholders of United Internet AG		-1,280 -120,183	3,283 220,218
Result per share of shareholders of United Internet AG (in €)			
- basic	18	-0.52	0.93
- diluted	18	-0.52	0.93
thereof result per share (in €) - from continued operations			
- basic	18	-0.52	0.64
- diluted	18	-0.52	0.64
thereof result per share (in €) - from discontinued operations			
- basic	18	---	0.29
- diluted	18	---	0.29
Weighted average shares (in Million units)			
- basic	18	229.79	235.76
- diluted	18	229.79	236.63

United Internet AG - Consolidated cash flow acc. to IFRS
from January 1, 2008 to December 31, 2008 in €k

		2008	2007
	Note	January - December	January - December
Cash flow from operating activities			
Net income (from continued operations)		-121,463	155,403
Net income (from discontinued operations)		0	68,098
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization of intangible assets and property, plant and equipment	9	31,677	40,097
Amortization of intangible assets resulting from company acquisitions	9	21,283	22,494
Amortization of other financial assets	14	42,379	0
Amortization of goodwill	10	9,244	9,373
Compensation expenses from employee stock option plans	37	4,020	1,605
Results of at-equity companies	25	234,193	-2,284
Distributed profit of associated companies	25	392	950
Income from deconsolidation of affiliated companies	17	0	-65,746
Income from deconsolidation of associated companies	25	-3,894	-4,591
Non-cash result from contribution of assets	3	0	-16,808
Change in deferred taxes		-4,882	-742
Non-cash expenses / income		-2,448	1,928
Operative cash flow		210,501	209,777
Change in assets and liabilities			
Change in receivables and other assets		9,621	-20,144
Change in inventories		-2,264	-593
Change in deferred expenses		-5,148	-4,695
Change in trade accounts payable		-62,061	73,296
Change in advance payments received		384	629
Change in other accrued liabilities		-4,381	5,984
Change in accrued taxes		3,470	5,688
Change in other liabilities		-5,910	10,626
Change in deferred income		8,774	11,347
Change in assets and liabilities, total		-57,515	82,138
Cash flow from operating activities		152,986	291,915
Cash flow from investing activities			
Capital expenditure for intangible assets and property, plant and equipment		-42,042	-58,777
Purchase of further shares in affiliated companies	3	-9,538	-37,949
Purchase of shares in affiliated companies	3	-10,323	0
Payments for additional refunding company acquisition costs	3	0	3,436
Payments from deconsolidation of affiliated companies	17	0	85,248
Purchase of shares in associated companies	25	-160,696	-309,299
Payments from deconsolidation of associated companies	25	12,268	6,881
Investments in other financial assets	26	-50,937	-31,465
Payments of loans granted to joint ventures	42	4,007	-4,000
Payments of loans granted		-400	-58
Disposal of assets		423	2,580
Repayments of associated companies		20,037	0
Cash flow from investment activities		-237,201	-343,403
Cash flow from financing activities			
Purchase of treasury stock	39	-51,649	-133,777
Change in bank liabilities	32	172,465	250,688
Repayed loans to associated companies	42	-2,800	2,800
Dividend payments	19	-45,886	-42,516
Minority interests		12,987	0
Payments to minorities		-66	-149
Capital increase		144	3,509
Payment of convertible bonds		-155	-230
Cash flow from financing activities		85,040	80,325
Net increase in cash and cash equivalents		825	28,837
Cash and cash equivalents at beginning of fiscal year		59,770	32,723
Currency translation adjustments of cash and cash equivalents		-5,223	-1,790
Cash and cash equivalents at end of fiscal year		55,372	59,770
Deposit of interests		2,036	1,206
Payments for interests		-27,632	-7,246
Deposit of taxes		16	830
Payments for taxes		-74,062	-71,389
Dividend payments received		1,768	623

United Internet AG - Consolidated statement of changes in shareholders' equity acc. to IFRS
from January 1, 2008 to December 31, 2008

	2007			2008			Revaluation reserves	Currency translation	Equity attributable to shareholders of the parent company	Minority interests	Total equity	Total net income attributable to shareholders of United Internet AG		
	Capital stock		Additional paid-in capital	Capital stock		Accumulated profit						Minority interests	Total equity	Minority interests
	Share	€k	€k	Share	€k	€k								
Balance as of January 1, 2007	<u>250,235,176</u>	<u>250,235</u>	<u>156,447</u>	<u>-6,014</u>	<u>8,226,072</u>	<u>-79,561</u>	<u>1,373</u>	<u>930</u>	<u>323,410</u>	<u>11,605</u>	<u>335,015</u>	<u>113,575</u>	<u>6,954</u>	
Exercise of convertibles	1,198,796	1,199	2,043						3,242		3,242			
Employee stock ownership programme AdLINK			311						311		311			
Employee stock ownership programme United Internet			1,294						1,294		1,294			
Market value changes of available for sale securities after taxes							8,038		8,038	1,149	9,187	8,038	1,149	
Withdrawal of treasury shares					9,773,928	-133,777			-133,777		-133,777			
Dividend payments						-42,516			-42,516		-42,516			
Currency translation adjustment								-8,656	-8,656	-35	-8,691	-8,656	-35	
Net income 2007						220,218			220,218	3,283	223,501	220,218	3,283	
Dividend payments									0	-75	-75			
Change amount of holding									0	-3,550	-3,550			
Balance as of December 31, 2007	<u>251,433,972</u>	<u>251,434</u>	<u>160,095</u>	<u>171,688</u>	<u>18,000,000</u>	<u>-213,338</u>	<u>9,411</u>	<u>-7,726</u>	<u>371,564</u>	<u>12,377</u>	<u>383,941</u>	<u>219,600</u>	<u>4,397</u>	
<i>thereof result directly included in equity</i>												-618	1,114	
Balance as of January 1, 2008	<u>251,433,972</u>	<u>251,434</u>	<u>160,095</u>	<u>171,688</u>	<u>18,000,000</u>	<u>-213,338</u>	<u>9,411</u>	<u>-7,726</u>	<u>371,564</u>	<u>12,377</u>	<u>383,941</u>	<u>220,749</u>	<u>4,397</u>	
Exercise of convertibles		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			
Market value changes of available for sale securities after taxes							591		591	-1,053	-462	591	-1,053	
Others			-184						-184		-184			
Withdrawal of treasury shares					4,000,000	-51,649			-51,649		-51,649			
Dividend payments						-45,886			-45,886		-45,886			
Currency translation adjustment								-20,966	-20,966	93	-20,873	-20,966	93	
Net income 2008						-120,183			-120,183	-1,280	-121,463	-120,183	-1,280	
Dividend payments									0	-66	-66			
Change amount of holding									0	-1,951	-1,951			
Balance as of December 31, 2008	<u>251,433,972</u>	<u>251,469</u>	<u>163,896</u>	<u>5,619</u>	<u>22,000,000</u>	<u>-264,987</u>	<u>10,002</u>	<u>-28,692</u>	<u>137,307</u>	<u>8,273</u>	<u>145,580</u>	<u>-140,558</u>	<u>-2,240</u>	
<i>thereof result directly included in equity</i>												-20,375	-960	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2008

1. Information on the company

Nature of the business

According to its articles of incorporation, the business of United Internet AG (herein-after 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 Düsseldorf, Hanover, Karlsruhe, Cologne, Munich, Regensburg, Zweibrücken, Boston, Brussels, Cebu City, Chesterbrook, Gloucester, Haarlem, Las Vegas, Melbourne, Levallois-Perret, London, Madrid, Milan, Saargemünd, Slough, Vienna and Zug. 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 Re-

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, 2008.

The Supervisory Board approved the consolidated financial statements for 2007 at its meeting on April 2, 2008. The consolidated annual financial statements were published in the German Federal Gazette ("Bundesanzeiger") on April 9, 2008.

The consolidated financial statements for 2008 were prepared by the Company's Management Board on March 16, 2009 and subsequently submitted to the Supervisory Board. The consolidated financial statements will be presented to the Supervisory Board for approval on March 25, 2009.

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.

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:

1&1 Internet:

- 1&1 Internet AG, Montabaur (100.0%)
 - 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 Services (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%)
 - United Internet Media AG, Munich (100.0%)
 - UIM United Internet Media Austria GmbH, Vienna / Austria (100.0%)
 - WEB.DE GmbH, Montabaur (100.0%)

United Internet Beteiligungen:

- United Internet Beteiligungen GmbH, Montabaur (100.0%)
 - United Internet Beteiligungen International GmbH, Montabaur (100.0%)
 - InterNetX GmbH, Regensburg (95.56%)
 - Schlund Technologies GmbH, Regensburg (100.0%)
 - PSI USA Inc., Las Vegas / USA (100.0%)

AdLINK:

- AdLINK Internet Media AG, Montabaur (90.71%)
 - AdLINK Internet Media S.A., Levallois-Perret / France (100.0%)
 - AdLINK Internet Media N.V., Brussels / Belgium (100.00%)
 - AdLINK Internet Media S.L.U., Madrid / Spain (100.0%)
 - AdLINK Internet Media Ltd., London / UK (100.0%)
 - AdLINK Internet Media B.V., Haarlem / Netherlands (100.0%)
 - AdLINK Internet Media Srl., Milan / Italy (100.00%)
 - AdLINK Internet Media GmbH Deutschland, Düsseldorf (100.0%)
 - net:dialogs GmbH, Montabaur (100.0%)
 - Sedo GmbH, Cologne (75.94%)
 - Sedo.com LLC, Cambridge (Boston) / USA (100.0%)
 - DomCollect Worldwide Intellectual Property AG, Zug / Switzerland (100.0%)
 - Intellectual Property Management Company Inc., Dover / USA (100.0%)
 - affilinet GmbH, Munich (100.0%)
 - affilinet Ltd., London / UK (100.0%)
 - CibleClick Performances S.A., Levallois-Perret / France (100.0%)
 - affilinet SAS, Levallois-Perret / France (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.

Shareholdings in joint ventures are recognized using the equity method and comprise the following companies:

- Maxdome GmbH & Co. KG, Unterföhring (50.0%)
- MSP Holding GmbH, Maintal (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%)
- 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%)
- Jimdo GmbH, Hamburg (30.00%)
- Versatel AG, Berlin (25.21%)
- Travel-Trex GmbH, Cologne (25.00%)
- getAbstract AG, Lucerne / Switzerland (22.00%)
- internetstores AG, Esslingen (20.00%)
- freenet AG, Büdelsdorf (8.43%)

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 is between 33.33% and 66.67% of EFF No. 1, depending on the fund's internal rate of return.

Despite holding 8.63% of voting rights in freenet AG, the Company believes it exerts a significant influence on the business policy of freenet AG due to a voting commitment agreed with Drillisch AG and MSP Holding GmbH.

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%)
- Drillisch AG, Maintal (9.68%)
- 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 and valuation methods

Initial application of new accounting standards in the period under review

In October 2008 the IASB released amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*. The amendments *Reclassification of Financial Assets* were integrated by the European Union into EU law in October 2008. The amendment to IAS 39 allows the reclassification of certain originated financial assets at fair value into a different valuation category. In the case of reclassification, additional disclosures are required via the amendment to IFRS 7. The amendments became effective retroactively as of July 1, 2008. In the period under review, the United Internet Group had no financial assets which could be reclassified via the amendment to IAS 39. The application of the amendments to IAS 39 and IFRS 7 therefore has no effect on the presentation of the United Internet Group's net assets, financial situation and results of operations nor on its cash flows.

There were no other changes to the accounting and valuation methods compared with the previous year.

New accounting standards with no early adoption in the period under review

The IASB and IFRIC have also released the following standards and interpretations whose adoption was not mandatory in fiscal year 2008 and which were not voluntarily applied by the Company.

Already adopted as EU law under the comitology procedure:

- | | |
|--|---|
| • IFRS 8 | Operating Segments |
| • IAS 23 | Borrowing Costs |
| • IAS 1 | Presentation of Financial Statements |
| • Amendments to IFRS 1 and IAS 27 | Acquisition Costs of an Investment in a Subsidiary, Jointly Controlled Entity or Associated Company |
| • Amendments to IFRS 2 | Vesting Conditions and Cancellations |
| • Amendments to IAS 32 and IAS 11 | Puttable Financial Instruments and Obligations Arising on Liquidation |

The main effects of these amendments for the United Internet Group were as follows:

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.

The new standard will influence the mode of the presentation of financial information on the Group's business segments but will not affect the inclusion and valuation of assets and liabilities in the consolidated financial statements.

IAS 23 – Borrowing Costs

Revised standard IAS 23 was released in March 2007 and is applicable in the reporting period beginning on or after January 1, 2009. The standard ends the former option right and requires borrowing costs that can be attributed to a qualified asset to be capitalized. An asset is defined as a qualified asset if a considerable period of time is necessary to put the asset in its intended condition for use or sale. The transitional provisions provide for the revision to be applied prospectively.

As the Group does not hold any qualified assets, the application of this standard has no effect on the consolidated financial statements.

IAS 1 – Presentation of Financial Statements

The revised standard IAS 1 was released in September 2007 and is applicable for the reporting period beginning on or after January 1, 2009. The revised version of the standard includes material changes to the presentation and disclosure of financial information in the financial statements. In future, only transactions with shareholders in their capacity as providers of equity capital may be disclosed in the statement of changes in equity. Other changes in equity are to be disclosed in the presentation of "comprehensive income" for the period, which can be presented either in one single statement or in the form of two statements: a profit and loss statement and a comprehensive income statement. Furthermore, the standard requires that a company includes a balance sheet in its annual financial statements of the earliest comparison period if it retroactively applies an accounting method, or retroactively corrects or reclassifies an item.

The new standard will have an effect on the mode of publication of the Group's financial information, yet it will not affect the inclusion and valuation of assets and liabilities in the consolidated financial statements.

Amendments to IFRS 1 and IAS 27 – Acquisition costs of an investment in a subsidiary, jointly controlled entity or associated company

The amendments to IFRS 1 and IAS 27 were released in May 2008 and are first applicable in the reporting period beginning on or after January 1, 2009. The amendments to IFRS 1 allow a company to determine the acquisition cost of an investment in a subsidiary, jointly controlled entity or associated company in its IFRS opening balance sheet also by using the carrying amounts or fair values of the previous GAAP as a substitute for acquisition cost (deemed cost). The amendments to IAS 27 only affect the separate annual financial statements of a parent company and require in particular that all dividends of subsidiaries, jointly controlled entities or associated companies are to be recognized in profit and loss of the separate annual financial statements. The transitional provisions provide for the revision to be applied prospectively.

As the regulations concerning initial adoption of IFRS and the regulations for separate annual financial statements of a parent company are not pertinent for the Group, this revision will have no impact on the consolidated financial statements.

Amendments to IFRS 2 – Vesting Conditions and Cancellations

The amendment of IFRS 2 was released in January 2008 and is first applicable for the reporting period beginning on or after January 1, 2009. The revision clarifies the term “vesting conditions” and also regulates accounting procedures on the termination of share-based compensation plans by employees. The transitional provisions provide for retrospective application of the revision.

Due to the Group’s insignificant amount of share-based compensation, the initial application of this revision in future will have no significant effect on the consolidated financial statements.

Amendments to IAS 32 and IAS 1 – Puttable Financial Instruments and Obligations Arising on Liquidation

The amendments of IAS 32 and IAS 1 were released in February 2008 and are applicable in the reporting period beginning on or after January 1, 2009. The revision introduces an exception which allows puttable financial instruments to be classified as equity if they meet certain criteria. Disclosures about these financial instruments are still mandatory.

The amendments to these standards are not expected to affect the Group’s net assets, financial situation and earnings, as the parent company has not issued such instruments.

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. The Company has not yet adopted the following amendments:

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 16 Property, Plant and Equipment

Revenue from property, plant and equipment held for letting purposes which are normally sold after letting as part of ordinary operations, is to be disclosed under sales revenue.

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 20 Accounting for Government Grants and Disclosure of Government Assistance

In the case of low- or zero-interest loans, companies must calculate the interest benefit in future. The difference between the amount received and the discounted amount is to be carried as a government grant.

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 27 Consolidated and Separate Financial Statements acc. to IFRS

It was clarified that the accounting of a subsidiary at fair value pursuant to IAS 39 in the separate annual financial statements of a parent company must also be maintained if the subsidiary is classified as an asset held for sale.

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 value 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 29 Financial Reporting in Hyperinflationary Economies

It was clarified that in annual financial statements prepared on the basis of historic cost, assets and liabilities which are or can be measured at fair value are not necessarily restricted to property, plant and equipment and financial investments.

IAS 31 Interests In Joint Ventures

The amendment only concerns disclosure obligations for those interests in joint ventures carried at fair value in accordance with IAS 39. In future, only those requirements of IAS 31 are applied to these interests in which the obligations of the partner company and of the joint

venture are to be stated together with a summary of financial information concerning the assets, liabilities, income and expenditure.

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.

IAS 40 Investment Property

Property under construction, which is produced or developed for use as an investment, is not to be classified as property, plant and equipment in future but as an “investment property” measured at cost or fair value. If the company uses the fair value model, and if fair value cannot be reliably measured, the property under construction is valued at cost until fair value can be measured or construction is completed.

IAS 41 Agriculture

The limitation on the use of a discount rate before tax for measuring fair value was cancelled. Moreover, the prohibition to consider cash flows from additional biological transformations and other future company transactions when estimating fair value was also cancelled.

The United Internet Group expects that the amendments from the Improvement Project will have no significant effects on the consolidated financial statements.

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 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC Interpretation 14 was released in July 2007 and is to be applied no later than in the first fiscal year beginning after December 31, 2008. This interpretation provides guidelines for the determination of the limit on the amount of the surplus from a defined benefit plan that can be capitalized as an asset according to IAS 19: Employee benefits.

As the Group has not established any defined benefit plans, no effect on the consolidated financial statements is expected from this interpretation.

Not yet adopted as EU law under the comitology procedure:

- **IFRS 1** First-time Adoption of IFRS
- **IFRS 3** Business Combinations
- **IAS 27** Consolidated and Separate Financial Statements acc. to IFRS
- **Amendment to IAS 39** Eligible Hedged Items
- **IFRIC 12** Service Concession Arrangements
- **IFRIC 15** Agreements for the Construction of Real Estate
- **IFRIC 16** Hedges of a Net Investment in a Foreign Operation
- **IFRIC 17** Distributions of Non-cash Assets to Owners
- **IFRIC 18** Transfers of Assets from Customers

The main effects of these changes were as follows:

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.

IFRS 3 - Business Combinations

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 in-come-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. Re-valuation 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 acc. to IFRS

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 result from a joint project of IASB and FASB for the revision of accounting regulations for business combinations. 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. The transitional provisions, generally requiring a retrospective application of realized changes, provide for a prospective application with respect to the above-mentioned cases. Therefore no changes arise 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.

Amendments to IAS 39 – 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 Group's accounting of hedging instruments is not affected by this amendment.

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. This interpretation has not yet been adopted as EU law. 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 pursuant to IFRIC 12. This interpretation will therefore have no effect on the Group.

IFRIC 15 – Agreement for the Construction of Real Estate

IFRIC Interpretation 15 was released in July 2008 and is applicable for the fiscal years beginning on or after January 1, 2009. This interpretation provides guidelines about the time and scope of income recognition from projects to construct real estate.

IFRIC 15 will not affect the consolidated financial statements as IFRIC 15 is not applicable to the Group.

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 will not have any significant impact on the consolidated financial statements.

IFRIC 17 – Distributions of Non-cash Assets to Owners

IFRIC Interpretation 17 was released in November 2008 and is applicable for the fiscal years beginning on or after July 1, 2009. This interpretation gives guidelines on the accounting and measurement of obligations which provide for the distribution of non-cash assets to the owners. In particular, the interpretation clarifies the time, valuation and disclosure of such obligations. It stipulates that such an obligation is to be carried and measured at fair value if the company can no longer avoid such obligations. The measurement of the obligation and any changes in fair value of the asset concerned are to be carried in equity. An effect on profit or loss in the amount of the difference between fair value and the asset's carrying value only occurs at the time when this asset is transferred to the owner. This interpretation is to be applied prospectively.

IFRIC 17 will have no effect on the consolidated financial statements, as no distribution of non-cash assets within the Group is expected.

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.

2.4 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 € 70,498k (prior year: € 62,472k) as of December 31, 2008.

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 € 221,684k (prior year: € 309,023k) as of December 31, 2008.

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, 2008, the fair value of investments in associated companies and joint ventures amounted to € 221,684k (prior year: € 309,023k).

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.

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, 2008, the carrying value of deferred tax assets for tax losses considered amounted to € 2,712k (prior year: € 6,097k). 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 € 119,066k (prior year: € 123,788k) as of December 31, 2008.

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 depre-

ciated 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 €62,627k (prior year: €175,232k) as of December 31, 2008.

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 €4,513k (prior year: €7,683k) as of December 31, 2008.

2.5 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.

Internet access

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.

Web hosting solutions

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.

Portal/club business

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 display, affiliate, domain, e-mail, direct and dialogue-based marketing.

AdLINK Media

AdLINK Media comprises the fields of display marketing, e-mail marketing (via the Composite brand) and online direct and dialogue-based marketing via the brand net:dialogs. AdLINK Media assumes the independent marketing of third-party websites and e-mail databases. Depending on the type of campaign and the advertiser's campaign objectives, revenue is generated on the basis of cost per thousand contacts (CPM) or a cost-per-click basis. In the case of direct and dialogue-based marketing billing is also on a cost-per-lead/sale basis.

Customers are mostly billed on a monthly basis. Revenue is recognized according to the degree of completion. Amounts invoiced in advance are recognized as advance payments received.

Domain Marketing

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.

Affiliate Marketing

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.

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 incurred.

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 amor-

tized 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 on the basis of the recoverable amount of the cash-generating units to which goodwill refers. 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. 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.

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 investments in two joint venture companies. 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. 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 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 are 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

Actual claims to income tax refunds and income tax due

Actual claims to tax refunds and tax due 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.

Actual taxes 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.

The fair value of derivative financial instruments is measured using accepted valuation methods.

3. Investments and business combinations

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

Cash payment	10,203
Purchase price	<u><u>10,203</u></u>
Ancillary acquisition costs	274
Preliminary acquisition costs	<u><u>10,477</u></u>

	Fair values €k	Carrying values €k
Brand	820	0
Customer base	2,662	0
Property, plant and equipment	23	23
Cash and cash equivalents	154	154
Other assets	839	839
Customer receivables	426	426
Prepaid expenses	623	623
Deferred tax liabilities	-975	0
Deferred revenue	-2,564	-2,564
Trade payables	-328	-328
Other liabilities	-292	-292
Accrued taxes	-213	-213
	1,175	-1,332
Goodwill	9,302	
Preliminary acquisition costs	<u>10,477</u>	

Goodwill of €9,302k results from expected synergies from the company acquisition.

Cash disbursements resulting from the company acquisition are as follows:

	€k
Cash disbursements	10,477
Assumed cash and cash	154
Actual cash disbursements	<u>10,323</u>

The profit of Dollamore since the time of acquisition recognized in the annual result amounted to €227k in fiscal year 2008.

Under the assumption that the company acquisition had already been made at the beginning of fiscal year 2008, consolidated sales would have increased by €1,623k and net income by €632k.

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. Initial recognition was made on a provisional basis.

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. 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.

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 anti-trust 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.

At the end of fiscal year 2007, United Internet Beteiligungen GmbH acquired 90% of shares in the newly founded European Founders Fund GmbH & Co. Beteiligungs KG No. 2. 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. 2 in turn acquired interests in associated companies. The acquisition costs for investments in these portfolio companies amounted to € 24,452k.

In fiscal year 2007, United Internet Beteiligungen GmbH acquired a shareholding of 66.67% in the European Founders Fund GmbH & Co. Beteiligungs KG No. 1. The total acquisition cost amounted to € 34,403k. Due to company law regulations, United Internet Beteiligungen GmbH cannot exert a controlling interest in the company – despite holding a majority of voting rights. Instead, it exerts a material interest and the company is thus consolidated as an associated company pursuant to IAS 28.

In fiscal year 2007, the shareholdings held by AdLINK Internet Media AG in AdLINK Switzerland (50%) and AdLINK Austria (30%) were transferred to Goldbach Media AG Küsnacht-Zürich, Switzerland, as a non-cash contribution. In return, AdLINK Internet Media AG received 89,897 shares in Goldbach Media AG as compensation, corresponding to a shareholding of 19.4%. As a result of Goldbach's IPO and capital increase, this shareholding was diluted to 14.99%. The company transaction resulted in proceeds from initial recognition of € 19,941k. The shares in Goldbach are classified as available-for-sale financial assets and disclosed under the item "Other financial assets".

Up to fiscal year 2005, 80% of shares in InternetX GmbH were acquired. The original shareholders were interested in successively selling further shares in InterNetX GmbH to United Internet Beteiligungen GmbH up to 2015. In fiscal year 2007, therefore, the shareholding in InterNetX GmbH was raised from 80% to 85.09%. The purchase price for this additional stake amounted to € 627k. A further 10.46% of shares were sold to United Internet Beteiligungen GmbH in fiscal year 2008. The purchase price of these additional shares amounted € 1,833k. The purchase of shares in InterNetX to date and from the forward purchase agreements has resulted in goodwill of € 5,032k.

In an agreement dated July 10, 2007, United Internet Beteiligungen GmbH increased its shareholding in fun communications GmbH from 33.33% to 49%. The acquisition cost was settled in cash and amounted to € 593k.

In a contract dated December 22, 2007, United Internet Beteiligungen GmbH acquired a 12.51% shareholding in e-sport GmbH (now: Bigpoint GmbH), Hamburg. The acquisition of shares occurred as part of a capital increase of the company in February 2007 and was conditional on approval of the anti-trust authorities. Despite holding 12.51% of shares, United Internet Beteiligungen GmbH was assigned 25.02% of voting rights. As a result, the company was included in the consolidated financial statements as an associated company. The anti-trust authorities approved the share acquisition on February 5, 2007. The acquisition cost amounted to € 6,296k and also comprised directly assignable costs of € 46k. The acquisition cost was settled in cash. These shares were sold with effect from August 26, 2008.

In May 2006, 1&1 UK Holdings Ltd., Slough / UK, acquired 100% of shares in Fasthosts Internet Ltd., Gloucester / UK. The preliminary acquisition cost of the business combination

amounted to €96,866k and also comprised directly assignable costs of €1,214k, settled in cash. Due to a contractually agreed purchase price reduction, which also depended on the company's earnings in fiscal year 2006, the purchase price was reduced by €3,436k in fiscal year 2007. The reduction was assigned in full to goodwill.

In fiscal year 2005 AdLINK Internet Media AG acquired the shares held by United Internet AG in Sedo GmbH. In addition, AdLINK Internet Media AG bought further shares from a Management Board member of Sedo GmbH. In November 2006, AdLINK Internet Media GmbH Deutschland purchased a further 23.80% of shares in Sedo GmbH. At the same time, AdLINK Internet Media AG transferred the shares it already held as a non-cash contribution to AdLINK Internet Media GmbH Deutschland, so that as of December 31, 2006, 75.94% of shares in Sedo GmbH were held. The acquisition costs of the additional shares amounted to €34,606k and comprised costs directly allocated to the acquisition amounting to €100k. The acquisition cost was settled in cash. Goodwill from this acquisition amounted to €30,949k. In the course of the increase in shares held in Sedo GmbH, a profit transfer agreement was concluded between AdLINK Internet Media GmbH Deutschland and Sedo GmbH, effective from January 1, 2007. On the basis of this profit transfer agreement, Sedo GmbH transfers its complete result to AdLINK Internet Media GmbH Deutschland. As compensation for the minority shareholders, the contract allows for a dividend payment of €250k per fiscal year. The contract cannot be terminated before December 31, 2011. As part of the purchase of additional shares, the minority shareholders were granted a conditional put option, which can be exercised in the period from January 1, 2009 to December 31, 2015, whereby the option 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.

Explanations to the Income Statement

4. Sales revenue / Segment reporting

Segment reporting includes the primary and secondary reporting formats in accordance with IAS 14. The Company has chosen the organizational structure aligned to products/customers as its primary reporting format. It relates to the Product segment, Outsourcing segment, Online Marketing segment and Head Office/Investments segment. Sales revenue includes revenue from exchange transactions amounting to €2,290k (prior year: €0k)

The secondary reporting format differentiates between domestic and foreign business.

Transactions between segments are charged at market prices.

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

	Product segment €k	Online Marketing segment €k	Head Office / Investments €k	Reconciliation €k	United Internet Group €k
Total revenues	1,446,323	222,472	5,033	---	---
- thereof internal revenues	13,497	6,400	4,360	---	---
External revenues	1,432,826	216,072	673	---	1,649,571
- thereof domestic	1,308,074	124,594	673	---	1,433,341
- thereof non-domestic	124,752	91,478	0	---	216,230
EBITDA	298,575	12,912	7,281	---	318,768
Result from at-equity companies	-1,626	-60	-232,507	---	-234,193
Segment result	249,224	-7,913	-290,888	---	-49,577
Tax expense				-71,886	-71,886
Net income (from continued operations)					-121,463
Result from discontinued operations				---	---
Net income (after discontinued operations)					-121,463
Operative segment assets	632,491	167,632	453,695	-161,453	1,092,365
- thereof domestic	503,571	110,510	408,312	-161,453	860,940
- thereof non-domestic	128,920	57,122	45,383		231,425
Deferred tax claims				9,632	9,632
Total assets					1,101,997
Proportion from at-equity companies / joint ventures	0	1,153	220,531		221,684
Operative segment liabilities	376,264	101,149	589,066	-161,268	905,211
Accrued taxes				33,855	33,855
Deferred tax liabilities				17,351	17,351
Total liabilities					956,417
Investments in tangible and intangible assets	40,474	1,353	215		42,042
- thereof domestic	29,178	971	215		30,364
- thereof non-domestic	11,296	382	0		11,678
Amortization/depreciation of tangible and intangible assets	50,508	2,220	232		52,960
Amortization of goodwill	0	9,244	0		9,244
Write-downs on investments	0	7,894	34,485		42,379
Number of employees	4,020	516	29		4,565
- thereof domestic	3,304	285	29		3,618
- thereof non-domestic	716	231	0		947

Segment reporting of United Internet AG in fiscal year 2007 was as follows:

	Product segment €k	Online Marketing segment €k	Head Office / Investments €k	Reconciliation €k	United Internet Group €k
Total revenues	1,274,326	229,191	10,514	---	---
- thereof internal revenues	12,469	4,299	9,834	---	---
External revenues	1,261,857	224,892	680	---	1,487,429
- thereof domestic	1,156,204	122,885	680	---	1,279,769
- thereof non-domestic	105,653	102,007	0	---	207,660
EBITDA	279,287	43,301	-13,761	---	308,827
Result from at-equity companies	---	173	2,111	---	2,284
Segment result	219,966	29,602	-15,046	---	234,522
Tax expense				-79,119	-79,119
Net income (from continued operations)					155,403
Result from discontinued operations				68,098	68,098
Net income (after discontinued operations)					223,501
Operative segment assets	637,465	192,279	463,293	-86,443	1,206,594
- thereof domestic	498,065	94,732	463,293	-86,443	969,647
- thereof non-domestic	139,400	97,547	0		236,947
Deferred tax claims				7,437	7,437
Total assets					1,214,031
Proportion from at-equity companies / joint ventures	---	---	309,023		309,023
Operative segment liabilities	347,835	111,683	407,394	-86,060	780,852
Accrued taxes				30,172	30,172
Deferred tax liabilities				19,061	19,061
Total liabilities					830,085
Investments in tangible and intangible assets	55,201	3,150	426		58,777
- thereof domestic	33,441	1,912	426		35,779
- thereof non-domestic	21,760	1,238	0		22,998
Amortization/depreciation of tangible and intangible assets	60,334	1,885	372		62,591
Amortization of goodwill	0	9,373	0		9,373
Number of employees	3,456	472	26		3,954
- thereof domestic	2,849	252	26		3,127
- thereof non-domestic	607	220	0		827

5. Cost of sales

	2008 €k	2007 €k
Cost of services	806,076	726,953
Cost of goods	107,802	93,850
Personnel expenditure	52,086	42,099
Depreciation	25,055	28,531
Others	15,932	4,568
Total	1,006,951	896,001

Cost of sales increased in relation to sales revenue from 60.2% to 61.0%, compared with the previous year. This resulted in a deterioration of gross margin from 39.8% to 39.0%. The main reason was strong growth in new customers for DSL, the migration of existing customers to all-inclusive packages and lower margins in Online Marketing.

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

Due to high costs incurred for new customer acquisition and costs in connection with customer retention, selling expenses grew from €248,234k to €278,564k. However, their ratio to sales grew only slightly to 16.9% (prior year: 16.7%).

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 more slowly than sales, from €82,470k (5.5%) to €83,652k (5.1%).

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 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). Other operating income in fiscal year 2007 was mainly influenced by the contribution of shares as part of the acquisition of a shareholding in Goldbach (€16,808k) and the sale of shares in NTplus (€4,591k).

Losses due to account receivables of 1&1 amounted to €21,465k (prior year: €12,212k), while income from dunning and return debit charges totaled €11,270k (prior year: €9,933k).

Due to the negative fair value of a derivative financial instrument, other operating expenses of €6,425k (prior year: €2,664k) were recognized.

In the previous year, an indemnity obligation to a joint venture company resulted in other operating expenses of €10,000k.

Currency gains (net) in fiscal year 2008 amounted to €777k, while currency losses (net) in the previous year amounted to €371k.

Expenses relating to other accounting periods totaled €1,830k (prior year: €2,112k).

9. Depreciation and amortization

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

	2008	2007
	€k	€k
Cost of sales	25,055	28,531
Selling expenses	1,915	2,496
General and administrative expenses	4,706	9,070
Total	<u>31,676</u>	<u>40,097</u>

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

	2008	2007
	€k	€k
Portal	9,030	9,030
Customer base	7,350	7,280
Software	3,311	4,010
Licenses	1,132	1,412
Order backlog	460	762
Total	<u>21,283</u>	<u>22,494</u>

Amortization of capitalized goodwill of €18,100k (prior year: €19,004k) resulted from the acquisition of the portal business of WEB.DE AG (today: Kizoo AG), an amount of €2,247k (prior year: €2,882k) from the acquisition of Fasthosts, an amount of €383k (prior year: €0k) from the acquisition of Dollamore, and €553k (prior year: €608k) from the acquisition of CibleClick.

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

In the course of impairment tests, goodwill was amortized by €9,244k during the period under review. Of this total, goodwill write-downs for affilinet France accounted for €6,430k, AdLINK Germany for €1,631k and AdLINK France for €1,183k.

Due to restructuring at CibleClick France and AdLINK UK, the goodwill of both companies was subjected to a non-scheduled impairment test in fiscal year 2007. In connection with this impairment test, goodwill of CibleClick France was written down by €7,662k and of AdLINK UK by €1,711k in the previous year. Further details are provided in Note 30.

11. Personnel expenses

Personnel expenses are divided among the various divisions as follows:

	2008	2007
	€k	€k
Cost of sales	52,086	42,099
Selling expenses	83,852	71,569
General and administrative expenses	35,843	32,176
Total	<u>171,781</u>	<u>145,844</u>

The number of employees increased from 3,954 to 4,565 at year-end 2008, representing growth of 15.5%:

	2008	2007
Germany	3,618	3,127
Outside Germany	947	827
Total	<u>4,565</u>	<u>3,954</u>

The average number of employees in fiscal year 2008 amounted to 4,341 (prior year: 3,669), of which 3,418 (prior year: 2,884) were employed in Germany and 923 (prior year: 785) abroad.

12. Financial expenses

	2008	2007
	€k	€k
Loans and overdraft facilities	26,783	6,437
Expense from interest hedging transactions	6,671	---
Guaranteed dividend to minority interests	44	54
Expense for loans from an associated company	---	183
Total financial expenses	<u>33,498</u>	<u>6,674</u>

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

	2008	2007
	€k	€k
Interest income from credit balances with banks	1,095	1,419
Income from financial investments	1,768	623
Income from purchase price installments from the sale of shares in an associated company	517	---
Income from loans to a joint venture	548	7
Total financial income	<u>3,928</u>	<u>2,049</u>

14. Amortization of investments

Amortization of investments amounted to € 42,379k (prior year: € 0k). Please see Note 26 for further details.

15. Result from associated companies

	2008	2007
	€k	€k
Result from associated companies	-234,193	2,284
	<u>-234,193</u>	<u>2,284</u>

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:

	2008	2007
	€k	€k
Current income taxes		
– Germany	64,926	71,550
– Abroad	10,765	8,390
Total (current period)	<u>75,691</u>	<u>79,940</u>
Deferred taxes		
– Due to tax loss carryforwards	3,385	852
– Tax effect on temporary differences	-6,938	515
– Due to tax rate changes	-252	-2,188
Total deferred taxes	<u>-3,805</u>	<u>-821</u>
Total tax expense	<u>71,886</u>	<u>79,119</u>

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. As compensation, the trade tax base rate was reduced from 5% at present to 3.5%. As a result, the average trade tax rate in fiscal year 2008 amounted to approx. 13.8% (prior year: 16.2%).

German corporate income tax was levied at 25% for the tax assessment year 2007 – 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. With the introduction of the Corporate Tax Reform 2008, the corporate income tax rate was decreased from 25% to 15%.

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:

	2008	2007
	€k	€k
USA	1,425	2,848
Germany	1,068	2,120
Italy	219	110
France	0	1,019
	<u>2,712</u>	<u>6,097</u>

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

	2008	2007
	€k	€k
France	13,345	9,109
UK	4,750	3,521
Spain	4,659	1,855
Germany	3,836	3,836
Switzerland	1,305	956
	<u>27,895</u>	<u>19,277</u>

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, 2008 of AdLINK Internet Media AG and AdLINK Internet Media GmbH Deutschland.

Deferred taxes resulted from the following items:

	2008		2007	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Trade receivables	234	0	356	0
Other financial assets - current	4,141	0	0	0
Other financial assets – non-current	1,360	125	46	133
Property, plant and equipment	0	66	0	0
Intangible assets	193	15,248	0	16,206
Other liabilities	953	0	900	0
Gross value	<u>6,881</u>	<u>15,439</u>	<u>1,302</u>	<u>16,339</u>
Tax loss carryforwards	2,712	0	6,097	0
Adjustments for consolidation	0	1,809	10	1,757
Other items	39	103	28	965
	<u>9,632</u>	<u>17,351</u>	<u>7,437</u>	<u>19,061</u>

Deferred tax liabilities of € 15,248k (prior year: € 16,206k) result mainly from the different treatment of capitalized intangible assets from business combinations in the consolidated accounts and the tax balance sheet.

Deferred tax liabilities include deferred taxes without an effect on profit and loss amounting to € 150k (prior year: € 133k).

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

	2008	2007
	%	%
Anticipated tax rate	29.6	38.5
– Goodwill amortization non-deductible for tax purposes	-5.5	1.5
– Amortization of investments non-deductible for tax purposes	-25.3	0.0
– Tax-reduced profit from disposals	2.7	-2.9
– Differences in foreign tax rates	1.6	-0.7
– Employee stock ownership plan	-1.3	-0.2
– Tax losses of the fiscal year, for which no deferred taxes have been capitalized	-4.1	1.1
– First-time capitalization of tax losses not used in prior years	0.0	-1.9
– Utilization of non-capitalized tax loss carryforwards	0.0	-0.7
– Non-taxable at-equity results	-139.5	-0.4
– Change in tax rates	0.5	-0.9
– Allowance for tax loss carryforwards capitalized in previous years	-2.0	0.1
– Allowance for deferred tax assets on temporary differences	-0.5	0.0
– Balance of other tax-free income and non-deductible expenses	-1.2	0.2
Effective tax rate	<u>-145.0</u>	<u>33.7</u>

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

17. Result from discontinued operations

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. Teleperformance paid the full purchase price in cash. The business combination was approved by the respective antitrust authorities on February 22, 2007. The economic transfer of the shares was completed on March 13, 2007. The purchase price amounted to € 79,619k (after transaction costs).

The result from discontinued operations after tax of € 68,098k comprised the current period result (in fiscal year 2007 until the time of disposal) of € 2,352k and income from the sale of € 65,746k.

As of the balance sheet date, there were commitments from discontinued operations of € 2,153k due to transaction costs, which were disclosed under "Other liabilities".

18. Earnings per share

As of December 31, 2008, capital stock was divided up into 251, 469,184 registered no-par shares each with a theoretical share in the capital stock of € 1. On December 31, 2008, the Company held 22,000,000 treasury shares (prior year: 18,000,000). 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 229,790,031 for fiscal year 2008 (prior year: 235,759,855).

A dilutive effect must be taken into consideration for conversion rights resulting from the employee stock ownership program of United Internet AG which were contained in cash as of December 31, 2008. All conversion rights existing on December 31, 2008 were considered in the calculation of diluted earnings per share, using the treasury stock method, insofar as the conversion rights were in money and irrespective of whether the conversion 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 158,804 (prior year: 2,196,756) potential shares (from the assumed use of conversion rights). Based on an average market price of € 10.95 (prior year: € 14.47), this would result in the issuance of 95,678 (prior year: 869,914) shares without consideration. Due to the negative result attributable to shareholders of United Internet AG for fiscal year 2008, there is no dilutive effect from potential shares. The number of shares for the diluted earnings per share calculation corresponds to that for the undiluted earnings per share calculation. The weighted average number of shares used to calculate diluted earnings per share in the previous year was 236,629,769.

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

	2008	2007
	€k	€k
Profit attributable to the shareholders of United Internet AG	-120,183	220,218
Earnings per share (in €)		
– undiluted	-0.52	0.93
– diluted	-0.52	0.93
Thereof result from continued operations	-120,183	152,120
Earnings per share (in €)		
– undiluted	-0.52	0.64
– diluted	-0.52	0.64
Thereof result from discontinued operations	---	68,098
Earnings per share (in €)		
– undiluted	---	0.29
– diluted	---	0.29
Weighted average number of outstanding shares (in million units)		
– undiluted	229.79	235.76
– diluted	229.79	236.63

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

A dividend of €0.20 per share was paid for the fiscal year 2007. This represented a total dividend payment in the period under review of €42,886k. Treasury shares reduce equity and have no dividend entitlement. No dividend will be paid for fiscal year 2008.

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

	2008 €k	2007 €k
Trade accounts receivable	135,705	133,677
less		
Bad debt allowances	-16,639	-9,889
Trade accounts receivable, net	<u>119,066</u>	<u>123,788</u>

As of December 31, 2008 trade accounts receivable amounting to € 16.639k (prior year: € 9,889k) were impaired. The development of the bad debt allowances can be seen below:

	2008 €k	2007 €k
As of January 1	9,889	8,223
Additions charged to the income statement	15,815	7,765
Utilization	-6,609	-4,057
Reversals	-2,221	-1,720
Exchange rate differences	-235	-297
Disposal from deconsolidation	0	-25
As of December 31	<u>16,639</u>	<u>9,889</u>

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:

	2008	2007
	€k	€k
Trade accounts receivable, net		
< 30 days	104,599	111,468
30 - 60 days	5,641	4,067
60 - 90 days	3,673	6,759
90 - 120 days	1,674	1,045
> 120 days	3,479	449
	<u>119,066</u>	<u>123,788</u>

22. Inventories

Inventories consist of the following items:

	2008	2007
	€k	€k
Merchandise		
DSL hardware	6,999	7,975
Mobile internet hardware	6,194	4,611
Mobile telephony hardware	2,703	1,503
Web hosting hardware	860	990
Video-on-demand hardware	828	2,162
Other	318	566
Domain stock held for sale		
Domain stock	5,370	3,624
	<u>23,272</u>	<u>21,431</u>
Less		
Allowances	-4,224	-4,646
Inventories, net	<u>19,048</u>	<u>16,785</u>

The impairment of inventories expensed in the period under review amounted to €1,581k (prior year: €3,352k). This charge is disclosed in "Cost of sales". Allowances of €4,224k (prior year: €4,646k) were made for inventories with a net carrying value of €6,735k (prior year: €2,177k).

23. Prepaid expenses

Prepaid expenses of €28,791k (prior year: €23,020k) 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

	2008	2007
	€k	€k
Accounts receivables from the tax office	3,722	2,880
Outstanding purchase price installment	3,621	3,621
Payments on account	1,244	4,282
Premium claims	586	2,883
Other	3,564	2,705
Other assets, net	<u>12,737</u>	<u>16,371</u>

Accounts receivables from the tax office result mainly from credit balances from sales tax.

The outstanding purchase price installment refers to a payment due at the end of 2009 from the sale of shares in NT plus AG, to be settled fully in cash.

Payments on account consist mainly of down payments for domains.

The premium claims represent claims from a cooperation agreement with Deutsche Telekom AG and Vodafone AG. They relate to performance-based payments for the acquisition of new customers for the cooperation partner.

25. Shares in associated companies / joint ventures

	2008	2007
	€k	€k
Carrying amount at the beginning of the fiscal year	309,023	11,006
Additions	170,307	309,299
Adjustments		
– Dividends	-392	-950
– Shares in result	-169,338	2,284
– Impairment losses	-64,855	0
– Other	1,729	0
Disposals	-24,790	-12,616
	<u>221,684</u>	<u>309,023</u>

The addition to shares in associated companies results mainly from the acquisition of further shares in Versatel (€57,257k), from the acquisition of shares in freenet (€46,111k) and from the investment in EFF No. 1 (€24,367k). Further additions of €24,452k result from the purchase of shares in associated companies purchased by EFF No. 2 and the acquisition of shares in Virtual Minds (€9,131k) and BW2 (€5,826k).

The result from associated companies amounting to €-169,338k was mainly caused by pro-rated impairment losses on shares in freenet held by MSP Holding GmbH (€-158,886k). These write-downs were made as a result of a sharp decline in share prices in fiscal year 2008.

Other adjustments totaling €1,729k result from profit contributions to associated companies with an investment value of €0k (€1,613k) and profit contributions recognized directly in equity of associated companies (€116k). 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.

The following table provides an overview of direct impairment losses in fiscal year 2008:

Impairment losses		
	2008	2007
	€k	€k
Versatel	50,194	---
EFF Nr. 2	7,169	---
BW2	4,389	---
Sonstige	3,103	---
	<u>64,855</u>	<u>0</u>

The impairment loss of Versatel results from a sharp decline in its share price during fiscal year 2008.

Impairment losses of €7,169k refer to shares in associated companies held by EFF No. 2.

The disposal results from capital repayments of the investment EFF NO. 1 (€20,037k) and from the sale of shares in Bigpoint (€4,753k).

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 Company itself holds 8.43% of shares in freenet AG. Due to a contractual voting commitment, the Company believes it exerts a significant influence on the business policy of freenet AG.

The following table contains summarized financial information on the Company's investment in MSP Holding GmbH:

	2008	2007
	€k	€k
Current assets	311	21,792
Non-current assets	55,468	317,176
Current liabilities	19,715	8,248
Non-current liabilities	0	0
Shareholders' equity	<u>36,064</u>	<u>330,720</u>
Sales revenue	0	0
Net profit	-294,657	-80

The change in the consolidated balance sheet and the consolidated income statement of MSP Holding GmbH compared with the previous year is largely due to the impairment loss on shares in freenet AG.

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

	2008	2007
	€k	€k
Current assets	179,123	225,022
Non-current assets	966,949	964,946
Current liabilities	182,576	205,859
Non-current liabilities	634,897	623,696
Shareholders' equity	<u>328,599</u>	<u>360,413</u>
Sales revenue	576,718	700,646
Net profit	-32,245	-89,005

The financial information for 2008 of Versatel AG is based on published figures as of September 30, 2008.

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 € 116,355k.

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

	2008	2007
	€k	€k
Current assets	896,496	369,315
Non-current assets	2,383,529	533,285
Current liabilities	967,511	491,182
Non-current liabilities	1,400,421	39,333
Shareholders' equity	<u>912,093</u>	<u>372,085</u>
Sales revenue	1,800,738	1,863,284
Net profit	160,595	16,530

The financial information for 2008 of freenet AG is based on published figures as of September 30, 2008. The financial information for 2007 is based on published figures of freenet AG for the fiscal year 2007.

Based on the stock exchange price as of the balance sheet date, the shares held by United Internet AG in freenet AG have a fair value of € 44,815k.

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

	2008 €k	2007 €k
Current assets	19,802	17,044
Non-current assets	31,491	19,984
Current liabilities	12,906	5,00
Non-current liabilities	800	15,002
Shareholders' equity	<u>37,586</u>	<u>17,027</u>
Sales revenue	27,186	13,471
Net profit	-11,740	5,751

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:

	Jan. 1, 2008 €k	Additions €k	Amortization of revaluation reserve not recognized in income Recycling €k	Addition €k	Impairment loss €k	Reclassification €k	Disposal €k	Dec. 31, 2008 €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 No. 3	0	50,071		3,371	-11,626			41,816
Purchase price installment NTplus	3,621					-3,621		0
Others	1,774	866			-353			2,287
	<u>67,867</u>	<u>50,937</u>	<u>-5,763</u>	<u>5,744</u>	<u>-42,379</u>	<u>-3,621</u>	<u>0</u>	<u>72,785</u>

	1/1/2007 T€	Zugang T€	Amortization of revaluation reserve not recognized in income Recycling T€	Zuführung T€	Wertminderung T€	Umbuchung T€	Abgang T€	12/31/2007 T€
	Jan. 1, 2008 €k	Additions €k	Recycling €k	Addition €k	Impairment loss €k	Reclassification €k	Disposal €k	Dec. 31, 2008 €k
Goldbach shares	0	19,941		8,853				28,794
Drillisch shares	0	31,415		-3,090				28,325
Afilias shares	1,842			3,511				5,353
Purchase price installment NTplus	0	3,621						3,621
Others	1,853						-79	1,774
	<u>3,695</u>	<u>54,977</u>	<u>0</u>	<u>9,274</u>	<u>0</u>	<u>0</u>	<u>-79</u>	<u>67,867</u>

The newly founded, fully consolidated investment fund EFF No. 3 made investments of €50,071k in a total of 24 companies (*portfolio companies*) in fiscal year 2008. As the fund holds less than 20% of voting shares, these investments are classified as available-for-sale financial assets pursuant to IAS 39.

Against the backdrop of a sharp decline in share prices in fiscal year 2008, the listed shares in Goldbach and Drillisch were written down due to impairment, as were other investments (*portfolio companies*) of EFF No. 3.

The purchase price installment NTplus, results from the 2nd purchase price installment in connection with the sale of shares in NT plus AG in fiscal year 2007, which is to be fully set-

tled in cash by the end of 2009. In the previous year, this item was disclosed under “Non-current assets”.

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

27. Property, plant and equipment

	2008	2007
	€k	€k
Acquisition costs		
– Land and buildings	8,047	6,986
– Furniture and fixtures	196,645	156,905
– Payments on account	3,464	10,227
	<u>208,156</u>	<u>174,118</u>
Less		
Accumulated depreciation	-121,662	-97,013
Property, plant and equipment,	<u>86,494</u>	<u>77,105</u>

An alternative presentation of the development of property, plant and equipment in the fiscal years 2007 and 2008 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

28. Intangible assets (without goodwill)

	2008	2007
	T€	T€
Acquisition costs		
– Licenses	28,337	27,462
– Order backlog	2,141	2,141
– Software	37,695	34,367
– Trademarks	21,423	21,904
– Customer base	42,927	45,525
– Portal	72,240	72,240
	<u>204,763</u>	<u>203,639</u>
Less		
Accumulated amortization and impairment	-107,251	-83,608
Intangible assets, net	<u>97,512</u>	<u>120,031</u>

An alternative presentation of the development of intangible assets in the fiscal years 2007 and 2008 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

Intangible assets with unlimited useful lives (trademarks), are mostly allocated to the Product segment. The carrying values amount to €21,379k. Intangible assets with unlimited useful

lives were subjected to an impairment test on the balance sheet date. An impairment loss of € 44k (prior year: € 0k) was recognized in the Online Marketing segment. The further decline resulted from currency translation effects.

In the previous year, an impairment test was conducted on software in the Product segment which resulted in an impairment loss of € 3,536k.

29. Goodwill

	2008		2007	
	€k		€k	
	gross	net	gross	net
Product segment	289,570	289,570	297,670	297,670
Online Marketing segment	109,602	89,306	102,204	91,152
	<u>399,172</u>	<u>378,876</u>	<u>399,874</u>	<u>388,822</u>

An alternative presentation of the development of goodwill in the fiscal years 2007 and 2008 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

Total goodwill fell on balance by € 9,946k to € 378,876k. The increase in goodwill of € 9,302k results from the acquisition of Dollamore and the purchase of further shares in AdLINK (€ 7,399k). Currency translation effects in the Product segment resulted in a decline in goodwill of € 17,403k. A further negative effect resulted from non-scheduled amortization of goodwill for AdLINK of € 9,244k. We refer in this connection to the following section.

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 amortization of € 9,244k (prior year: € 0k). Of this total, goodwill write-downs for affilinet France accounted for € 6,430k, AdLINK Germany for € 1,631k and AdLINK France for € 1,183k and refer exclusively to the Online Marketing segment. The main cause for the write-downs was a deterioration of earnings of the respective cash-generating unit. The impairment loss was disclosed separately in the income statement.

Due to signs of a deterioration in earnings of CibleClick France and AdLINK UK and subsequent restructuring, the goodwill of these cash-generating units was subjected to an impairment test in the previous year. The recoverable amounts of the cash-generating units concerned were measured using cash flow forecasts. The assumptions used were the same as those for the annual impairment test of cash-generating units in the Online Marketing segment, as described below. As a result of this impairment test, goodwill of CibleClick France was written down by € 7,662k and of AdLINK UK by € 1,711k in the previous year. 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 three cash-generating units to which goodwill with carrying values totaling €289,570k (prior year: €297,670k) has been allocated:

	2008	2007
	€k	€k
1&1 / GMX / WEB.DE	228,493	228,493
Fasthosts / Dollamore	56,045	64,145
InterNetX	5,032	5,032
	<u>289,570</u>	<u>297,670</u>

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 2009. 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 rate used in the period under review for the cash flow forecasts amounts to 11% (prior year: 11% and 13%).

The Product segment also has trademarks with a total carrying value of €21,314k (prior year: €21,795k). The stated trademarks refer to the following cash-generating units:

	2008	2007
	€k	€k
1&1 / GMX / WEB.DE	17,098	17,098
Fasthosts / Dollamore	4,216	4,697
	<u>21,314</u>	<u>21,795</u>

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 between 1% and 2%. 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 thirteen cash-generating units to which goodwill totaling €89,306k (prior year: €91,152k) has been allocated. Goodwill in the Online Marketing segment refers to the following summarized cash-generating units:

	2008	2007
	€k	€k
AdLINK Media	3,630	6,444
Affiliate Marketing	9,554	15,984
Domain Marketing	31,635	31,635
Minority interests	44,487	37,089
	<u>89,306</u>	<u>91,152</u>

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 2009 approved by the Supervisory Board. An expected estimate made by the Management Board was used for the years 2010 to 2013, as well as external market studies. As in the previous year, annual cash flow increases after this five-year period are based on an expected inflation rate of 2%. As in the previous year, the discounted pre-tax interest rates used for the cash flow forecasts are between 12% and 14%, depending on the cash-generating unit.

The Online Marketing segment also includes trademarks with a total carrying value of €65k (prior year: €109k). 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 €44k (prior year: €0k). 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 4% and 23% is expected for the fiscal years 2009 to 2013 (prior year: 6% and 19%). For the cash-generating units of the Online Marketing segment, management expects sales to grow by between -59% and 28% (prior year: 2% and 39%).

- 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 2% 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, would result in additional impairment of € 725k.

- Growth rates

A decline in the underlying growth rate of 1%-point, would result in additional impairment of € 1,020k.

31. Trade accounts payable

Trade accounts payable amounting to € 170,743k (prior year: € 232,421k) are owed to independent third parties with terms of less than one year.

32. Liabilities due to banks

a) Liabilities due to banks

	2008	2007
	€k	€k
Bank loans	528,301	369,223
less		
Current portion of liabilities to banks	0	-174
Non-current portion of liabilities to banks	<u>528,301</u>	<u>369,049</u>
Current portion of non-current liabilities to banks	0	174
Short-term loans/overdrafts	16,069	1,882
Current portion of liabilities to banks	<u>16,069</u>	<u>2,056</u>
Total	<u>544,370</u>	<u>371,105</u>

In September 1997 the Company raised two long-term loans of € 2,045k and € 2,250k to finance the Multimedia Internet Park in Zweibrücken. The first loan was repaid in full on expiry of the fixed-interest period on July 30, 2007. After the fixed-interest period of the second loan ended on July 30, 2008, the remaining debt of € 961k was repaid in full.

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, € 300.0 million have been used from Tranche A and € 80.0 million from Tranche B.

Tranche A has a term of five years. Repayment is made from March 14, 2010 in six equal half-yearly installments. Tranche B is a revolving syndicated loan, which is also used to refinance the syndicated loan of October 13, 2005 amounting to € 125.0 million. The syndicated loan 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 interest rates range between 3.25% and 4.38% (prior year: 5.05% and 5.18%). 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 interest rates range between 6.04% and 6.24%.

Current bank liabilities mainly result from a credit line used by AdLINK. As of the balance sheet date, the interest rates range between 2.92% und 3.70%. The credit lines of AdLINK Internet Media AG amount to €53.4 million. The maturity date for €20.0 million is May 2009, for €15.0 million in November 2009 and a further €18.4 million are available until further notice.

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:

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

The credit facilities have been granted by the banks for limited periods. €15.0 million expire in June 2009, €25.0 million expire in September 2009 and a further €15.0 million are available at further notice.

A further amount of €120 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:

	2008	2007
	€k	€k
Germany	30,601	27,333
UK	2,823	2,049
Spain	201	0
Belgium	196	135
France	34	57
USA	0	598
	<u>33,855</u>	<u>30,172</u>

34. Deferred revenue

In the Product segment, customers pay for certain contracts in advance for a maximum of 24 months.

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 2008 was as follows:

	Litigation risks	Others	Total
	€k	€k	€k
Jan. 1, 2008	2,573	5,110	7,683
Utilization	705	5,000	5,705
Reversal	577	0	577
Addition	445	2,667	3,112
Dec. 31, 2008	<u>1,736</u>	<u>2,777</u>	<u>4,513</u>

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

Other accruals referred mainly to provisions for impending losses and obligations to joint ventures. In the previous year, other accrued liabilities referred mainly to an indemnity commitment for a joint venture.

36. Other liabilities

	2008	2007
	€k	€k
Other current liabilities		
Liabilities to the tax office	20,929	19,222
Salary and social security liabilities	11,027	11,764
Liability from interest hedging	6,671	0
Option agreement	6,425	2,663
Marketing and selling expenses / commissions	6,133	7,387
Transaction costs for sale of shares	2,153	2,153
Legal and consulting fees, auditing fees	1,816	3,125
Indemnity commitment	0	5,000
Loans received from associated companies	0	2,983
Purchase price for acquisition of shares	0	1,836
Others	6,611	4,110
Total	<u>61,765</u>	<u>60,243</u>

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 fiscal year 2008 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.

For further details on the indemnity commitment for a joint venture and the loan received from an associated company, please refer to Note 42.

The purchase price for the acquisition of shares referred to a forward purchase agreement in connection with the purchase of further shares in InterNetX GmbH., which was settled in cash in fiscal year 2008.

The non-current liabilities of €10,892k (prior year: €886k) result mainly from minority interests of the partnerships EFF No. 2 and EFF No. 3.

37. 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 to 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 €129k (prior year: personnel income of €48k). The compensation expense 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:

Issue date	Valuation parameters			
	3/25/2003 March 23, 2003	8/31/2003 August 31, 2003	8/15/2004 August 15, 2004	5/27/2005 May 27, 2005
Fair value	1,141 T€ 1,141 €k	3,211 T€ 3,211 €k	411 T€ 411 €k	932 T€ 932 €k
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 to 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 € 70k (prior year: € 180k). The compensation expense 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	1/2/2004	4/20/2005	5/23/2005
Fair value	209 T€ 209 €k	364 T€ 364 €k	614 T€ 614 €k
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:

	United Internet AG		AdLINK Internet Media AG	
	Convertible bond	Average strike price (€)	Convertible bond	Average strike price (€)
Outstanding as of December 31, 2006	2,702,292	3.81	778,000	3.08
Exercised	-278,796	4.35	-85,000	1.71
Exercised	-880,000	2.13	-100,000	3.24
Exercised	-40,000	3.82	-54,740	3.60
Expired	-26,740	4.35	-51,000	1.71
Expired	-80,000	3.82	-25,630	3.60
Expired	-600,000	5.26	---	---
Outstanding as 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 as of December 31, 2008	158,804	4.35	352,130	3.29
Exercisable as of December 31, 2007	352,508		750	
Exercisable as of December 31, 2008	158,804		101,880	
Weighted average remaining term (in months)	6		28	

As in the previous year, the exercise price for outstanding convertible bonds of United Internet AG at the end of the reporting period was € 4.35.

The weighted average share price for convertible bonds of United Internet AG exercised in the period under review amounted to € 4.87.

The exercise price for outstanding convertible bonds of AdLINK Internet Media AG at the end of the reporting period was between € 3.24 and € 3.60 (prior year: € 1.71 and € 3.60).

The weighted average share price for convertible bonds of AdLINK Internet Media AG exercised in the period under review 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. No options had been exercised as of the balance sheet date.

Using an option pricing model in accordance with IFRS 2, the personnel expense for options issued amounted to €0k (prior year: €14k). The compensation expense 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 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 2008 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 to 75% may be exercised at the earliest 48 months after the date of issue of the option; the full amount may be exercised at the earliest 60 months after the date of issue of the option.

Using an option pricing model in accordance with IFRS 2, the personnel expense for options issued amounted to €2,469k (prior year: € 1,342k).

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:

Issue date	May 30, 2006	August 14, 2006	March 3, 2007	November 12, 2007
Fair value	1,000 T€	1,790 T€	1,200 T€	1,394 T€
Average market value per convertible bond	2.50 €	2.24 €	3.00 €	3.49 €
Dividend yield	1.0 %	1.0 %	1.4 %	1.6 %
Volatility of the share	36 %	39 %	44 %	46 %
Expected term (years)	5	5	5	5
Risk-free interest rate	3.65 %	3.84 %	3.83 %	3.91 %

Issue date	January 29, 2008	May 30, 2008	November 11, 2008
Fair value	596 T€	1,309 T€	1,424 T€
Average market value per convertible bond	2.98 €	3.27 €	0.95 €
Dividend yield	1.5 %	1.4 %	0.0 %
Volatility of the share	46 %	46 %	55 %
Expected term (years)	5	5	5
Risk-free interest rate	3.64 %	4.30 %	2.63 %

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 trad-

ing 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 to 75% may be exercised at the earliest 48 months after the date of issue of the option; the full amount may be exercised at the earliest 60 months after the date of issue of the option.

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 € 1,352k (prior year: € 117k).

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	September 3, 2007	November 28, 2007	February 22, 2008	March 6, 2008	October 30, 2008
Fair value	863 T€	723 T€	231 T€	870 T€	12 T€
Average market value per convertible bond	3.75 €	3.61 €	3.86 €	4.35 €	1.65 €
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Volatility of the share	52 %	55 %	40 %	39 %	53 %
Expected term (years)	5	5	5	5	5
Risk-free interest rate	4.00 %	3.86 %	3.61 %	3.51 %	3.24 %

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

	United Internet AG		AdLINK Internet Media AG	
	SAR	Average strike price (€)	SAR	Average strike price (€)
Outstanding as of December 31, 2006	1,200,000	10.36	0	
Issued	400,000	13.74	230,000	15.51
Issued	400,000	15.77	200,000	17.41
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
Exercisable as of December 31, 2007	0		0	
Exercisable as of December 31, 2008	0		0	
Weighted average remaining term (in months)	49		60	

The mean weighted share price for Stock Appreciation Rights of United Internet AG exercised in the period under review amounted to € 13.89.

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.

38. Deferred tax liabilities

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

39. Capital stock

On the balance sheet date, fully paid capital stock amounted to € 251,469,184, divided into 251,469,184 registered shares each having a theoretical share in the capital stock of € 1.

Through partial use of conditional capital, the capital stock of the Company was increased in December 2008 by € 35,212, from € 251.433.972 to € 251,469,184, by issuing 35,212 new, no-par registered shares for cash contribution. The cash contribution represented the conversion of convertible bonds in fiscal year 2008 issued under the Company's employee stock ownership plan.

In fiscal year 2008, United Internet AG acquired 22,000,000 treasury shares (prior year: 18,000,000), or 8.75% (prior year: 7.16%) of current capital stock (prior year: 3.29%). Treasury shares reduce equity capital and bear no dividend rights

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 € 4,868,364, divided into 4,868,364 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 26, 2009 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 22,000,000 treasury shares. Treasury shares can be used for all purposes named in the authorization of the Annual Shareholders' Meeting of May 27, 2008.

40. Reserves

As of December 31, 2008, capital reserves amounted to € 163,896k (prior year: € 160,095k). The increase results mainly from the exercise of conversion rights from the employee stock ownership plan amounting to € 118k (prior year: € 2,043k), as well as from the corresponding booking of personnel expenses from the employee stock ownership plan totaling € 3,867k (prior year: € 1,605k).

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

	2008	2007
	€k	€k
– Affiliates shares	7,189	4,805
– EFF No. 3	2,697	0
– EFF No. 1	116	0
– Goldbach shares	0	7,650
– Drillisch shares	0	-3,044
Total	<u>10,002</u>	<u>9,411</u>

The change in the revaluation reserve results mainly from the reclassification of temporary value adjustments recognized directly in equity in the previous year. Profit and loss from subsequent valuation to fair value are recognized net in equity – i.e. less deferred taxes – and after minority interests. Due to the no longer temporary value adjustments of shares in Goldbach and Drillisch, there was a reclassification from the revaluation reserve and an expense was recognized in the income statement. Please see Note 26.

41. Additional details on financial instruments

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	Carrying value on Dec. 31, 2008	Valuation acc. to IAS 39			Fair value on Dec. 31, 2008
			Amortized cost	Fair value not through profit or loss	Fair value through profit or loss	
Financial assets						
Cash and cash equivalents	lar	55,372	55,372			55,372
Trade accounts receivable	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	189,462	189,462	0	0	189,462
Available-for-sale	afs	70,498	0	70,498	0	70,498
Financial liabilities measured at amortized cost	flac	774,748	774,748	0	0	774,748
Held-for-trading	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:

Net result acc. to valuation categories in €k for fiscal year 2008	Valuation category acc. to IAS 39	From interest and dividends	Net profits and losses from subsequent valuation			From disposal	Net result
			Fair value	Currency translation	Value adjusted		
Loans and receivables (lar)	lar	2,160	--	544	-22,908	--	-20,204
Available-for-sale (afs)	afs	--	--	--	--	--	0
- not affecting net result			-19	--	--	--	-19
- affecting net result		1,768	-42,379	--	--	--	-40,611
Financial liabilities measured at amortised Cost (flac)	flac	-33,498	--	233	--	--	-33,265
Held-for-trading (hft)	hft	--	-822	--	--	--	-822
		-29,570	-43,220	777	-22,908	0	-94,921

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 2007:

Valuation category acc. to IAS 39	Carrying value on Dec. 31, 2007	Measured acc. to IAS 39			
		Amortized cost	Fair value not through profit or loss	Fair value through profit or loss	
Financial assets					
Cash and cash equivalents	lar	59,770	59,770		
Trade accounts receivable	lar	123,788	123,788		
Loans to joint ventures	lar	4,007	4,007		
Other assets	lar	16,371	16,371		
Other financial assets	lar/afs				
Others	lar	5,395	5,395		
Investments	afs	62,472		62,472	
Financial liabilities					
Trade accounts payable	flac	233,307	233,307		
Liabilities due to banks	flac	371,105	371,105		
Other liabilities	flac/hft	60,243	57,580		2,663
Convertible bonds	flac	245	245		
Of which aggregated acc. to valuation categories					
Loans and receivables	lar	209,331	209,331	0	0
Available-for-sale	afs	62,472	0	62,472	0
Financial liabilities measured at amortized cost	flac	662,237	662,237	0	0
Held-for-trading	hft	2,663			2,663

The following net results were stated for the individual categories of financial instruments acc. to IAS 39 in fiscal year 2007:

Net result acc. to valuation categories in €k for fiscal year 2007	Valuation category acc. to IAS 39	From interest and dividends	Net profits and losses from subsequent valuation			From disposal	Net result
			Fair value	Currency translation	Value adjusted		
Loans and receivables (lar)	lar	1,426	--	-260	-13,690	--	-12,524
Available-for-sale (afs)	afs	--	--	--	--	--	0
- not affecting net result			9,274	--	--	--	9,274
- affecting net result		623	--	--	--	--	623
Financial liabilities measured at amortised Cost (flac)	flac	-6,674	--	-111	--	--	-6,785
Held-for-trading (hft)	hft	--	-2,663	--	--	--	-2,663
		-4,625	6,611	-371	-13,690	0	-12,075

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 € 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 amounts to € 6,425k as of the balance sheet date 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.

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 2009, February 2015 and December 2016. The resulting rent expenses are customary and amounted to € 1,609k in fiscal year 2008 (prior year: € 1,561k).

At the ordinary shareholders' meeting on May 18, 2005, Mr. Kurt Dobitsch (chairman), Mr. Bernhard Dorn † and Mr. Michael Scheeren were elected once again as members of the Company's Supervisory Board.

Our long-standing Supervisory Board member Mr. Bernhard Dorn † passed away on February 10, 2008. Following a proposal by the Supervisory Board and Management Board, Mr. Kai-Uwe Ricke was appointed acc. to Sec. 104 AktG by the district court of Montabaur as the new member of the Company's Supervisory Board on February 20, 2008. The appointment was made for the period up to the next Annual Shareholders' Meeting. 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 2008, 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)
- Assicurazioni Generali S.p.A, Trieste / Italy
- easy cash GmbH, Eschborn
- Kabel Baden-Württemberg GmbH & Co. KG, Heidelberg
- Saudi Oger Telecom Ltd., Dubai / Emirate of Dubai

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.

The following table provides details on the compensation received by members of the Supervisory Board:

2008	Fixed	Variable	Total
Kurt Dobitsch	40	-	40
Kai-Uwe Ricke	20	-	20
Michael Scheeren	20	-	20
	<hr/> 80	<hr/> 0	<hr/> 80
2007	Fixed	Variable	Total
Kurt Dobitsch	40	72	112
Bernhard Dorn †	20	72	92
Michael Scheeren	20	72	92
	<hr/> 80	<hr/> 216	<hr/> 296

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 2008. 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 2008, a preliminary remuneration of € 1,000k (prior-year: € 953k) was agreed for the Management Board. Of this total, € 600k or 60% was fixed and € 400k or 40% variable.

There are no retirement benefits from the Company to members of the Management Board.

In fiscal year 2008, Mr. Norbert Lang was granted 800,000 virtual stock options (SARs) at an exercise price of € 12.85. When the virtual stock options were granted, their fair value amounted to € 2,384k.

The following table provides details on the compensation received by members of the Management Board:

2008	Fixed	Variable	Total
Ralph Dommermuth	300	211	511
Norbert Lang	300	189	489
	<hr/> 600	<hr/> 400	<hr/> 1,000

2007	Fixed	Variable	Total
Ralph Dommermuth	200	242	442
Norbert Lang	200	293	493
	400	535	935

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	Jan. 1, 2008		Jan. 1, 2008	Dec. 31, 2008		Dec. 31, 2008
Management Board	direct	indirect	total	direct	indirect	total
Ralph Dommermuth	17,600,000	70,400,000	88,000,000	17,600,000	74,400,000	92,000,000
Norbert Lang	---	576,128	576,128	---	576,128	576,128
	17,600,000	70,976,128	88,576,128	17,600,000	74,976,128	92,576,128
Supervisory Board	direct	indirect	total	direct	indirect	total
Kurt Dobitsch						
Kai-Uwe Ricke	---	---	---	---	---	---
Michael Scheeren	700,000	---	700,000	700,000	---	700,000
	700,000	indirect	700,000	700,000	indirect	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 2008 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.

In fiscal year 2008, interest income of €33k (prior year: €7k) resulted from a loan of €4,000k granted in the previous year to MSP Holding GmbH. The loan was repaid in full during the period under review. A loan granted during the year resulted in interest income of €511k. The loan of €2,800k received in the previous year from European Founders Fund GmbH & Co. Beteiligungs KG No.1 was repaid in full at the beginning of the period under review. There were no more interest payments in fiscal year 2008 (prior year: €183k).

The obligation from an indemnity obligation of €10,000k to MSP Beteiligungs GmbH, a wholly owned subsidiary of MSP Holding GmbH, was repaid in full or offset in fiscal year 2008.

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.

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 €3,000k. As of December 31, 2008, €400k 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, 2012. 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		Receivables from related parties	
	2008 €k	2007 €k	2008 €k	2007 €k	2008 €k	2007 €k	2008 €k	2007 €k
maxdome GmbH & Co. KG	3,806	---	---	---	2,915	---	---	---
Others	1,122	508	38	---	238	30	13	1

	Interest income		Interest expense	
	2008 €k	2007 €k	2008 €k	2007 €k
MSP Holding GmbH	544	7	---	---
maxdome GmbH & Co. KG	4	---	---	---
EFF Nr. 1	---	---	---	183

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 and supply and acquisition obligations for shares in listed companies.

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, 2008 and 2007:

	Dec. 31, 2008						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

	Dec. 31, 2007	2008	2009	2010	2011	2012 ff	Total
	€k	€k	€k				
Liabilities to banks	371,105	19,124	19,071	107,332	102,009	196,132	443,667
Convertible bonds	245	245					245
Trade accounts payable	232,421	232,421					232,421
Other liabilities	61,129	60,083	250	250	296	250	61,129

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 N. 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. Liabilities due to banks amounting to €544,370k is thus covered to around 37%. 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 €5,139k or a decrease of €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 €925k based on the bal-

ance 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.

A 10 percent increase (decrease) in the exchange rate of the US dollar against the euro, based on the balance sheet values of December 31, 2007, would have resulted in an decrease (increase) in pre-tax earnings of €1,327k. A 10 percent increase (decrease) in the exchange rate of the UK pound against the euro, would have resulted in an increase (decrease) in pre-tax earnings of €3,107k.

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 €20,956k as of the balance sheet date (prior year: €57,119k).

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 20).

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.

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, 2008 and December 31, 2007, 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 and contingencies

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:

	2008	2007
	€k	€k
Up to 1 year	12,171	10,362
1 to 5 years	23,077	25,644
Over 5 years	3,046	3,155
	<u>38,294</u>	<u>39,161</u>

In the period under review, these operating leases incurred expenses of € 11,857k (prior year: € 9,965k).

Contingent liabilities 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 two fiscal years total € 4,200k (prior year: € 6,539k).

In the previous year, there were short-term commitments of € 3,524k resulting from a pending purchase contract for the acquisition of shares in a listed company.

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.

46. Cash flow account

In fiscal year 2008, cash flow from operating activities includes interest payments of € 27,632k (prior year: € 7,246k) and interest income of € 2,036k (prior year: € 1,206k). Income tax payments in fiscal year 2008 amounted to € 74,062k (prior year: € 71,389k). Proceeds from dividends paid by associated companies totaled € 392k (prior year: € 950k). Proceeds from dividends distributed by other investments amounted to € 1,768k (prior year: € 623k) in fiscal year 2008.

A total of € 160,696k (prior year: € 309,229k) was paid in cash for the purchase of shares in associated companies and joint ventures in fiscal year 2008. Further details are provided in Note 25.

An amount of € 9,538k (prior year: € 37,949k) was paid in cash for the purchase of additional shares of AdLINK in fiscal year 2008. The acquisition costs for the purchase of shares in Dollamore amounted to € 10,477k. The purchase price was settled fully in cash. As part of the acquisition of Dollamore, cash and cash equivalents of € 154k were received.

The sale of shares in associated companies (prior year: including affiliated companies) resulted in total cash proceeds of € 12,268k (prior year: € 92,129k) in fiscal year 2008.

47. Changes in the reporting unit

In addition to the business combinations and investments described in Note 3, the following companies were founded by the Company or its subsidiaries in fiscal year 2008:

- Dollamore Ltd., Melbourne / UK (100.00%)
- Immobilienverwaltung NMH GmbH, Montabaur (100.00%)
- UIM United Internet Media Austria GmbH, Vienna / Austria (100.00%)
- European Founders Fund Nr. 3 Management GmbH, Munich (80.00%)
- European Founders Fund Nr. 3 Verwaltungs GmbH, Munich (80.0%)
- European Founders Fund GmbH & Co. Beteiligungs KG Nr. 3, Munich (80.0%)
 - European Founders Fund Nr. 3 Beteiligungs GmbH, Munich (100.00%)

The consolidated group remained otherwise unchanged compared with the consolidated financial statements as of December 31, 2007.

48. 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

49. Subsequent events

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. united-domains AG will continue to be run by its founders, who retain a total shareholding of 15% in united-domains AG after the acquisition. In the course of the transaction, the value of united-domains AG was set at around €34 million. The preliminary purchase price was settled fully in cash, whereby €7 million is held in escrow as a security guarantee for United Internet Beteiligungen GmbH. The final purchase price will be determined after united-domains AG has posted its annual financial statements for fiscal year 2008.

In a contract dated February 25, 2009, Sedo.com LLC acquired 100% of shares in RevenueDirect, Vancouver / USA.

As of the balance sheet date, United Internet AG was the silent partner of an option agreement (OTC) to supply certain listed securities. The option had a term until February 28, 2009 and was not exercised by the contractual partner.

50. Auditing fees

In fiscal year 2008, auditing fees totaling €1,651k (prior year: €1,273k) were expensed in the consolidated financial statements. These include auditing fees of €781k (prior year: €620k), tax consultancy services of €327k (prior year: €243k), and other services of €543k (prior year: €410k).

In addition, auditing fees for tax consultancy services and other services amounting to €47k (prior year: €46k) were carried in the consolidated financial statements without effect on income and capitalized as transaction costs in connection with company acquisitions.

51. 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.adlink.net).

Montabaur, March 16, 2009

The Management Board

United Internet AG - Development of consolidated fixed assets acc. to IFRS in fiscal year 2008 (€)

	ACQUISITION AND PRODUCTION COSTS							ACCUMULATED DEPRECIATION							NET BOOK VALUE			
	Jan. 1, 2008	Additions from initial consolidation	Additions	Disposals	Reclassifications	Currency translation	Disposals from deconsolidation	Dec. 31, 2008	Jan. 1, 2008	Additions from initial consolidation	Additions	Disposals	Reclassifications	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	44	21,904	21,379	0
Kundenstamm	45,525	2,661	0	0	1	-5,260	0	42,927	14,534	0	7,354	0	0	-1,303	0	20,585	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	9,303	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	127,547	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	117,634	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	121,662	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	249,209	585,958	562,882

	ACQUISITION AND PRODUCTION COSTS							ACCUMULATED DEPRECIATION							NET BOOK VALUE			
	Jan. 1, 2008	Additions from initial consolidation	Additions	Disposals	Reclassifications	Currency translation	Disposals from deconsolidation	Dec. 31, 2008	Jan. 1, 2008	Additions from initial consolidation	Additions	Disposals	Reclassifications	Currency translation	Disposals from deconsolidation	Dec. 31, 2008	Jan. 1, 2008	Dec. 31, 2008
Intangible assets																		
Licenses	33,781	0	2,399	197	-371	0	-8,150	27,462	21,953	0	7,630	384	-5	-7	-6,782	22,405	11,828	5,057
Order backlog	2,141	0	0	0	0	0	0	2,141	1,128	0	552	0	0	0	0	1,680	1,013	461
Software	31,585	0	8,227	474	9	-99	-4,881	34,367	20,780	0	9,673	436	5	-63	-4,535	25,424	10,805	8,943
Trademark	22,282	0	0	0	0	-378	0	21,904	0	0	0	0	0	0	0	22,282	21,904	0
Customer base	47,098	0	0	0	0	-1,573	0	45,525	7,361	0	7,491	0	0	-318	0	14,534	39,737	30,991
Portal	72,240	0	0	0	0	0	0	72,240	10,535	0	9,030	0	0	0	0	19,565	61,705	52,675
Goodwill	375,366	0	33,927	3,623	0	-5,168	-628	399,874	1,679	0	9,373	0	0	0	0	11,052	373,887	388,822
Total (I)	584,493	0	44,553	4,294	-362	-7,218	-13,659	603,513	63,436	0	43,749	820	0	-388	-11,317	94,660	521,057	508,853
Property, plant and equipment																		
Land and buildings	6,986	0	0	0	0	0	0	6,986	3,609	0	268	0	0	0	0	3,877	3,377	3,109
Operational equipment	149,782	0	41,291	8,490	4,426	-3,018	-27,086	156,905	95,119	0	27,947	7,831	0	-1,525	-20,574	93,136	54,663	63,769
Payments in advance	8,256	0	6,860	0	-4,405	-484	0	10,227	0	0	0	0	0	0	0	0	8,256	10,227
Total (II)	165,024	0	48,151	8,490	21	-3,502	-27,086	174,118	98,728	0	28,215	7,831	0	-1,525	-20,574	97,013	66,296	77,105
Total	749,517	0	92,704	12,784	-341	-10,720	-40,745	777,631	162,164	0	71,964	8,651	0	-1,913	-31,891	191,673	587,353	585,958

Audit Opinion of the Independent Auditor

We have audited the consolidated financial statements prepared by United Internet AG, Montabaur, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the group management report 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 group management report 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 the applicable financial reporting framework 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 group management report 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 group management report. 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 group management report 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 of future development.

Eschborn/Frankfurt am Main, March 17, 2009

Ernst & Young AG

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Bösser	Grote
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, 2009

Board of Management

Ralph Dommermuth

Norbert Lang



**United Internet AG,
Montabaur**

**Parent Company`s Financial
Statements**

according to HGB
(German Commercial Code)

as of
December 31, 2008

United Internet AG - Balance Sheet a

as of December 31, 2008 in €k

<u>ASSETS</u>	December 31, 2008	December 31, 2007	<u>EQUITY AND LIABILITIES</u>	December 31, 2008	December 31, 2007
<u>FIXED ASSETS</u>			<u>EQUITY</u>		
Intangible assets			Capital stock	251,469	251,434
Concessions, industrial and similar rights and assets as well as licenses in such rights and assets	45	9	Capital reserves	58,827	58,708
	<u>45</u>	<u>9</u>	Revenue reserves		
			Reserves for treasury stock	138,380	213,338
Property, plant and equipment			Retained earnings	<u>-176,940</u>	<u>73,323</u>
Other equipment, operational and office equipment	314	225		<u>271,736</u>	<u>596,803</u>
	<u>314</u>	<u>225</u>	<u>ACCRUALS</u>		
Financial assets			Accrued taxes	29,055	21,975
Shares in affiliated companies	403,099	393,561	Other accrued liabilities	9,530	9,985
Ausleihungen an verbundene Unternehmen	2,200	0		<u>38,585</u>	<u>31,960</u>
Investments	169,613	291,810	<u>LIABILITIES</u>		
Loans to companies in which an investment is held	0	4,000	Bonds	40	199
	<u>574,912</u>	<u>689,371</u>	Liabilities due to banks	530,000	370,000
	<u>575,271</u>	<u>689,605</u>	Trade accounts payable	416	766
<u>CURRENT ASSETS</u>			Liabilities due to affiliated companies	21,001	8,393
Accounts receivable and other assets			Liabilities due to companies in which an investment is held	482	5,000
Trade accounts receivable	2	109	Other liabilities	13,467	8,086
Receivables due from affiliated companies	141,751	81,513		<u>565,406</u>	<u>392,444</u>
Receivables due from companies in which an investment is held	3	7			
Other assets	4,422	7,275			
	<u>146,178</u>	<u>88,904</u>			
Securities					
Treasury stock	138,380	213,338			
	<u>138,380</u>	<u>213,338</u>			
Cash in hand and bank balances	15,842	29,360			
	<u>300,400</u>	<u>331,602</u>			
	56	0			
	<u>875,727</u>	<u>1,021,207</u>		<u>875,727</u>	<u>1,021,207</u>

United Internet AG - Income Statement acc. to HGB

from January 1, 2008 to December 31, 2008 in €k

	2008	2007
	January - December	January - December
Sales	3,846	9,209
Other operating income	979	77,168
Cost of materials		
Cost of purchased services	-2,693	-8,408
Personnel expenses		
a. Wages and salaries	-2,204	-1,929
b. Social security contributions	-200	-170
Amortization and depreciation of intangible assets and property, plant and equipment	-81	-97
Other operating expenses	-11,207	-16,270
Income from profit transfer agreements	250,900	196,154
Other interest and similar income	6,069	2,713
Expense from loss transfer agreements	-93,378	0
Amortization and depreciation of financial assets and securities	-342,561	0
Interest and similar expenses	-27,840	-8,662
Profit before tax	<u>-218,370</u>	<u>249,708</u>
Taxes on income	-60,957	-67,841
Other taxes	-6	105
Net profit for the year	<u><u>-279,333</u></u>	<u><u>181,972</u></u>
Accumulated profits	27,436	25,127
Transfer to reserves for treasury stock	74,957	-133,776
Balance sheet profit	<u><u>-176,940</u></u>	<u><u>73,323</u></u>

UNITED INTERNET AG, MONTABOUR

Notes to the Financial Statements for Fiscal Year 2008

GENERAL PROVISIONS

The annual financial statements for fiscal year 2008 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.

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. Depreciation of additions to property, plant and equipment are 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 lump-sum bad debt allowances.

Tax accruals and other accruals consider all contingent liabilities and recognizable risks. They are carried at an amount deemed necessary according to sound commercial judgment.

Liabilities are stated at the amount repayable.

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.

The additions to shares in affiliated companies amounted to €9,538k and result from the purchase of shares in AdLINK Internet Media AG via the stock exchange.

The additions to investments amounted to €93,757k. Of this total, an amount €57,257k results from the purchase of further shares in Versatel AG and €36,500k from the purchase of shares in freenet AG.

The disposal of "Loans to companies in which an investment is held" results from the repayment of a loan granted to MSP Holding GmbH in the previous year.

Due to an expected permanent impairment, investments in MSP Holding GmbH and Versatel AG were written down to fair value 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):

	12/31/2008	12/31/2008			12/31/2007
	Total	Up to 1 year	Remaining term 1 to 5 years	Over 5 years	Total
Trade accounts receivable	2	2			109
Accounts receivable from affiliated companies	141,751	141,751			81,513
Accounts receivable from companies in which an investment is held	3	3			7
Other assets	4,422	4,422			7,275
	<u>146,178</u>	<u>146,178</u>	<u>0</u>	<u>0</u>	<u>88,904</u>

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 (€111,616k) and AdLINK Internet Media AG (€30,125k). Receivables result mainly from the profit and loss transfer agreement concluded with 1&1 Internet AG, 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 a purchase price installment due in 2009 from the sale of shares in NT plus AG in fiscal year 2007, to be settled fully in cash.

Treasury shares

As of December 31, 2008 the Company held 22,000,000 treasury shares, representing 8.75% 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 €6.29 per share. An accrual for treasury stock was formed for those treasury shares acquired pursuant to Sec. 71 (1) No. 8 AktG, in combination with Sec. 272 (4) HGB. Treasury shares can be used for all purposes approved by the Annual Shareholders' Meeting of May 27, 2008.

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 €251,469,184.00 divided into 251,469,184 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.

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 € 4,868,364, divided into 4,868,364 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. A further 158,804 new shares may be created in the course of a conditional capital increase from the conversion of outstanding convertible bonds as of the balance sheet date.

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.

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 during the period under review.

Pursuant to Sec. 71 (1) No. 8 AktG, the Company is entitled to acquire treasury shares until November 26, 2009 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 22,000,000 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 (€):

Capital stock

- Balance as of December 31, 2007	251,433,972.00
- Capital increase for cash contribution Employee stock ownership plan	35,212.00
- Balance as of December 31, 2008	<u>251,469,184.00</u>

- Balance as of December 31, 2007	58,708,401.13
- Capital increase for cash contribution Employee stock ownership plan	118,048.23
- Balance as of December 31, 2008	<u>58,826,449.36</u>

Reserves for treasury stock

- Balance as of December 31, 2007	213,337,582.49
- Reserve acc. to Sec. 272 (4) HGB	-74,957,582.49
- Balance as of December 31, 2008	<u>138,380,000.00</u>

Balance sheet profit / loss

- Balance as of December 31, 2007	73,323,321.36
- Dividend payment	-45,886,794.40
- Net loss for the year	-279,333,530.73
- Reversal of reserves for treasury stock	74,957,582.49
- Balance as of December 31, 2008	<u>-176,939,421.28</u>

Total shareholders' equity	<u>271,736,212.08</u>
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According to section 21 of the by-laws of United Internet AG, the general meeting of shareholders decides on the appropriation of retained earnings. The balance sheet loss as of the balance sheet date amounts to €176,939,421.28. The balance sheet loss contains a profit carry forward from the previous year (after dividend payment) amounting to €27,436,526.96.

ACCRUALS

Accrued taxes mainly include corporation tax, the solidarity surcharge and trade tax for fiscal 2008.

Other accrued liabilities contain appropriate accrued liabilities which have been set up for all foreseeable liabilities whose amount and nature are uncertain. They were formed mainly for an interest hedging transaction (€7,458k), interest expenses (€951k) and legal, auditing and consulting fees (€455k). They also include provisions for personnel expenses (€400k).

LIABILITIES

The classification and maturities of the liabilities are shown in the following table (€k):

	12/31/2008		12/31/2008		12/31/2007
	Total	Up to 1 year	Remaining term		Total
			1 to 5 years	Over 5 years	
Bonds					
thereof convertible € 40k (prior year: € 199k)	40	40			199
Bank liabilities	530,000		530,000		370,000
Trade payables	416	416			766
Liabilities due to affiliated companies	21,001	21,001			8,393
Liabilities due to companies in which an investment is held	482	482			5,000
Other liabilities thereof for social security € 0k (prior year: € 0k)	13,467	13,467			8,086
	<u>565,406</u>	<u>35,406</u>	<u>530,000</u>	<u>0</u>	<u>392,444</u>

The bonds concern convertible bonds granted to executives of the Company and its affiliated companies as part of the employee stock ownership plan. Their maturity has been determined according to their earliest possible date of conversion.

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 € 4,868k 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. € 150k was repaid when employees left the Company. Conversion rights totaling € 9k were exercised. Hence as of the balance sheet date, convertible bonds amounting to € 40k are shown under bonds. This is equivalent to a total of 158,804 registered shares.

Bank liabilities of €380,000 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. Tranche B is a revolving syndicated loan.

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 to United Internet Beteiligungen GmbH (€13,596k). The liabilities result above all from the profit transfer agreement with United Internet Beteiligungen GmbH, 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 and rent.

OTHER OPERATING INCOME

Other operating income results mainly from income not relating to the period amounting to €822k.

OTHER OPERATING EXPENSES

In addition to expenses from an interest hedging transaction (€7,458k) and legal, consulting and audit fees (€1,597k), other operating expenses mainly contain expenses for investor relations, marketing and press PR (€295k) and rent expenses.

INCOME FROM PROFIT TRANSFER AGREEMENTS

This item comprises the profit and loss transferred by 1&1 Internet AG.

EXPENSE FROM LOSS TRANSFERS

This item comprises the loss transfer from United Internet Beteiligungen GmbH.

AMORTIZATION OF FINANCIAL ASSETS AND SHORT-TERM SECURITIES

This item includes amortization of treasury shares (€126,606k) and non-scheduled amortization of the carrying values of investments in MSP Holding GmbH (€148,671k) and Versatel AG (€67,284k) to their fair values as of the balance sheet date. For the

calculation of non-scheduled amortization for MSP Holding GmbH, a share price was assumed for freenet AG of €4.15 per share as of the balance sheet date, and in the case of Versatel AG the underlying share price was €10.49 per share as of December 31, 2008.

INCOME TAXES

Income taxes mainly concern tax payments and accrued taxes for the fiscal year 2008.

OTHER DISCLOSURES

Average number of employees

An average of 20 (prior year: 16) 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)

Norbert Lang

- AdLINK Internet Media AG, Montabaur
- United Internet Media AG, Montabaur

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 2008. 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 2008, preliminary remuneration of €1,000k (prior-year: €935k) was agreed for the Management Board. Of this total, €600k or 60% was fixed and €400k or 40% variable.

There are no retirement benefits from the Company to members of the Management Board.

In fiscal year 2008, Mr. Norbert Lang was granted 800,000 virtual stock options (so-called Stock Appreciation Rights or SARs) at an exercise price of € 12.85.

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 to 75% may be exercised at the earliest 48 months after the date of issue of the option; the full amount may be exercised at the earliest 60 months after the date of issue of the option. Mr. Norbert Lang can exercise the rights no sooner than in June 2010.

When the virtual stock options were granted, their fair value amounted to € 2,384k.

The following table provides details on the compensation received by members of the Management Board:

2008	Fixed	Variabel	Total
Ralph Dommermuth	300	211	511
Norbert Lang	300	189	489
	<u>600</u>	<u>400</u>	<u>1,000</u>
2007	Fixed	Variabel	Total
Ralph Dommermuth	200	242	442
Norbert Lang	200	293	493
	<u>400</u>	<u>535</u>	<u>935</u>

The accrual formed for variable compensation due to members of the Management Board for fiscal year 2008 amounts to € 400k.

As of December 31, 2008, 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

Our long-standing Supervisory Board member Mr. Bernhard Dorn passed away on February 10, 2008. Following a proposal by the Supervisory Board and Management Board, Mr. Kai-Uwe Ricke was appointed acc. to Sec. 104 AktG by the district court of Montabaur as the new member of the Company's Supervisory Board on February 20, 2008. The appointment was made for the period up to the next Annual Shareholders' Meeting. At the Annual Shareholders' Meeting of May 27, 2008, Mr. 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 2008, 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)
- Assicurazioni Generali S.p.A, Trieste / Italy
- easy cash GmbH, Eschborn
- Kabel Baden-Württemberg GmbH & Co. KG, Heidelberg
- Saudi Oger Telecom Ltd., Dubai / Emirate of Dubai

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.

The following table provides details on the compensation received by members of the Supervisory Board (€k):

2008	Fixed	Variabel	Total
Kurt Dobitsch	40	---	40
Kai-Uwe Ricke	20	---	20
Michael Scheeren	20	---	20
	<u>80</u>	<u>0</u>	<u>80</u>
2007	Fixed	Variabel	Total
Kurt Dobitsch	40	72	112
Bernhard Dorn †	20	72	92
Michael Scheeren	20	72	92
	<u>80</u>	<u>216</u>	<u>296</u>

There are no subscription rights or share-based payments for members of the Supervisory Board.

Share ownership and subscription rights as of December 31, 2008

	Shares (units)	Subscription rights (units)
Management Board		
Ralph Dommermuth	92,000,000	-
Norbert Lang	576,128	800,000
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 €9,160k. 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 €787k amounts to €6,671k as of the balance sheet date. Fair value was measured on the basis of current market data using recognized mathematical valuation methods.

As of the balance sheet date, the Company was the silent partner of an option agreement (OTC) to supply certain listed securities. The nominal value of the option agreement amounted to €18,250k as of the balance sheet date. The negative fair value of the option amounted to €6,425k. The fair value was measured with the aid of theoretical financial modeling parameters. No option premium was paid. As United Internet AG held the underlying listed securities of the option agreement as of the balance sheet date, no accrual was formed. The option had a term until February 28, 2009 and was not exercised by the contractual partner.

Miscellaneous

The share price of certain listed securities was above the carrying value of these shares as of the balance sheet date. As a result, there is a total valuation reserve pursuant to Sec. 284 (2) No. 4 HGB of €4,158k.

The carrying value of certain listed shares disclosed as financial assets pursuant to Sec. 285 No. 19 HGB amounted to €65,228k as of the balance sheet date. The carrying value is thus €2,424k above the fair value of these securities. The Company assumes that the impairment will not be permanent, as the share price also briefly exceeded the carrying value during the value clarification period.

Auditing fees expensed in fiscal year 2008 pursuant to Sec. 285 No. 17 HGB amounted to €223k for the auditing of the annual financial statements, €88k for tax consultancy services and €359k for other services.

Other financial commitments

The Company has obligations from lease agreements, mostly for its offices and business premises in Montabaur.

	2008 €k
Liabilities from long-term financial obligations	675
of which due within one year	590
of which due between two and five years	85
of which due in more than five years	0

In 2004, an option agreement was concluded between Mr. Stéphane Cordier, member of the Management Board of AdLINK Internet Media AG, 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. No options had been exercised as of the balance sheet date.

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 March 19, 2008

Fidelity International, Tadworth, United Kingdom, informed our company on March 18, 2008 of the following:

In the name of and on behalf of FIL Limited, Hamilton, Bermuda we hereby notify you pursuant to Section 21 (1) WpHG, that on March 17, 2008, FIL Limited crossed above the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 3.03% of the voting rights in United Internet AG arising from 7,611,875 voting rights. All voting rights in United Internet AG were attributed to FIL Limited pursuant to Section 22 (1) sent. 1 No. 6 WpHG.

Fidelity International, Tadworth, United Kingdom informed our company on March 18, 2008 of the following:

In the name of and on behalf of Fidelity Investment Management Limited, Hildenborough, Kent, England we hereby notify you pursuant to Section 21 (1) WpHG, that on March 17, 2008, Fidelity Investment Management Limited crossed above the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 3.03% of the voting rights in United Internet AG arising from 7,611,875 voting rights. All voting rights in United Internet AG were attributed to Fidelity Investment Management Limited pursuant to Section 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG.

Publication on March 25, 2008

Fidelity International, Tadworth, United Kingdom informed our company on March 20, 2008 of the following:

In the name of and on behalf of Fidelity Investments International, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on March 17, 2008, Fidelity Investments International crossed above the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 3.01% of the voting rights in United Internet AG arising from 7,572,375 voting rights. All voting rights in United Internet AG were attributed to Fidelity Investments International pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

Publication on April 23, 2008

A. Publications in accordance with Sec. 41 (3) WpHG (German Securities Trading Act)

1. Voting rights announcement in accordance with Sec. 41 (2) WpHG

In accordance with Sec. 41 (2) WpHG, Ralph Dommermuth Beteiligungen GmbH, Montabaur, Germany, has informed us that, as April 1, 2002, it was entitled to 5.7% of the voting rights in United Internet AG. At the time, this corresponded to 3,239,905 voting rights.

2. Amendment of the voting rights announcement in accordance with Sec. 41 (2) WpHG from April 2, 2002, published in "Börsenzeitung" on April 4, 2002

Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft, Montabaur, Germany, has informed us that it has amended its notification of voting rights acc. to Sec. 41 (2) WpHG of April 2, 2002, published in "Börsenzeitung" on April 4, 2002, that it was entitled to 36.64% of voting rights in United Internet AG as of April 1, 2002 (corresponding at the time to 20,839,905 voting rights). Of this total, 5.7% of the voting rights (corresponding at the time to 3,239,905 voting rights) were attributed to it acc. to Sec. 22 (1) Sentence 1 No. 1 WpHG. Voting rights attributed to it were held by the following companies it controlled, whose voting rights in United Internet AG amounted to 3% or more:

- Ralph Dommermuth Beteiligungen GmbH.

3. Voting rights announcement in accordance with Sec. 41 (2) WpHG

In accordance with Sec. 41 (2) WpHG, Ralph Dommermuth Verwaltungs GmbH, Montabaur, Germany, has informed us that, as of April 1, 2002, it was entitled to 36.64% of the voting rights in United Internet AG (corresponding at the time to 20,839,905 voting rights). Of this total, it was entitled to 36.64% of the voting rights acc. to Sec. 22 (1) Sentence 1 No. 1 WpHG. Voting rights attributed to it were held by the following companies it controlled, whose voting rights in United Internet AG amounted to 3% or more:

- Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft
- Ralph Dommermuth Beteiligungen GmbH.

4. Amendment of the voting rights announcement in accordance with Sec. 41 (2) WpHG from April 11, 2002, published in "Börsenzeitung" on April 16, 2002

Mr. Ralph Dommermuth, Germany, has informed us that he has amended his notification of voting rights acc. to Sec. 41 (2) WpHG of April 11, 2002, published in "Börsenzeitung" on April 16, 2002, in respect that of the 44.37% of voting rights in United Internet AG he was entitled to as of April 1, 2002 (corresponding at the time to 25,239,905 voting rights), 36.64% of the voting rights were attributed acc. to Sec. 22 (1) Sentence 1 No. 1 WpHG (corresponding at the time to 20,839,905 voting rights). Voting rights attributed to him were held by the following companies he controlled, whose voting rights in United Internet AG amounted to 3% or more:

- Ralph Dommermuth Verwaltungs GmbH,
- Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft,
- Ralph Dommermuth Beteiligungen GmbH.

B. Publication in accordance with Sec. 26 (1) WpHG

1. Voting rights announcement in accordance with Sec. 21 (1) WpHG

In accordance with Sec. 21 (1) WpHG, Ralph Dommermuth Beteiligungen GmbH, Montabaur, Germany, has informed us that, as of November 26, 2003, its proportion of voting rights fell below the threshold of 5% and amounted to 0% on this day (corresponding at the time to 0 voting rights).

C. Publication in accordance with Sec. 41 (4a) Sentence 7 WpHG

1. Voting rights announcement in accordance with Sec. 41 (4a) WpHG

In accordance with Sec. 41 (4a) WpHG, Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft, Montabaur, Germany, has informed us that, as of January 20, 2007, its proportion of voting rights amounted to 28.13% (corresponding at the time to 70,400,000 voting rights).

2. Voting rights announcement in accordance with Sec. 41 (4a) WpHG

In accordance with Sec. 41 (4a) WpHG, Ralph Dommermuth Verwaltungs GmbH, Montabaur, Germany, has informed us that, as of January 20, 2007, its proportion of voting rights amounted to 28.13%. Of this total, 28.13% of the voting rights were attributed to it acc. to Sec. 22 (1) Sentence 1 No. 1 WpHG. Voting rights attributed to it were held by the following companies it controlled, whose voting rights in United Internet AG amounted to 3% or more:

- Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft.

Publication on May 23, 2008

Fidelity International, Tadworth, United Kingdom informed our company on May 22, 2008 of the following:

In the name of and on behalf of Fidelity Investment Management Limited, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on May 20, 2008, Fidelity Investment Management Limited fell below the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 2.73% of the voting rights in United Internet AG arising

from 6,867,882 voting rights. All voting rights in United Internet AG were attributed to Fidelity Investment Management Limited pursuant to Section 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG.

In the name of and on behalf of Fidelity Investments International, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on May 20, 2008 Fidelity Investments International fell below the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 2.72% of the voting rights in United Internet AG arising from 6,840,942 voting rights. All voting rights in United Internet AG were attributed to Fidelity Investments International pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

In the name of and on behalf of FIL Limited, Hamilton, Bermuda we hereby notify you pursuant to Section 21 (1) WpHG, that on May 20, 2008, FIL Limited fell below the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 2.73% of the voting rights in United Internet AG arising from 6,867,882 voting rights. All voting rights in United Internet AG were attributed to FIL Limited pursuant to Section 22 (1) sent. 1 No. 6 WpHG.

Publication on June 5, 2008

Fidelity International, Tadworth, United Kingdom informed our company on June 4, 2008 of the following:

In the name of and on behalf of Fidelity Investment Management Limited, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on June 3, 2008, Fidelity Investment Management Limited crossed above the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 3.06% of the voting rights in United Internet AG arising from 7,700,858 voting rights. All voting rights in United Internet AG were attributed to Fidelity Investment Management Limited pursuant to Section 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG.

In the name of and on behalf of Fidelity Investments International, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on June 3, 2008 Fidelity Investments International crossed above the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 3.06% of the voting rights in United Internet AG arising from 7,700,858 voting rights. All voting rights in United Internet AG were attributed to Fidelity Investments International pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

In the name of and on behalf of FIL Limited, Hamilton, Bermuda we hereby notify you pursuant to Section 21 (1) WpHG, that on June 3, 2008, FIL Limited crossed above the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 3.06% of the voting rights in United Internet AG arising from 7,700,858 voting rights. All voting rights in United Internet AG were attributed to FIL Limited pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

Publication on August 12, 2008

Fidelity International, Tadworth, United Kingdom informed our company on August 11, 2008 of the following:

In the name of and on behalf of FIL Investment Management Limited, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on August 8,

2008, FIL Investment Management Limited fell below the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 2.99% of the voting rights in United Internet AG arising from 7,538,025 voting rights. All voting rights in United Internet AG were attributed to FIL Investment Management Limited pursuant to Section 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG.

In the name of and on behalf of FIL Limited, Hamilton, Bermuda we hereby notify you pursuant to Section 21 (1) WpHG, that on August 8, 2008, FIL Limited fell below the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 2.99% of the voting rights in United Internet AG arising from 7,538,025 voting rights. All voting rights in United Internet AG were attributed to FIL Limited pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

In the name of and on behalf of FIL Investments International, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on August 8, 2008 FIL Investments International fell below the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 2.99% of the voting rights in United Internet AG arising from 7,538,025 voting rights. All voting rights in United Internet AG were attributed to FIL Investments International pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

Publication on August 15, 2008

Fidelity International, Tadworth, United Kingdom informed our company on August 13, 2008 of the following:

In the name of and on behalf of FIL Limited, Hamilton, Bermuda we hereby notify you pursuant to Section 21 (1) WpHG, that on August 12, 2008, FIL Limited crossed above the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 3.07% of the voting rights in United Internet AG arising from 7,718,025 voting rights. All voting rights in United Internet AG were attributed to FIL Limited pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

In the name of and on behalf of FIL Investment Management Limited, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on August 12, 2008, FIL Investment Management Limited crossed above the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 3.07% of the voting rights in United Internet AG arising from 7,718,025 voting rights. All voting rights in United Internet AG were attributed to FIL Investment Management Limited pursuant to Section 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG.

In the name of and on behalf of FIL Investments International, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on August 12, 2008 FIL Investments International crossed above the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 3.07% of the voting rights in United Internet AG arising from 7,718,025 voting rights. All voting rights in United Internet AG were attributed to FIL Investments International pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

Publication on September 17, 2008

Fidelity International, Tadworth, United Kingdom informed our company on September 16, 2008 of the following:

In the name of and on behalf of FIL Investments International, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on September 15, 2008 FIL Investments International fell below the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 2.99% of the voting rights in United Internet AG arising from 7,526,625 voting rights. All voting rights in United Internet AG were attributed to FIL Investments International pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

Publication on September 19, 2008

Fidelity International, Tadworth, United Kingdom informed our company on September 18, 2008 of the following:

In the name of and on behalf of FIL Investments International, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on September 17, 2008 FIL Investments International crossed above the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 3.00% of the voting rights in United Internet AG arising from 7,550,795 voting rights. All voting rights in United Internet AG were attributed to FIL Investments International pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

Publication on September 22, 2008

Fidelity International, Tadworth, United Kingdom informed our company on September 19, 2008 of the following:

In the name of and on behalf of FIL Investment Management Limited, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on September 18, 2008, FIL Investment Management Limited fell below the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 2.99% of the voting rights in United Internet AG arising from 7,538,965 voting rights. All voting rights in United Internet AG were attributed to FIL Investment Management Limited pursuant to Section 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG.

In the name of and on behalf of FIL Investments International, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on September 18, 2008 FIL Investments International fell below the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 2.96% of the voting rights in United Internet AG arising from 7,456,095 voting rights. All voting rights in United Internet AG were attributed to FIL Investments International pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

In the name of and on behalf of FIL Limited, Hamilton, Bermuda we hereby notify you pursuant to Section 21 (1) WpHG, that on September 18, 2008, FIL Limited fell below the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 2.99% of the voting rights in United Internet AG arising from 7,538,965 voting rights. All voting rights in United Internet AG were attributed to FIL Limited pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

Publication on October 9, 2008

Fidelity International, Tadworth, United Kingdom informed our company on October 08, 2008 of the following:

In the name of and on behalf of FIL Limited, Hamilton, Bermuda we hereby notify you pursuant to Section 21 (1) WpHG, that on October 06, 2008, FIL Limited crossed above the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 3.01% of the voting rights in United Internet AG arising from 7,573,658 voting rights. All voting rights in United Internet AG were attributed to FIL Limited pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

In the name of and on behalf of FIL Investment Management Limited, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on October 06, 2008, FIL Investment Management Limited crossed above the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 3.01% of the voting rights in United Internet AG arising from 7,573,658 voting rights. All voting rights in United Internet AG were attributed to FIL Investment Management Limited pursuant to Section 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG.

Publication on October 13, 2008

Fidelity International, Tadworth, United Kingdom informed our company on October 10, 2008 of the following:

In the name of and on behalf of FIL Limited, Hamilton, Bermuda we hereby notify you pursuant to Section 21 (1) WpHG, that on October 08, 2008, FIL Limited fell below the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 2.99% of the voting rights in United Internet AG arising from 7,537,658 voting rights. All voting rights in United Internet AG were attributed to FIL Limited pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

In the name of and on behalf of FIL Investment Management Limited, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on October 08, 2008, FIL Investment Management Limited fell below the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 2.99% of the voting rights in United Internet AG arising from 7,537,658 voting rights. All voting rights in United Internet AG were attributed to FIL Investment Management Limited pursuant to Section 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG.

Publication on October 14, 2008

Fidelity International, Tadworth, United Kingdom informed our company on October 13, 2008 of the following:

In the name of and on behalf of FIL Limited, Hamilton, Bermuda we hereby notify you pursuant to Section 21 (1) WpHG, that on October 09, 2008, FIL Limited crossed above the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 3.0038% of the voting rights in United Internet AG arising from 7,552,579 voting rights. All voting rights in United Internet AG were attributed to FIL Limited pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

In the name of and on behalf of FIL Investment Management Limited, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on October 09, 2008, FIL Investment Management Limited crossed above the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 3.0038% of the voting rights in United Internet AG arising from 7,552,579 voting rights. All voting rights in United Internet AG were attributed to FIL Investment Management Limited pursuant to Section 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG.

Publication on October 16, 2008

Fidelity International, Tadworth, United Kingdom informed our company on October 15, 2008 of the following:

In the name of and on behalf of FIL Investments International, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on October 10, 2008 FIL Investments International crossed above the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 3.001% of the voting rights in United Internet AG arising from 7,548,022 voting rights. All voting rights in United Internet AG were attributed to FIL Investments International pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

Publication on October 22, 2008

Fidelity International, Tadworth, United Kingdom informed our company on October 21, 2008 of the following:

In the name of and on behalf of FIL Investments International, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on October 20, 2008 FIL Investments International fell below the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 2.98% of the voting rights in United Internet AG arising from 7,495,052 voting rights. All voting rights in United Internet AG were attributed to FIL Investments International pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

In the name of and on behalf of FIL Investment Management Limited, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on October 20, 2008, FIL Investment Management Limited fell below the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 2.98% of the voting rights in United Internet AG arising from 7,495,052 voting rights. All voting rights in United Internet AG were attributed to FIL Investment Management Limited pursuant to Section 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG.

In the name of and on behalf of FIL Limited, Hamilton, Bermuda we hereby notify you pursuant to Section 21 (1) WpHG, that on October 20, 2008, FIL Limited fell below the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 2.98% of the voting rights in United Internet AG arising from 7,495,052 voting rights. All voting rights in United Internet AG were attributed to FIL Limited pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

Publication on November 4, 2008

Fidelity International, Tadworth, United Kingdom informed our company on November 3, 2008 of the following:

In the name of and on behalf of FIL Limited, Hamilton, Bermuda we hereby notify you pursuant to Section 21 (1) WpHG, that on October 30, 2008, FIL Limited crossed above the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 3.02% of the voting rights in United Internet AG arising from 7,599,062 voting rights. All voting rights in United Internet AG were attributed to FIL Limited pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

In the name of and on behalf of FIL Investments International, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on October 30, 2008 FIL Investments International crossed above the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 3.02% of the voting rights in United Internet AG arising from 7,599,062 voting rights. All voting rights in United Internet AG were attributed to FIL Investments International pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

In the name of and on behalf of FIL Investment Management Limited, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on October 30, 2008, FIL Investment Management Limited crossed above the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 3.02% of the voting rights in United Internet AG arising from 7,599,062 voting rights. All voting rights in United Internet AG were attributed to FIL Investment Management Limited pursuant to Section 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG.

Publication on November 6, 2008

Deutsche Bank AG, London, United Kingdom informed our company on November 5, 2008 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, exceeded the threshold of 3% on 4 November 2008 and amounts to 3.20% (8,052,000 voting rights) as per this date.

Publication on December 1, 2008

Fidelity International, Tadworth, United Kingdom informed our company on November 28, 2008 of the following:

In the name of and on behalf of FIL Limited, Hamilton, Bermuda we hereby notify you pursuant to Section 21 (1) WpHG, that on November 25, 2008, FIL Limited fell below the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 2.98% of the voting rights in United Internet AG arising from 7,491,209 voting rights. All voting rights in United Internet AG were attributed to FIL Limited pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

In the name of and on behalf of FIL Investments International, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on November 25, 2008 FIL

Investments International fell below the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 2.98% of the voting rights in United Internet AG arising from 7,491,209 voting rights. All voting rights in United Internet AG were attributed to FIL Investments International pursuant to Section 22 (1) sent. 1 no. 6 WpHG.

In the name of and on behalf of FIL Investment Management Limited, Hildenborough, England we hereby notify you pursuant to Section 21 (1) WpHG, that on November 25, 2008, FIL Investment Management Limited fell below the threshold of 3% of the voting rights in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany and held 2.98% of the voting rights in United Internet AG arising from 7,491,209 voting rights. All voting rights in United Internet AG were attributed to FIL Investment Management Limited pursuant to Section 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG.

Publication on December 9, 2008

Deutsche Bank AG, London, United Kingdom informed our company on December 8, 2008 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, exceeded the threshold of 5% on 5 December 2008 and amounts to 5.02% (12,632,000 voting rights) as per this date.

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.

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, 2009

The Management Board

Ralph
Dommermuth

Norbert
Lang

United Internet AG

Development of Fixed Assets from January 1, 2008 to December 31, 2008

	ACQUISITION AND PRODUCTION COSTS (€)				ACCUMULATED DEPRECIATION (€)				NET BOOK VALUE (€)		
	1/1/2008	Additions	Disposals	Reclassification	12/31/2008	1/1/2008	Additions	Disposals	12/31/2008	1/1/2008	12/31/2008
Intangible assets											
Licenses	148				148	139	4		143	9	5
Software	613	43			656	613	3		616	0	40
Total (I)	761	43	0	0	804	752	7	0	759	9	45
Property, plant and equipment											
Operational equipment	917	16			933	891	11		902	26	31
Office equipment	584				584	577	3		580	7	4
Improvements	106	2			108	103	1		104	3	4
Vehicles	436	148	31		553	247	59	28	278	189	275
Low-cost assets	3				3	3			3	0	0
Total (II)	2,046	166	31	0	2,181	1,821	74	28	1,867	225	314
Financial assets											
Shares in affiliated companies	393,561	9,538			403,099	0			0	393,561	403,099
Ausleihungen an verbundene Unternehmen	0	700		1,500	2,200	0			0	0	2,200
Investments	317,790	93,757			411,547	25,980	215,954		241,934	291,810	169,613
Loans to companies in which an investment is held	4,000		4,000		0	0			0	4,000	0
Total (III)	715,351	103,995	4,000	1,500	816,846	25,980	215,954	0	241,934	689,371	574,912
Total	718,158	104,204	4,031	1,500	819,831	28,553	216,035	28	244,560	689,605	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 of United Internet AG, Montabaur, for the fiscal year from January 1 to December 31, 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report 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 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. 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 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 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 of future development.

Eschbrn/Frankfurt am Main, March 17, 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Bösser
Wirtschaftsprüfer
[German Public Auditor]

Grote
Wirtschaftsprüfer
[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, 2009

Board of Management

Ralph Dommermuth

Norbert Lang