Annual Financial Statements

2012

Management Report for the Group and Parent Company

Annual Financial Statements of the Parent Company acc. to HGB

Content

Note: Due to calculation processes, tables and references may produce rounding differences from the mathematically exact values (monetary units, percentage statements, etc.).

1 Group structure and business operations

Group structure

United Internet AG is the Group parent company of the United Internet Group. As the Group's holding company, United Internet AG focuses mainly on centralized functions such as corporate controlling and accounting, press relations, investor relations, investment management, risk management, internal audit, and HR management.

In its operating business, United Internet AG acts primarily via 1&1 Internet AG, including the latter's main subsidiaries in Germany and abroad such as 1&1 Mail & Media GmbH, 1&1 Telecom GmbH, United Internet Media AG, Fasthosts Internet Ltd., InterNetX GmbH and united-domains AG, as well as via Sedo Holding AG, including its main subsidiaries such as Sedo GmbH and affilinet GmbH, and their foreign subsidiaries.

Simplified illustration of the Group structure with significant operating subsidiaries and investments:

- **United Internet AG**
- **1&1 Internet AG (100%)**
  - 1&1 USA (100%)
  - 1&1 UK (100%)
  - 1&1 FR (100%)
  - 1&1 ES (100%)
  - 1&1 PL (100%)
  - 1&1 Mail & Media (100%)
  - 1&1 Telecom (100%)
  - Fasthosts (100%)
  - InterNetX (95.56%)
  - united-domains (85%)
  - United Internet Media (100%)
- **Sedo Holding AG (79.45%)**
  - Response Republic (100%)
    - Sedo DE (100%)
    - Sedo USA (100%)
  - affilinet (100%)
    - affilinet UK (100%)
    - affilinet FR (100%)
    - affilinet NL (100%)
    - affilinet ES (100%)
- **Other investments**
  - Goldbach Group (14.96%)
  - Hi-media (10.38%)
  - Versatel (25.10%)
  - fun communications (49%)
  - virtual minds (48.65%)
  - ProfitBricks (30.02%)
  - EFF No. 1 (66.67%)
  - EFF No. 2 (90%)
  - EFF No. 3 (80%)

In addition to its operative and fully consolidated subsidiaries, United Internet holds further direct and indirect investments. These mainly consist of the equity interests held in the listed online marketing companies Goldbach Group AG, Switzerland (14.96%) and Hi-media S.A., France (10.65%), the investment in Versatel GmbH (25.10% via Versatel's holding company VictorianFibre Holding & Co. S.C.A.), and the investments in fun communications GmbH (49%), virtual minds AG (48.65%), and ProfitBricks GmbH (30.02%), as well as a number of other internet investments (41 investments in total) via the investment funds EFF No. 1 (66.67%), EFF No. 2 (90%) and EFF No. 3 (80%) operated jointly with the Samwer brothers.

Business operations

The operating business of United Internet AG is divided into the two segments / business fields "Access" and "Applications".

The **Access segment** comprises the company's fee-based landline and mobile access products, including the respective applications (such as home networks, online storage, telephony or entertainment). United Internet operates exclusively in Germany in this segment, where it is one of the leading providers. The company remains independent of network providers by purchasing standardized network services from various pre-service providers. These are enhanced with end-user devices, self-developed applications and services from the company's own "Internet Factory" in order to differentiate them from the competition. Access products are marketed by the well-known brands GMX, WEB.DE and 1&1, which enable the company to offer a comprehensive range of products to a mass market while also targeting specific customer groups.

The **Applications segment** comprises United Internet's application business – whether ad-financed or via fee-based subscriptions. These applications include domains, home pages, webhosting and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage and office software. The applications are developed by the company's "Internet Factory" or in cooperation with partner firms and operated at the company's data centers. In its Applications segment, United Internet is internationally aligned and among the leading companies in Germany, France, the UK, Canada, Austria, Poland, Switzerland, Spain and the USA. In May 2012, United Internet began operations in Italy and in January 2013 in Mexico. Applications are marketed to specific target groups via the differently positioned brands GMX, WEB.DE, 1&1, united-domains, Fasthosts and InterNetX. United Internet also offers its customers performance-based advertising and sales platforms on the internet via Sedo and affilinet.

2 Economic environment

Further slowdown in global economic growth

The International Monetary Fund (IMF) repeatedly downgraded its forecasts for the global economy in 2012. In the latest update to its World Economic Outlook on January 23, 2013, the Fund finally calculated growth for the **global economy** of 3.2% in 2012 (after 3.9% in the previous year). This is 0.3 percentage points less than the IMF had forecast in April 2012.

This weaker than expected global economic growth is mainly due to the European debt crisis and the struggling US economy, as well as the uncertainties these factors created.

Global growth in 2012 was driven mainly by the emerging and developing economies, which grew by 5.1% (following 6.3% in the previous year). Growth was much weaker in the developed economies of Europe, North America and Japan, which only managed growth of 1.3% (following 1.6% in the previous year).

The IMF calculated that economic output fell by 0.4% in the **Euro zone** during 2012 – 0.1 percentage point more than expected in its April 2012 forecast. This negative trend was largely driven by the Euro zone heavyweights Spain and Italy, which suffered strong recessions in 2012 according to IMF data.

The IMF puts economic growth in **Germany** for 2012 at 0.9%. Although 0.3 percentage points more than the IMF predicted in its April 2012 forecast, this is still 2.2 percentage points less than the German economy achieved in 2011. According to experts, the main reasons were the global economic downturn and its negative impact on Germany's traditionally strong export sector.

All in all, however, the German economy proved considerably more robust than many other economies of **United Internet's European target markets**, such as France (+0.2%), the UK (-0.2%), Spain (-1.4%) or Italy (-2.1%), but still lagged well behind its North American markets, the USA (+2.3%) and Canada (+2.0%).

ICT markets return to growth

According to figures of the German ICT association BITKOM (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.), the German ICT sector grew by 2.2% to € 151.2 billion in 2012 – following growth of 1.4% in 2011. The development of the 3 ICT markets was quite varied, though: whereas the market for information technology grew by 2.7% to € 73.4 billion and the telecommunications market by 1.9% to € 65.4 billion, the consumer electronics market (digital entertainment electronics) stagnated at € 12.4 billion.

Positive development of United Internet's growth markets

The most important ICT markets for United Internet's business model are the sub-markets "Broadband Fixed Line Connections" and "Mobile Internet" (in the purely subscription-financed Access segment), as well as "Cloud Computing" and "Online Advertising" (in the subscription- or ad-financed Applications segment).

Broadband fixed line connections

Due in part to the strong trend toward mobile internet usage, demand for new fixed line-based broadband connections in Germany has slowed since 2008. With expected growth of 0.8 million in 2012 to 28.1 million, the number of new connections fell once again – following 1.0 million in 2011, 1.3 million in 2010 and 2.3 million in 2009 – and remained well below previous record years. This trend was already calculated by the Association of Telecommunications and Value-Added Service Providers (Verband der Anbieter von Telekommunikations- und Mehrwertdiensten – VATM) and Dialog Consult in their joint TC Market Analysis for Germany 2012 published on October 18, 2012.

According to the survey "German Entertainment and Media Outlook 2012-2016" of October 2012, PricewaterhouseCoopers expects sales of fixed-line broadband connections to increase by 4.2% to € 7.0 billion in 2012.

The average volume of data used, however, is growing much more strongly than the number of newly activated connections and sales of broadband connections – as an indicator of the continued increase in usage – with growth of 10.6% to 12.5 GB (per connection and month).

Key market figures: broadband access (fixed line) in Germany

	2012	2011	Change
Broadband connections (in million)	28.1	27.3	+ 2.9%
Broadband revenues (in € billion)	7.00	6.72	+ 4.2%
Data volume (in billion GB)	12.5	11.3	+ 10.6%

Source: Dialog Consult / VATM
(Broadband connections and data volumes 2012: extrapolations of Dialog Consult / VATM)

Mobile Internet

The German mobile internet market displayed much more dynamic growth in 2012. According to BITKOM figures, sales of mobile data services rose by 14.5% to € 8.6 billion in 2012.

At the same time, the average volume of data used (per connection and month) – as an indicator of the growing use of mobile data services – grew by over 33.3% to 196 MB.

A major reason for this growth is the boom in smartphones, sales of which increased by over 36.5% to 21.7 million in 2012 according to BITKOM.

Key market figures: mobile internet access in Germany

	2012	2011	Change
Smartphones (in units)	21.7	15.9	+ 36.5%
Mobile internet revenues (in € billion)	8.6	7.5	+ 14.7%
Data volume (per connection and month in MB)	196	147	+ 33.3%

Source: BITKOM; Dialog Consult / VATM

Online advertising

The German online advertising market broke the 6-billion-euro mark in 2012 with growth to € 6.47 billion. This was the finding of a survey on gross ad spending conducted by the Online Marketing Group (Online-Vermarkterkreis - OVK) of the German Digital Economy Association (Bundesverband Digitale Wirtschaft e.V. – BVDW).

Gross advertising volume for classic online advertising was up year on year by 14.9% to € 3.78 billion, while search word marketing increased by 9.6% to € 2.28 billion and affiliate networks by 9.9% to € 411 million.

As a result, the online proportion of the media mix continued to grow and has now reached over one fifth (21.8%) of the total advertising market. Online advertising therefore remains the second strongest advertising medium after TV.

Key market figures: online advertising in Germany

(in € billion)	2012	2011	Change
Total gross advertising spend	6.47	5.74	+ 12.7%
thereof classic online advertising	3.78	3.29	+ 14.9%
thereof search word marketing	2.28	2.08	+ 9.6%
thereof affiliate networks (in € million)	411	374	+ 9.9%

Source: OVK

Cloud computing

In its study "Forecast Overview: Public Cloud Services, Worldwide" of August 2012, Gartner forecasts global growth for Public Cloud Services of 19.6%, from $ 91.4 billion to $ 109.3 billion for 2012.

Cloud computing was also a central topic in Germany once again in 2012. In the annual trend survey conducted by BITKOM, cloud computing once again came top. 59% of those ICT companies interviewed regarded it as particularly important.

This technology is no short-term trend, however, but represents a fundamental shift in the provision and use of IT services. In 2012, revenue generated with cloud applications in Germany – according to the Experton Group – grew by almost 57.9% to € 3.0 billion in the B-to-B market alone. The figures indicate the dynamic potential of this market. IT users get better services for less money with cloud computing. Small and mid-size companies in particular can gain access to IT applications which previously only major corporations could afford.

Key market figures: cloud computing worldwide and in Germany (B2B)

	2012	2011	Change
Sales worldwide (in $ billion)	109.3	91.4	+ 19.6%
Sales in Germany (in € billion)	3.0	1.9	+ 57.9%

Source: Gartner, BITKOM / Experton Group

3 Business development of the Group

Fiscal year 2012 was a successful period for United Internet. The company set new records in sales (+14.4% to € 2.397 billion) and the number of customer contracts (+1.18 million to 11.85 million), while key earnings figures in the Group's established business fields – without consideration of special items – were greatly improved.

At the same time, the high level of cash generation in the established business fields was used – as planned – to invest heavily in the development and expansion of the new business fields and so create growth potential for the future.

The terms "established business fields" or "new business fields" are used to distinguish between established product lines (domains, homepages, webhosting and e-shops etc.) and new product lines (1&1 MyWebsite and De-Mail) within the Applications segment and at Group level.

The Group's encouraging development was based on the strong progress of its operating segments: Access and Applications.

Segment development

Access segment

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

In line with the dynamic development of customer figures, **segment sales** grew strongly by 15.9% from € 1,368.0 million to € 1,586.1 million in fiscal year 2012. As a result, the segment's share of total Group sales amounted to 66.2%.

Despite increased investments in customer growth (+670,000 contracts in 2012 compared to +450,000 in the previous year) and the full expensing of smartphone subsidies in the company's fast growing Mobile Internet business (+560,000 contracts in 2012 compared to +520,000 in the previous year), there was strong year-on-year growth in **segment EBITDA** of 25.9% to € 191.8 million (prior year: € 152.3 million), while **segment EBIT** climbed 34.5% to € 164.3 million (prior year: € 122.2 million). All customer acquisition costs and costs for the conversion of resale DSL connections to complete packages (ULL) continue to be charged directly as expenses.

The number of **employees** in this segment rose by 7.5% to 1,928 (prior year: 1,794).

Development of key financial figures in the Access segment
in € million

	2012	2011	Change
Sales	1,586.1	1,368.0	+ 15.9%
EBITDA	191.8	152.3	+ 25.9%
EBIT	164.3	122.2	+ 34.5%

Quarterly development of key financial figures in the Access segment
in € million

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q4 2011
Sales	375.6	388.4	405.0	417.1	359.8
EBITDA	41.3	47.1	57.1	46.3	43.2
EBIT	34.8	40.2	50.2	39.1	35.0

In fiscal year 2012, the number of **fee-based Access contracts** rose by 670,000 contracts to 4.75 million as of December 31, 2012. Following an increase of 130,000 in 2010 and 450,000 in 2011, the pace of growth once again accelerated strongly in the past year.

Broken down into the individual product lines, a total of 560,000 new customer contracts were gained in the segment's Mobile Internet business, thus raising the number of customers to 1.35 million. There was also growth in the important complete DSL contracts of 280,000 customers to a total of 2.79 million. In contrast to this, the number of customer contracts for those business models gradually being phased out (narrowband, T-DSL and R-DSL) continued to fall as expected in 2012 (-170,000 customer relationships). Nevertheless, there was a net total increase in fixed-line access of 110,000 contracts.

Development of customer contracts in the Access segment in fiscal year 2012

	Dec. 31, 2012	Dec. 31, 2011	Change
Access, total	4.75 million	4.08 million	+ 670,000
thereof Mobile Internet	1.35 million	0.79 million	+ 560,000
thereof DSL complete packages	2.79 million	2.51 million	+280,000
thereof narrowband, T-DSL, R-DSL	0.61 million	0.78 million	- 170,000

Development of customer contracts in the Access segment in Q4 2012

	Dec. 31, 2012	Sep. 30, 2012	Change
Access, total	4.75 million	4.54 million	+ 210,000
thereof Mobile Internet	1.35 million	1.18 million	+ 170,000
thereof DSL complete packages	2.79 million	2.71 million	+ 80,000
thereof narrowband, T-DSL, R-DSL	0.61 million	0.65 million	- 40,000

Product highlights 2012

In its operating business, the segment's main focus in fiscal year 2012 was the implementation of the 1&1 Principle launched in late 2011 (as a further extensive development of the DSL quality drive), as well as the launch of the "1&1 Tablet Flat" tariff and expansion of the product range in the Mobile Internet business:

- **The 1&1 Principle:** The 1&1 Principle is the logical continuation of the quality drive already introduced in Germany in 2009. With the 1&1 Principle, customers are given clear performance promises. The most important new features are the overnight delivery of hardware, a one-month test phase for all products, and on-site, next-day replacement of faulty equipment. This enables United Internet's 1&1 brand to clearly differentiate itself from the competition, strengthens the benefits of online business over bricks-and-mortar operations, and setting new standards in service quality and customer satisfaction. Implementing the 1&1 Principle involved optimizing a number of internal processes, investing in customer care services and improving other procedures.

- **1&1 Tablet Flat:** Tablet PCs are the latest trend. According to sector association BITKOM, approx. 2.1 million units were sold in Germany alone during 2011 – corresponding to year-on-year sales growth of 162%. To enable customers to get maximum use of their tablets, also while on the road, 1&1 launched its "1&1 Tablet Flat" tariff for the D-Network. The "1&1 Tablet Flat" offers unlimited mobile surfing with bandwidth of up to 14,400 kBit/s together with a new tablet device starting from € 0.

- **New All-Net-Flats:** In August 2012, the United Internet brand 1&1 greatly expanded its product range in Mobile Internet segment. Customers can now choose from three new 1&1 All-Net-Flat tariffs in D-Network quality (flat-rate fees for all networks). "1&1 All-Net-Flat Basic" offers unlimited phoning in all German mobile and fixed-line networks as well as unlimited surfing at HSDPA speeds of up to 7,200 kBit/s (high-speed volume 300 MB). "1&1 All-Net-Flat Plus" not only includes unlimited phoning in all German mobile and fixed-line networks and unlimited surfing at HSDPA speeds of up to 7,200 kBit/s (high-speed volume 500 MB), but also unlimited text messaging. The high-end "1&1 All-Net-Flat Pro" tariff comprises unlimited phoning in all fixed-line and German mobile networks, unlimited text messaging, and even faster unlimited surfing at an HSDPA speed of up to 14,400 kBit/s as well as a high-speed volume of 1 gigabyte. In addition, the plan includes international data usage of 100 MB per month in 36 countries.

Outlook 2013
Thanks to a product strategy based on transparency and flexibility, with innovative products offering excellent value for money and a variety of optional applications, United Internet sees good opportunities to enhance customer retention and achieve a further increase in average revenue per contract in its Access business. In particular, contract growth in this segment is expected to result from the ongoing migration of customers to complete DSL packages (ULL = Unbundled Local Loop) – regarded as essential for improving customer retention – as well as from the marketing of Mobile Internet products.

Applications segment

The **Applications segment** comprises United Internet's application business – whether ad-financed or via fee-based subscriptions. These applications include domains, home pages, webhosting and e-shops, Personal Information Management applications (e-mail, to-do lists, appointments, addresses), group work, online storage and office software. The applications are developed by the company's "Internet Factory" or in cooperation with partner firms and operated at the company's data centers. In its Applications segment, United Internet is internationally aligned and among the leading companies in Germany, France, the UK, Spain, Austria, Switzerland and the USA. United Internet also began operations in Poland in late 2010, in Canada in early 2011, in Italy in May 2012 and in Mexico in January 2013. Applications are marketed to specific target groups via the differently positioned brands GMX, WEB.DE, 1&1, united-domains, Fasthosts and InterNetX. United Internet also offers its customers performance-based advertising and sales platforms on the internet via Sedo and affilinet.

Thanks to stable customer growth, **segment sales** rose by 11.6% in fiscal 2012, from € 725.8 million to € 810.2 million. Sales in established business fields grew by 8.0% to € 769.4 million. In addition, there was revenue from new business fields of € 40.8 million (prior year: € 13.7 million). As a result, the segment accounted for around 33.8% of total Group sales.

Business outside Germany grew by 21.8% and contributed a total of € 266.9 million (prior year: € 219.2 million) to segment sales.

In the **established business fields** – without consideration of non-cash extraordinary writedowns on goodwill of Sedo Holding AG amounting to € 46.3 million – EBITDA rose by 13.3% from € 226.1 million last year to € 256.2 million and EBIT by 14.5% from € 168.7 million last year to € 193.1 million.

These strong earnings in established business fields enabled United Internet to make planned investments in **new business fields** (especially in the international marketing campaign for 1&1's MyWebsite and the development of De-Mail applications) and bear EBITDA-effective start-up losses of € 124.1

million (prior year: € 42.7 million) and EBIT-effective start-up losses of € 126.5 million (prior year: € 43.7 million).

As a result of these start-up losses, there was an expected year-on-year decline in **segment EBITDA** (before extraordinary factors) to € 132.1 million (prior year: € 183.4 million) and in **segment EBIT** (before extraordinary factors) to € 66.6 million (prior year: € 125.0 million).

Including the non-cash extraordinary writedowns on goodwill of Sedo Holding AG of € 46.3 million, segment EBIT is reduced € 20.3 million. Customer acquisition costs in this segment also continue to be charged directly as expenses.

The number of **employees** in this segment grew by 13.8% to 4,292 (prior year: 3,771).

Development of key financial figures in the Applications segment
in € million; without special items*

	2012	2011	Change
Established business fields			
Sales	769.4	712.1	+ 8.0%
EBITDA	256.2	226.1	+ 13.3%
EBIT	193.1	168.7	+14.5%
New business fields			
Sales	40.8	13.7	+ 197.8
EBITDA	-124,1	-42.7	
EBIT	-126.5	-43.7	
Total			
Sales	810.2	725.8	+ 11.6%
EBITDA	132.1	183.4	- 28.0%
EBIT	66.6	125.0	- 46.7%

Quarterly development of key financial figures in the Applications segment
in € million; key figures including new business fields; without special items*

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q4 2011
Sales	201.2	198.1	198.1	212.8	197.1
EBITDA	30.7	27.9	33.5	40.0	30.4
EBIT	14.9	12.3	16.8	22.6	12.3

* Negative special items Q2 2012 (Sedo impairment charges): EBIT effect: € 46.3 million

The number of **fee-based Application contracts** world-wide grew by 510,000 to 7.10 million (of which +320.000 contracts to 3.05 million abroad). This growth in contracts resulted from 390,000 new Business Application contracts (of which +220,000 1&1 MyWebsite contracts to 410,000) and 120,000 new Consumer Application contracts, raising their respective totals to 5.06 million and 2.04 million. Despite seasonal fluctuations during the year, the number of ad-financed accounts grew from 30.8 million in December 2011 to 31.8 million in December 2012.

In addition to this successful customer acquisition, United Internet continued to drive its **international expansion** with the launch of operations in Italy in May 2012 and Mexico in January 2013.

Development of customer contracts in the Applications segment in fiscal year 2012

	Dec. 31, 2012	Dec. 31, 2011	Change
Total fee-based contracts	7.10 million	6.59 million	+ 510,000
thereof “domestic”	4.05 million	3.86 million	+ 190,000
thereof “foreign”	3.05 million	2.73 million	+320,000
Ad-financed accounts	31.8 million	30.8 million	+ 1,000,000

Development of customer contracts in the Applications segment in Q4 2012

	Dec. 31, 2012	Sep. 30, 2012	Change
Total fee-based contracts	7.10 million	6.99 million	+ 110,000
thereof “domestic”	4.05 million	4.03 million	+20,000
thereof “foreign”	3.05 million	2.96 million	+90,000
Ad-financed accounts	31.8 million	30.6 million	+ 1,200,000

Product highlights 2012

In its operating business, the segment's main focus in fiscal year 2012 was the migration of some 15 million active users to the new WEB.DE mailboxes – in the field of Consumer Applications – and the roll-out of new Dynamic Cloud Servers and expanded features of the 1&1 MyWebsite in the field of Business Applications:

- **Neue WEB.DE mailboxes:** In January 2012, WEB.DE conducted one of the biggest migrations in German internet history. Around 15 million users received a new home for their e-mails: the new WEB.DE mailbox. It features a clear design and simple navigation, while the WEB.DE online storage facility offers secure space in the cloud for personal data. Important documents, photos or other files can be safely stored here. They can subsequently also be accessed on the move via any internet-capable PC or dedicated app. The WEB.DE MailCheck, a browser extension for Internet Explorer and Mozilla Firefox, also offers users fast mailbox log-in, secure encryption and immediate notification of new e-mails received. With its integrated phishing filter, MailCheck also provides added security while surfing outside the mailbox.

- **1&1 Dynamic Cloud Server:** In March 2012, 1&1 made its Dynamic Cloud Server significantly more flexible. All relevant features, such as the CPU (processor) and RAM (memory) can be adapted and expanded exactly according to the number of hours required. For small and mid-size companies, the change means they can administer their IT needs even more efficiently. That reduces costs – and strengthens their competitive standing. The 1&1 Dynamic Cloud Server offers users a virtual server environment with full root access. This allows users to adapt the basic settings according to their specific requirements. It is also possible to swap between Linux and Windows operating systems.

- **1&1 launches De-Mail for business clients:** As of late April, 1&1 business clients can register their desired name for the use of De-Mail. They have the possibility to reserve a De-Mail address based on their current .de domain – i.e. "MyFirm.de" will be joined by "MyFirm.de-mail.de". De-Mail enables private and business users to send or receive messages and documents in a secure, confidential and verifiable way. Easy and convenient via De-Mail's integration into existing e-mail environments.

- **WEB.DE offers German data security and entry-level tariffs for online storage:** Skydrive from Microsoft, iCloud from Apple, Google Drive or newcomer Dropbox – many of these so-called cloud products for Internet data storage originate in the USA. However, over 68% of all German Internet users are wary of storing their private data with US companies. This was the finding of a survey conducted by Convios Consulting GmbH. As of June 2012, WEB.DE offers such users a variety of tariff alternatives which comply with Germany's strict data protection laws.

- **Features of 1&1 MyWebsite greatly expanded:** As of October 2012, business customers can access up to 100 useful apps free of charge and simply integrate them into their websites. These business apps offer numerous sector-specific functions for e-commerce, communication, social media and everyday business processes. The web apps can be easily integrated into the user's website by simply dragging and dropping the chosen application to any place on the page. As a result, visitors no longer have to be redirected to external websites.

Outlook 2013

With its strong and specialized brands, a steadily growing portfolio of cloud applications, and existing relations with millions of small businesses, freelancers and private users, United Internet is well positioned to utilize the opportunities offered by cloud computing. In 2013, the company intends to tap the opportunities offered by launching its Business Applications in new foreign markets (especially via the ongoing international rollout of its 1&1 MyWebsite). In the field of Consumer Applications, the main focus will be on launching legally secure email communication with the German "De-Mail" system.

Group investments

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

Investments in listed companies

United Internet has held an investment in **Goldbach Group AG**, Küsnacht-Zurich / Switzerland since 2007. As of December 31, 2012 its share of voting rights was unchanged at 14.96%. In its financial year 2012, the Goldbach Group posted sales CHF 445.6 million or € 368.9 million (prior year: € 366.4 million) and a positive consolidated net income of € 19.2 million (prior year: € 15.4 million). The market capitalization of Goldbach Media amounted to around € 89 million as of December 31, 2012.

Since the transfer of the Group's Display Marketing business "AdLINK Media" to Hi-media in mid 2009, United Internet has held a 10.65% stake in **Hi-media S. A.**, Paris / France. Hi-Media closed its fiscal year 2012 with sales of € 194.7 million (prior year: € 229.9 million) and a positive consolidated result of € 5.9 million (prior year: € 11.3 million). The company's market capitalization amounted to around € 94 million as of December 31, 2012.

Investment fund with the Samwer brothers

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

In fiscal year 2012, no investments were made within the framework of these funds. Proceeds from the sale of shares in portfolio companies totaled € 16.7 million in 2012. As of December 31, 2012 a total of 41 investments in internet companies were still held via the 3 funds.

Further significant investments as of December 31, 2012

United Internet has held significant stakes in **fun communications GmbH** (49.00%) and **virtual minds AG** (48.65%) for several years. Both companies posted positive earnings in fiscal year 2012.

In early November 2010, United Internet acquired a 30.02% shareholding in **ProfitBricks GmbH**, a start-up in the field of cloud hosting. After completing the development of its products, ProfitBricks has since begun marketing them in Germany and the USA.

On December 12, 2012, United Internet exercised its option to purchase 25.1% of shares in the parent company of **Versatel GmbH**, VictorianFibre Holding & Co. S.C.A., a company belonging to funds managed by Kohlberg Kravis Roberts & Co. L.P. ("KKR"). This option was granted to United Internet when selling its Versatel shares to KKR in May 2011. At the time, United Internet's sale paved the way for a delisting of the company. Following its successful delisting and the completion of restructuring measures, the key earnings figures and free cash flow of Versatel have improved. KKR and United Internet already closely accompanied this development in the past. By exercising the option, United Internet has secured a significant investment in one of the leading infrastructure suppliers with Germany's second-largest fiber-optic network.

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

Group earnings

Consolidated **sales** of United Internet AG grew by 14.4% from € 2,094.1 million in the previous year to € 2,396.6 million in fiscal year 2012. Sales of the Access segment rose by 15.9%, from € 1,368.0 million last year to € 1,586.1 million, while sales in the Applications segment grew by 11.6% from € 725.8 million to € 810.2 million. **Foreign sales** increased by 21.8% from € 219.2 million in the previous year to € 266.9 million.

In fiscal year 2012, United Internet invested heavily in the establishment, development and marketing of new business fields, further international expansion and customer growth. As a result, annual **contract growth** was increased strongly again by 29.7% to 1.18 million – following 610,000 contracts (2010) and 910,000 (2011). The number of fee-based customer contracts rose to a total of 11.85 million as of December 31, 2012.

Despite increased purchases of pre-services in the Access segment as a result of strong customer growth (+670,000 contracts in the reporting period compared to +450,000 in the previous year), as well as the complete recognition of smartphone subsidies for the fast growing Mobile Internet business with a corresponding effect on earnings, and the resulting overall change in the product mix, **consolidated gross margin** remained stable at 34.3%.

Due to the further expansion of the "1&1" brand (especially in foreign markets) and the ongoing drive to contact and gain new customers, **sales and marketing expenses** rose strongly from € 356.8 million (17.0% of sales) in the previous year to € 461.7 million (19.3% of sales) in the reporting period.

Administrative expenses increased more slowly than sales from € 102.8 million (4.9% of sales) to € 112.1 million (4.7% of sales).

Earnings in the fiscal years 2011 and 2012 were influenced by various **special items**. In 2011, there was a positive effect on consolidated earnings from the sale of Versatel shares in the second quarter of 2011 amounting to € 23.0 million (EBITDA and EBIT effect), € 18.7 million (EBT effect), and € 0.07 (EPS effect). In 2012, there was a negative effect on earnings from impairment charges, as the United Internet subsidiary Sedo Holding AG recognized impairment on goodwill in the second quarter of 2012 – as a result of non-scheduled impairment tests due to reduced profit expectations. United Internet included these impairments in its consolidated financial statements on the level of the Applications segment. Specifically, there was a non-cash-effective extraordinary impairment charge of € 46.3 million (EBIT and EBT effect) and € 0.24 per share (EPS effect). At Group level, there was an (already planned) opposing effect in 2012 from the sale of freenet shares in the fourth quarter of 2012 amounting to € 17.9 million (EBITDA, EBIT and EBT effect) or € 0.09 (EPS effect).

In its **established business fields**, United Internet succeeded in raising earnings significantly in fiscal 2012. Without consideration of the special items stated above, EBITDA grew by 17.0%, from € 384.5 million last year to € 450.0 million, while EBIT improved by 21.1% from € 296.7 million to € 359.2 million.

As announced in the guidance of United Internet AG, this positive earnings development in established business fields was used to invest heavily in the development of **new business fields**. The main focus was on the international marketing campaign for the 1&1 MyWebsite and the development of De-Mail applications. In line with planning, United Internet AG expensed EBITDA-effective start-up losses of € 124.1 million (prior year: € 42.7 million) and EBIT-effective start-up losses of € 126.5 million (prior year: € 43.7 million) for these activities in its fiscal year 2012.

Due to this sharp increase in start-up losses in the new business fields, key earnings figures (adjusted for special items) fell short of the prior-year levels. **EBITDA** amounted to € 325.9 million (prior year: € 341.8 million) and **EBIT** to € 232.7 million (prior year: € 253.0 million).

Including the above mentioned positive special items in 2011 (sale of Versatel shares) and the net negative special items in 2012 (from Sedo impairments and the sale of freenet shares), EBITDA totaled € 343.9 million (prior year: € 364.8 million), EBIT € 204.3 million (prior year: € 276.0 million) and EBT € 193.0 million (prior year: € 250.6 million). EPS fell to € 0.56 (prior year: € 0.79).

Development of key financial figures for the Group
in € million; without special items*

	2012	2011	Change
Established business fields			
Sales	2,355.8	2,080.4	+ 13.2%
EBITDA	450.0	384.5	+ 17.0%
EBIT	359.2	296.7	+ 21.1%
New business fields			
Sales	40.8	13.7	+ 197.8
EBITDA	-124.1	-42.7	
EBIT	-126.5	-43.7	
Total			
Sales	2,396.6	2,094.1	+ 14.4%
EBITDA	325.9	341.8	- 4.7%
EBIT	232.7	253.0	- 8.0%

Quarterly development of key financial figures for the Group
in € million; key figures including new business fields; without special items*

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q4 2011
Sales	576.9	586.6	603.1	630.0	557.0
EBITDA	70.5	78.1	89.1	88.2	78.9
EBIT	48.3	55.5	65.4	63.5	52.4

* Positive special items Q2 / 2011 (Versatel): EBITDA and EBIT effect: € 23.0 million
Negative special items Q2 2012 (Sedo impairment charges): EBIT effect: € 46.3 million
Positive special items Q4 / 2012 (freenet): EBITDA and EBIT effect: € 17.9 million

Cash flow, investment and finance

Despite high start-up losses in new business fields (€ 126.5 million compared to € 43.7 million in the previous year), **operative cash flow** of € 214.1 million was slightly above the prior-year figure of € 211.9 million.

In spite of strong sales growth (+14.4%) and the recognition in earnings of start-up losses in the new business fields, **net cash inflows from operating activities** even rose from € 194.8 million in the previous year to € 260.5 million in the reporting period.

There were **net cash inflows from investing activities** of € 1.9 million (prior year: € 2.0 million) in the reporting period. This resulted mainly from disbursements of € 63.6 million for investments in intangible assets and property, plant and equipment, payments of € 60.2 million for the purchase of shares in associated companies (especially for shares in Versatel's holding company, VictorianFibre Holding & Co. S.C.A.), as well as payments of € 10.0 million for loans granted. These outflows were offset by inflows of € 11.4 million from the disposal of associated companies (sale of investments belonging to the EFF funds), as well as inflows of € 49.3 million from the sale of financial assets (especially freenet shares), and inflows of € 59.8 million from the repayment of a vendor loan by KKR.

In the previous year, investments in intangible assets and property, plant and equipment amounted to € 54.4 million. These outflows were mainly offset by inflows of € 41.2 million from the disposal of financial assets (sale of investments belonging to the EFF funds) and of € 12.2 million from the disposal of companies (repayment of vendor loan by Hi-media).

Free cash flow, defined as the balance of net cash inflows from operating activities and net cash outflows or inflows from investing activities, rose from € 196.8 million in the previous year to € 262.4 million – despite the high start-up costs in new business fields. This demonstrates the Group's ability to consistently generate high levels of cash while at the same time achieving strong qualitative growth.

Net cash flow for financing activities in fiscal year 2012 was dominated by a net outflow for the redemption of loans totaling € 224.3 million and the dividend payment of € 58.1 million. In the previous year, net cash flow for financing activities was influenced by a cash outflow of € 340.3 million for the purchase of treasury shares and of € 42.0 million for the dividend payment, as well as an opposing cash inflow of € 155.2 million from the assumption of loans.

Assets and equity

The consolidated **balance sheet total** fell from € 1,187.0 million on December 31, 2011 to € 1,107.7 million as of December 31, 2012.

Non-current assets fell from € 868.7 million as of 31 December 2011 to € 821.3 million. Within this item, additions to **property, plant and equipment and intangible assets** of € 63.6 million were opposed by depreciation and amortization of € 93.2 million. **Goodwill** declined from € 401.3 million to € 356.2 million. This was primarily the result of extraordinary impairment charges on goodwill of Sedo Holding AG, which were stated in the consolidated financial statements of United Internet AG for fiscal year 2012 in the amount of € 46.3 million. **Other non-current financial assets** fell from € 102.6 million to € 70.1 million, mainly due to the sale of freenet shares. The rise in **shares in associated companies** of € 33.6 million to € 90.9 million resulted mainly from the investment in the holding company of Versatel GmbH (VictorianFibre Holding & Co. S.C.A.).

Due to the repayment of loans, **cash and cash equivalents** of the **current assets** fell from € 64.9 million as of December 31, 2011 to € 42.8 million. **Trade accounts receivable** increased due to the expansion of business from € 106.7 million to € 148.8 million. The fall in **other current assets** from € 83.3 million to € 19.5 million resulted mainly from the repayment of an interest-free vendor loan extended to VictorianFibre Holding GmbH in May 2011.

Further details on financial instruments used by the Group are provided in section 40 of the notes to the consolidated financial statements.

In the period under review, **bank liabilities** were reduced by € 224.3 million from € 524.6 million to € 300.3 million. **Net bank liabilities** (the balance of bank liabilities and cash and cash equivalents) fell in the same period from € 459.7 million to € 257.5 million.

The number of **treasury shares** held by United Internet AG as of December 31, 2012 amounted to 20,662,202 (prior year: 21,225,158).

After deduction of these treasury shares, the Group’s **equity ratio** amounted to 17.9% as of December 31, 2012 (compared to 13.0% as of December 31, 2011).

Further details on the objectives and methods of the Group’s financial risk management are provided in section 42 of the notes to the consolidated financial statements.

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

Earnings of United Internet AG

In the period under review, **sales** of United Internet AG amounted to € 3.2 million (prior year: € 2.7 million) and mostly comprised services and rent charged to the Group's subsidiaries.

Other operating income totaled € 15.9 million (prior year: € 18.6 million) and resulted mainly from income in connection with a hedging transaction (€ 4.1 million) and from the sale of shares in freenet AG (€ 11.3 million). In the previous year, other operating income mainly comprised income from a hedging transaction (€ 1.7 million), the sale of shares in Versatel AG (€ 3.7 million), the partial sale of shares in freenet AG (€ 4.6 million), and the write-up of shares held in freenet AG as of the balance sheet date (€ 6.6 million).

Income from the profit transfer agreement with 1&1 Internet AG amounted to € 159.8 million in the period under review (prior year: € 253.7 million). The decline results from the high level of investment of sub-group 1&1 with a corresponding impact on earnings, as well as the change in transfer pricing for certain subsidiaries of the sub-group 1&1 (extraordinary expenses of € 121.6 million).

For the same reasons, the parent company's **result from ordinary activities** amounted to € 153.7 million, compared to € 256.0 million in the previous year.

Income taxes of € 70.0 million refer to current taxes for corporate income tax and the solidarity surcharge, as well as trade tax. Due to the results of the tax audit for the years 2006 to 2008 completed in the reporting period, and the consequential effects, there were tax expenses not relating to the period of € 13.3 million.

The parent company's **net income** reached € 71.5 million – following € 179.2 million in the previous year. In accordance with Sec. 58 (2) Sentence 1 AktG, the Management Board of United Internet AG has transferred part of the net profit for the year (€ 30 million) to other revenue reserves.

Assets and financial position of United Internet AG

The parent company's balance sheet is mainly influenced by **shares in affiliated companies** amounting to € 1,105.6 million (prior year: € 1,105.0 million) as well as by **investments** of € 59.6 million (prior year: € 36.7 million). Additions to investments resulted from the acquisition of shares in the holding company of Versatel GmbH, VictorianFibre Holding & Co. S.C.A. (€ 59.6 million), while divestments comprised the sale of shares in freenet AG (€ -36.7 million).

Bank liabilities of United Internet AG were reduced by € 215.0 million to € 287.0 million in the reporting period (prior year: € 502.0 million). These bank liabilities mainly comprise a syndicated loan, of which € 215.0 million had been drawn as of the balance sheet date (prior year: € 430.0 million), and a promissory note loan of € 72 million placed in 2008 (prior year: € 72 million).

The **equity ratio** fell from 57.5% in the previous year to 65.6% as of December 31, 2012.

Cash flow of the parent company's financial statements is dominated by cash flows from the profit transfer agreement with the operating company 1&1 Internet AG and opposing effects from the reduction of financial liabilities. There are also unused credit lines available. Further details are provided in the notes to the consolidated financial statements.

Share and dividend

The Annual Shareholders' Meeting of United Internet AG on May 31, 2012 voted to accept the proposal of the Management Board and Supervisory Board to pay a **dividend** of € 0.30 per share for fiscal year 2011. The total dividend payment of € 58.1 million was made on June 1, 2012.

For fiscal year 2012, the Management Board and Supervisory Board will propose a further dividend of € 0.30 per share. The Management Board and Supervisory Board will discuss this dividend proposal at the Supervisory Board meeting on March 20, 2013 (and thus after the editorial deadline for this Management Report). The Annual Shareholders' Meeting on May 23, 2013 will vote on the joint proposal of the Management Board and Supervisory Board.

The United Internet AG **share** performed strongly in fiscal 2012 closing at € 16.31 on December 31 2012, corresponding to growth of 18.2% over the closing price of the previous year (€ 13.80).

6 Subsequent events

According to leading market analysts, the predominantly positive conditions for those target markets of relevance to United Internet will remain unchanged in 2013.

There were no significant events subsequent to the balance sheet date which may have resulted in a different representation of the Company’s assets, financial position and earnings, or which had any impact on the Company’s accounting and reporting.

Based on the authorization granted by the Annual Shareholders' Meeting of United Internet AG on May 31, 2012 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Executive Board resolved on **January 7, 2013** to cancel a total of 15,000,000 shares from the company’s stock of treasury shares, purchased in the course of share buyback programs, and thus reduce the capital stock of United Internet AG by € 15,000,000, from € 215,000,000 to € 200,000,000. The number of shares issued decreased correspondingly by 15,000,000, from 215,000,000 shares to 200,000,000 shares. Issued shares continue to represent a notional share of capital stock of € 1 each.

The capital reduction was aimed at optimizing the company’s balance sheet and capital structure.

Following the cancellation of these 15,000,000 shares, United Internet still held 5,662,202 treasury shares.

On the same date, the Management Board of United Internet AG also resolved to launch a further share buyback program. In the course of this new share buyback program, up to 5,000,000 company shares (corresponding to 2.50% of the reduced capital stock of € 200 million at the time of the resolution) are to be bought back via the stock exchange. The buyback follows an authorization of the Annual Shareholders' Meeting of May 31, 2012 to buy back shares representing up to 10% of the company's capital stock. The authorization was issued for the period up to November 30, 2013.

As part of this share buyback program, the Management Board of United Internet AG announced on **February 1, 2013** that it had since purchased 337,798 treasury shares. Together with 5,662,202 treasury shares from earlier share buyback programs, United Internet therefore held a total of 6,000,000 treasury shares (corresponding to 3.00% of total capital stock of € 200,000,000 at the time).

Based on the authorization granted by the Annual Shareholders' Meeting of United Internet AG on May 31, 2012 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Management Board resolved on the same date to cancel these 6,000,000 treasury shares and to reduce the capital stock of United Internet AG by € 6,000,000, from € 200,000,000 to € 194,000,000. The number of shares issued decreased correspondingly by 6,000,000, from 200,000,000 shares to 194,000,000 shares. Issued shares continue to represent a notional share of capital stock of € 1 each.

This capital reduction was also aimed at optimizing the company's balance sheet and capital structure.

Following the cancellation of these 6,000,000 shares, United Internet no longer held any treasury shares.

The share buyback program resolved on January 7, 2013 remains in force and up to 4,662,202 company shares (as of February 1, 2013) can still be bought back via the stock exchange.

7 Remuneration report

Principles of the Management Board remuneration system

The Supervisory Board is responsible for determining the remuneration of Management Board members. The remuneration received by the members of the Management Board of United Internet AG is performance-oriented and consists of fixed and variable elements.

The fixed remuneration component is paid monthly as a salary. The size of the variable remuneration component depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on key sales and earnings figures. The target attainment corridor is generally between 90% to 120%. No bonus is paid below 90% of the agreed target and the bonus calculation is capped at 120% of the agreed target. There is no provision for subsequent amendment of the performance targets. No minimum payment of the variable remuneration component is guaranteed. In the case of one Management Board member, there is a component providing long-term incentives in the form of a compensation program based on virtual shares (SARs). The exercise hurdle of this program is 120% of the share price. Payment of value growth is capped at 100% of the calculated share price when the virtual options were granted.

There are no retirement benefits from the Company to members of the Management Board. The size of the remuneration components is regularly reviewed.

Further details on Management Board remuneration are provided in section 41 of the notes to the consolidated financial statements.

Principles of the Supervisory Board remuneration system

The 3 members of the Supervisory Board of United Internet AG also form the supervisory board of United Internet's most important subsidiary, 1&1 Internet AG. The Supervisory Board members each receive separate compensation for their work on behalf of the two companies. This compensation consists of a fixed element and a variable element which depends on the success of the respective company.

In the case of United Internet, the fixed remuneration for an ordinary member of the Supervisory Board amounts to € 10,000 per full fiscal year. The Chairman of the Supervisory Board receives twice the amount attributable to an ordinary member. The variable, performance-oriented element for each member of the Supervisory Board, including the Chairman, amounts to € 1,000 for every cent which exceeds the consolidated earnings per share (EPS) value of € 0.60 for United Internet AG, calculated according to IFRS. As of fiscal year 2013, there will be a variable long-term compensation component for each member of the Supervisory Board, including the Chairman. This will consist of an additional payment per full fiscal year of € 500 per starting percentage point by which the EPS of United Internet AG in the past fiscal year exceeds the EPS of the fiscal year completed 3 years previously. This long-term, variable compensation component is limited to a maximum of € 10,000 per member. There are no stock option plans for members of the Supervisory Board.

With regard to their activities for 1&1 Internet AG, the fixed remuneration for ordinary members of the Supervisory Board amounts to € 20,000 per full fiscal year. The Chairman of the Supervisory Board receives € 30,000. Variable, performance-oriented compensation for each member of the Supervisory Board, including the Chairman, is based on the key earnings figures of 1&1 Internet AG. Variable compensation amounts to at least € 30,000 and a maximum of € 70,000 per member.

Further information on Supervisory Board compensation is provided in section 41 of the notes to the consolidated financial statements.

Stock-based compensation

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

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

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

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

Detailed information on stock-based compensation is provided in section 36 of the notes to the consolidated financial statements.

8 Personnel report

The rapidly developing internet market represents a considerable challenge for employees and thus for the HR policy of United Internet. The company meets this challenge primarily by actively nurturing our junior staff, promoting the targeted development of managers and implementing a variety of personnel development activities.

Diversity

Without the individual strengths of its employees, United Internet would not be what it is today – an internationally successful, innovative company on track for growth. United Internet attaches great importance to the constructive use of diversity management and the handling of social differences between its employees.

United Internet's corporate culture is based on mutual respect and a positive attitude toward individual differences with regard to culture, nationality, sex, age and religion – in other words, everything that makes the company's employees unique and distinctive.

A work force composed of diverse personalities offers ideal conditions for creativity and productivity. The resulting potential for new ideas and innovation strengthens United Internet's competitive position and enhances its opportunities in future markets. In accordance with this principle, the company strives to find those positions for its employees in which they can fully exploit their individual potential and talents. In addition to productivity, diversity also helps raise the general level of satisfaction among employees. These are key reasons for many applicants to select their future employer. As United Internet's customers also have a wide variety of needs and wishes, they appreciate a business partner who can live up to their own diversity.

However, the promotion of diversity is not simply a one-size-fits-all solution. Employees and applicants are recruited, employed and promoted on the basis of objective criteria, such as skills, suitability and expertise. In corporate divisions in which women are structurally under-represented, United Internet seeks to raise their representation provided they have the same qualifications, skills and suitability. However, the company always decides on a case-by-case basis.

Targeted support and ongoing development

In order to give all employees at all locations and in all divisions the same opportunities, common programs and development measures have been defined in the field of personnel development. Staff can progress within their department by taking on successively more responsibility and tasks. Once employees have reached the highest competency profile for their respective function, or so-called "senior status", two alternative career models are offered: the "management track" and the "expert track". Whereas employees choosing the "management track" gradually assume more and more staff responsibility, “experts” have specialist knowledge and are top performers and “know-how owners” in their specific field, but are not given responsibility for staff. Both the management and expert tracks are “permeable”, i.e. horizontal development is also possible and an expert can become a manager and vice versa. In addition to development within a level and the next vertical step, there are thus also horizontal career possibilities within the Group, which enable staff to grow into a new role – in their own division or even across divisions. All models are accompanied by specific programs as well as individual personnel development measures.

United Internet also offers all employees an extensive range of training opportunities. In addition to seminars and courses on general – mostly soft skill – topics, staff are also encouraged to enhance their hard skills with professional training and vocational certificates specific to their particular functions. Further development programs are offered for staff with exceptional abilities and potential in all areas of the company. Such employees are then accompanied through a structured program of individual development and training plans in order to prepare them for their future personal challenges, and those of the company. With the aid of junior management programs, such as the 1&1 Graduate or Master+ plans, United Internet develops young talents fresh from university from an early stage. The main target is to be able to recruit and train future managers and specialists from within the company.

Training held in high regard

The United Internet Group also attaches great importance to the field of education and training. United Internet trains young people to meet its future needs and offers them a successful start to their professional lives. The company currently offers apprenticeships in commercial and technical professions, including IT specialist (application development/systems integration), IT systems clerk, dialogue marketing clerk, marketing communication clerk, commercial clerk and media designer. Over a three-year training period, all participants experience a wide variety of different company departments and take part in numerous events and workshops. The apprentice workshops at the facilities in Karlsruhe and Montabaur have proved especially successful. Technical apprentices in particular spend part of their training period in the workshops in order to learn the basics for their later careers. In cooperation with Baden-Wuerttemberg Cooperative State University (Duale Hochschule Baden-Württemberg - DHBW) United Internet also offers degree courses in Applied Computer Sciences, Information Management, Business Administration / Accounting and Business Administration / Services Marketing at the universities of Karlsruhe and Mannheim.

Around 120 young people were serving their apprenticeships with Group companies at year-end 2012. After successfully passing their examinations, United Internet endeavors to offer jobs to as many apprentices as possible and to make an attractive offer to every graduate.

Headcount development 2012

As a result of the expansion of business, the number of employees increased once again in 2012. As of December 31, 2012, United Internet employed a total of 6,254 people – an increase of 11.8% over the previous year (5,593 employees).

There were 1,928 employees in the Access segment, 4,292 in the Applications segment and 34 employed at the Group's headquarters.

Headcount at the non-German subsidiaries increased from 1,218 people in the previous year to 1,350.

Personnel expenses rose by 19.6%, from € 230.1 million in the previous year to € 275.1 million.

Headcount development

	Dec. 31, 2012	Dec. 31, 2011	Change
Access segment	1,928	1,794	+ 7.5%
Applications segment	4,292	3,771	+ 13.8%
Headquarters	34	28	+ 21.4%
Total Group	6,254	5,593	+ 11.8%

9 Group research and development

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

Thanks to its own development teams, United Internet is able to react fast and flexibly to new ideas and trends and continually enhance its established products, adapting them to changing market needs – a key success factor in the fast-moving internet market. The company’s expertise in product development, enhancement and roll-out minimizes its reliance on third party developments and supplies in many areas and thus ensures decisive competitive and time-to-market advantages.

At United Internet’s development centers in Karlsruhe and Bucharest, around 1,750 developers, product managers and technical administrators use mainly open source code (Linux) in clearly defined and modeled development environments. Third-party programming services are also used to swiftly and efficiently implement specific projects. This enables the company to quickly change existing basic applications of products and adapt them to changing customer needs. United Internet also procures solutions from partners, which are then modified according to needs and integrated into its systems. With the aid of its self-developed and integrated applications, United Internet has a set of modules which can be easily combined and provided with product-specific or country-specific user interfaces in order to create a wide variety of powerful and integrated applications – a huge benefit when tailoring products to varying target groups or for international rollouts.

Due to the steady growth in customer figures, the demands placed on products with regard to reliability and availability are also constantly rising. In addition to the further development of existing products and continual optimization of back-end operations (e.g. the administration and configuration tools provided for our customers), the company also focuses on continually enhancing existing processes in order to raise reliability and customer satisfaction. For example, United Internet is permanently working on improvements to the interfaces with its various pre-service providers.

Focus areas 2012

First prototype of container-based data center

United Internet’s development departments have been working toward the technological realization of mobile data centers for several years now. Using these so-called container units, data centers can be flexibly scaled or just temporarily operated depending on current demand. With the aid of modular units, data centers can also be operated locally – and thus close to the customer. Such short distances minimize network latencies (delays) for cloud applications and the provision of resources can be optimally spread by using small basic units. An intelligent cooling system using outside air means United Internet can operate the units with low energy consumption, while maintaining the highest safety standards. In fiscal year 2012, a first prototype was put into operation and optimized for serial production for our data center in France. At the same time, the development departments are working on "translating" the European technological design to country-specific requirements in the USA.

Development of 1&1 market concept for its growth and international expansion strategy

As part of its growth and international expansion strategy, a market concept was developed in fiscal year 2012, which will enable United Internet to quickly and flexibly target new markets with regard to "brand", "language", "currency" and "product line". The variability this provides is achieved by separating country-specific specifications from the technical systems. This new concept enabled the company to prepare for its new target countries, Italy and Mexico, in record time.

Further development of 1&1 logistics

As part of the "1&1 Principle", forward logistics were enhanced in fiscal 2012 in order to achieve overnight delivery of new devices or the next-day replacement of defect devices. In a second development step, the backward logistics process and underlying IT systems were revised. This involved adapting and expanding standard SAP modules to internal needs and linking logistics systems more closely with the central business system. This enhancement of the logistics systems and further automation of data processing enabled the company to significantly improve its customer deliveries, as well as on-site device replacements and its handling of returns.

IPv6 roll-out

In mid 2012, fundamental services in the field of infrastructure, networks and domains were adapted or newly developed in order to enable them in future to also process the Internet Protocol Version 6 (IPv6). The websites of those customers who chose a dual hosting package have since been automatically configured additionally with IPv6 so they can be accessed via both the IPv4 and IPv6 protocols. In addition, further applications available to the customer – such as the Control Center – can also be accessed via IPv6. Customers can thus select or deselect IPv6 individually for each domain, for example.

MARS – development of a long-distance replication solution

The mirroring of databases between data centers is currently based on an open source solution which is ideally suited to short distances. In order to reliably perform such operations over long distances, or even across continents, work was commenced in fiscal year 2012 on "MARS" (Multiversion Asynchronous Replicated Storage) – the new development of a 1&1 long-distance replication solution as open source software. The recently completed prototype enables the first-ever long-distance replication of databases between data centers, even across continents, using pioneering patent-relevant technology. Network disruptions are almost completely separated from the application. It is planned to make the application ready for mass use in data centers during fiscal year 2013. The main field of use for the replication solution will in the field of shared hosting products.

Virtualization platform developed into a global self-service system

In the course of implementing our internal cloud strategy, extensive improvements in 2012 regarding cost savings and the speed with which IT resources are provided. The establishment of a virtualization platform and development of an integrated self-service portal for internal requirements helped create a dedicated environment which enables the optimized provision of systems, regarding time and processes, within just a few minutes (previously days or weeks). This means that project requirements can be met swiftly and efficiently. At the same time, further cost savings were achieved for hardware and data centers – by optimizing processes – while also reaching a high level of user-friendliness and ease-of-use. Numerous projects, such as the creation of a quality assurance environment for De-Mail products, have since proven the system’s success. The massive expansion of the internal cloud infrastructure will also lead to a further reduction in energy costs and thus continue efforts to improve ecological aspects and conserve resources. A further increase in the virtualization rate at the company’s data centers is planned for fiscal year 2013.

10 Risk and opportunity report

Risk and opportunity management system

The risk policy of the United Internet Group is based on the objective of maintaining and sustainably enhancing the company's value by utilizing opportunities while at the same time recognizing and managing risks from an early stage in their development.

The risk and opportunity management system regulates the responsible handling of those uncertainties which are involved with economic activity.

The concept, organization and task of group-wide **risk management** are defined by the Management Board and Supervisory Board and documented in a risk manual which is valid for all members of the Group. These requirements are regularly adapted to changing legal conditions and continually developed. The Internal Audit department regularly examines the functioning and efficiency of the risk management system. As part of his statutory auditing obligations for the annual financial statements and consolidated financial statements, the external auditor also examines whether the risk early recognition system is generally suitable for the early identification of risks and developments which might endanger the company. The system complies with statutory requirements regarding risk early recognition systems as well as with the German Corporate Governance Code. In accordance with regulations of Sec. 107 (3) AktG, the Supervisory Board also examines the efficacy of the risk management system.

The risk management system comprises those measures which enable United Internet AG to identify, classify, steer and monitor from an early stage all possible risks for the attainment of its corporate objectives. The current risk status is communicated to the Management Board and Supervisory Board four times per year. Sudden important risk occurrences or significant changes in the risk situation trigger an ad-hoc reporting obligation. The respective risk is then communicated immediately to the CFO of United Internet AG, who in turn reports it to the Supervisory Board where necessary. In this way, significant risks can be addressed as quickly as possible. In order to support the centralized risk management system, additional local risk managers have been installed with monthly reporting in the field of Technology & Development. In order to facilitate the group-wide exchange and comparison of risk information, these local risk managers meet with the Group's central risk management team at regular Risk Manager Meetings.

Opportunity management is based on strategic planning and the resulting measures for the development of products and their positioning for various target groups, markets and countries during the product life cycle. The Group Management Board, as well as the operative management level of the respective business segments in the form of Divisional Managers and Managing Directors, have the direct responsibility for the early and continual identification, assessment, and steering of opportunities. The management team of United Internet AG makes extensive use of detailed evaluations, models and scenarios on current and future trends regarding sectors, technologies, products, markets/market potential and competitors in the Group's fields of activity. The potential opportunities identified during these strategic analyses are then examined with regard to the critical success factors and existing external conditions and possibilities of United Internet AG in planning discussions between the Management Board, Supervisory Board and operational managers before being implemented in the form of specific measures, targets and milestones. The progress and success of these measures is continually monitored by operational management and the Managing Directors and Management Board members of the respective companies.

Risks for United Internet

Of the total risks identified for the Group, the following sections describe the main risk categories and individual risks from the company's point of view.

Provision of services

Threat potential of the internet

United Internet AG generates its commercial success largely within the environment of the internet. In order to provide products and services, the company uses information and telecommunication technologies (data centers, transmission systems, connection nodes etc.) in its business processes which are closely networked with the internet and whose availability may be endangered by threats from the internet. For example, there is a risk of DDoS attacks (DDoS = Distributed Denial of Service), which may lead to an overloading of technical systems and server downtime. In order to deal with such risks more quickly, the existing monitoring and alarm system, together with the necessary processes and documentation, is continually optimized.

There is also the risk of hacker attacks with the aim of stealing or deleting customer data or using services fraudulently. United Internet counters this risk with the aid of virus scanners, firewalling concepts, self-initiated tests and various technical monitoring mechanisms.

Over the past years there has been a steady increase in the amount of spam e-mails on the internet. There is a risk that spammer abuse the company's e-mail systems and that these are then blocked by other e-mail providers. In order to counter this risk, various precautions are taken to keep spam to a minimum. United Internet's active participation in cross-border working groups also enables it to play a role in the ongoing development of mail security standards, for example.

Use of hardware and software

United Internet's 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.). Constantly adapting this infrastructure to changing customer needs leads to greater complexity and regular changes. In addition to major events like the migration of databases, this may lead to various disruptions or defects. Should this affect our business systems or their databases, for example, daily account debiting may be delayed or no longer possible. Should this affect our performance systems, for example, United Internet may not be able to provide its customers with the promised service, on a temporary or longer-term basis. The company meets these risks by making targeted adjustments to the architecture, introducing quality assurance measures, and establishing spatially separated (geo-redundant) core functionalities.

For the operation of systems, there is also a risk of targeted attacks from inside and outside the company, e.g. from hackers or manipulation by staff with access rights, which may result in non-availability or a deterioration of services. In order to counter this risk, the company takes a wide variety of software- and hardware-based safety precautions to protect the infrastructure and its availability. By dividing responsibilities, the company has made sure that activities or business transactions involving risks are not carried out by single employees but on the basis of the "double-check principle". Manual and technical access restrictions also ensure that employees may only operate within their particular area of responsibility. As an additional precautionary measure against data loss, all data are regularly backed up and stored in separate, i.e. geo-redundant, data centers.

Legal & political

Regulation

In the Access segment, the decisions of the German Federal Network Agency and Federal Cartel Office have an influence on the pricing of broadband internet access tariffs. 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 tariffs. In the same way, there is also the possibility that a lack of regulation may lead to a deterioration of market circumstances for United Internet. United Internet attempts to counter this increasing regulation risk by cooperating with various pre-service providers and by actively participating in the activities of industry representatives, such as the Association of Telecommunications and Value-Added Service Providers (VATM).

There is also a risk that new data protection regulations in the EU and Germany may restrict the evaluation of so-called browser cookies. Such browser cookies enable information to be stored on the client's computer, which is then transmitted to the server if the site is accessed again. Evaluation or accessing of information via such browser cookies is an integral part of online advertising. Any restriction of usage may mean that proprietary technical solutions can only be used under certain conditions and would thus greatly impede certain aspects of business in the Applications segment.

Minimum wage

In certain areas of its customer services, United Internet AG works with external call center providers. Should these service providers be affected by the introduction of a minimum wage, currently being discussed, this may lead to increased costs for United Internet depending on the measures introduced.

Property rights / licenses

Like other internet and software suppliers, United Internet AG is also confronted with a growing number of patent infringement claims. The majority of these claims originate in the USA. There is also a risk that United Internet might use protected rights or licenses without permission or not according to their terms of use. United Internet counters this risk by expanding its license management capabilities and defends its interests and claims fiercely in all proceedings.

Data protection

United Internet stores the data of several million customers on the servers of its own data centers. The handling of these data is subject to a variety of legal regulations. The company is aware of this great responsibility and attaches great importance to data protection. At the same time, however, the possibility can never be excluded that data protection regulations are contravened due to human error or technical weaknesses. By using state-of-the-art technology and continually monitoring all data-protection and other legal regulations, the company endeavors to guarantee a high standard of security.

Market

Competition

There is intense competition in both the Access and Application segments which may increase further, for example, via the market entry of new major competitors. This would have a negative impact on growth and/or achievable margins.

United Internet expanded its product portfolio with Mobile Internet products and entered a new, additional growth market with major competitors in its Access segment. Such entrepreneurial decisions for new products and business fields generally involve new risks which may result, for example, from the pricing of products or from fraudulent use. A change in termination charges, for example, may directly or indirectly result in increased competition and strongly increased prices. United Internet attempts to minimize these risks with the aid of detailed planning based on past experience and external market studies, and by using various suppliers and continually expanding its anti-fraud measures.

Product development

A key success factor for United Internet is the development of new products and services in order to constantly raise the number of our customer contracts and strengthen customer retention. There is always a risk, however, that new developments might be launched too late on the market or not accepted by the target group. United Internet counters such risks by closely observing market trends and the competition as well as by undertaking product development which constantly responds to customer feedback.

Fraud

In order to meet the requirements of dynamic customer growth and provide services as quickly as possible in the interests of its customers, United Internet AG has largely automated its order and provision processes – as have many other companies in such mass market businesses. The nature of such automated processes provides possibilities for attacks from internet fraudsters. For example, United Internet AG may suffer considerable damage from automated hosting and domain orders made under false names and not paid for.

The fraudulent use of SIM cards may also incur significant damage due to large-scale call forwarding or roaming calls, for example.

United Internet attempts to prevent such fraud attacks – or at least to recognize and end them at a very early stage – by permanently expanding its fraud management capabilities, working closely with pre-service providers and taking account of such risks in the design of its products.

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

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

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

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

Liquidity risk

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

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

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

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

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

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

Interest risk
The Company is fundamentally exposed to interest risks as the major share of its borrowing bears variable interest rates with varying terms. In order to hedge against such interest risks, a number of interest hedging agreements have been concluded over the past few years.
As part of its liquidity planning, the Company constantly monitors the various investment possibilities and debt conditions. Any borrowing requirements are met by using suitable instruments to manage liquidity. Surplus cash is invested on the money market to achieve the best possible return. Due to developments on the global finance markets, the interest risk remained largely unchanged.

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

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

Stock exchange risk (valuation risk)
A stock exchange risk mainly results from investments in listed companies.

These investments are carried at cost. Should the (proportional) stock exchange value of an investment permanently lie below its acquisition cost, the Company recognizes an impairment of the financial instrument in its income statement.

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

In order to maintain and adapt its capital structure, the Company can adjust dividend payments or pay capital back to its shareholders, purchase treasury shares and where necessary place them again or issue new shares. As of December 31, 2012 and December 31, 2011, no changes were made to the Company's targets, methods and processes.

Tax risks from the change in internal transfer pricing
In fiscal year 2012, the sub-group 1&1 made changes to its internal transfer pricing system for certain subsidiaries. For United Internet AG as parent company, there are risks in respect of profits already taxed at the level of a UK subsidiary with regard to subsequent taxation of this income in Germany. Depending on the outcome of the expected mutual agreement procedures, this may lead to an additional tax burden at the level of United Internet AG (as parent company). Should this occur, the additional tax expenses at the level of United Internet AG (parent company) would be opposed by compensatory effects from tax rebates at the level of the UK subsidiary.

Assessment of the overall level of risk

The assessment of the overall level of risk results from taking a consolidated view of all significant risk fields and individual risks. The overall risk situation in 2012 was not significantly different to that of the previous year. From the current perspective, the main challenges focus on the areas of potential threats via the internet, the use of hardware and software, political and legal risks, as well as risks from the market and fraud. The further expansion of its risk management system enables United Internet to limit such risks to a minimum, where sensible, by implementing specific measures. There were no risks which directly jeopardized the continued existence of the United Internet Group in the fiscal year 2012, neither from individual risk positions nor from the overall risk situation.

Opportunities for United Internet

In view of the dynamic market development of United Internet's core markets, the company's growth opportunities are clearly apparent: universally accessible, permanently available and increasingly powerful broadband connections are enabling new and more sophisticated cloud applications. From the current perspective, these internet-based programs for home users, freelancers and small companies are likely to be our growth drivers over the coming years – both as stand-alone products in the Applications segment as well as in combination with fixed-line and mobile access products in our Access segment.

A business model based predominantly on electronic subscriptions – with fixed monthly amounts and contractually agreed terms – ensures stable and plannable revenue and cash flows, protects against macroeconomic effects and provides the financial scope to grasp opportunities in new business fields and markets – organically or via acquisitions.

Expansion of market positions

United Internet AG is now one of the market leaders in many of its business fields. Based on its existing technological know-how, its high level of product and service quality, the widespread popularity of Group brands such as 1&1, GMX, WEB.DE, united-domains, InterNetX and Fasthosts, its business relationships with millions of private and business customers, and its high customer retention ratio, United Internet sees good opportunities to build on its current market shares.

Participation in market growth

Despite the uncertain macroeconomic conditions, United Internet – as well as many of the sector’s leading analysts – expects further progress in those subsectors of importance to the company. In these markets, United Internet is one of the leading market players. At home and abroad. With its highly competitive Access products, its growing portfolio of cloud applications, its strong and specialized brands, its high sales strength, and already established business relationships with millions of private and business customers (cross-selling and up-selling potential), United Internet is also well positioned to participate in the expected market growth of both its business segments.

Entry into new business fields

One of United Internet's core competencies is to recognize customer wishes, trends and thus new markets at an early stage. With its broadly based value chain (from product development and data center operation, to effective marketing, powerful sales organization and active customer support), United Internet is often faster at placing innovations on the market and – thanks to the high level of cash generation in its existing business fields – capable of providing them with strong marketing support.

When new opportunities appear on the horizon, such as De-Mail, United Internet is well prepared and also capable of financing many years of cost-intensive preparation thanks to its strong cash generation in existing business fields. With a market share of some 50% of all German e-mail users, the company is excellently placed to participate in the digital, legally secure post business (especially from “postal charges” and “ad mailings”).

Internationalization

Cloud applications can be used anywhere in the world and work on the same principle in Frankfurt as they do in London, Rome or New York. In the past, United Internet has already successfully adapted cloud products – such as the 1&1 MyWebsite – to various languages and country-specific features and gradually rolled them out in different nations.

Thanks to the high degree of exportability which these products offer, United Internet is already active in numerous European countries (Germany, Austria, Switzerland, the UK, France, Spain, Italy and Poland), as well as abroad (USA, Canada and now Mexico) in its Applications segment.

Further countries and product roll-outs will gradually follow.

11 Disclosures required by takeover law

The following disclosures according to Secs. 289 (4) and 315 (4) German Commercial Code (HGB) represent conditions as of the balance sheet date. As required by Sec. 176 (1) Sentence 1 AktG, the disclosures are explained in the sections below.

Composition of capital
The subscribed capital of United Internet AG as of December 31, 2012 amounts to € 215,000,000 divided into 215,000,000 no-par value, registered shares. Each share entitles the owner to one vote. There are no other share categories. In the case of a capital increase, the commencement of dividend entitlement for new shares may be determined separately from the moment of contribution.

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

Direct and indirect participations in capital, special rights
The Company's CEO, Mr. Ralph Dommermuth, Montabaur, Germany, owns 88,000,000 shares or 40.93% of the 215,000,000 shares in United Internet AG as of December 31, 2011. 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 May 26, 2016 by a total of € 112,500,000.00 by issuing new no-par shares for cash and/or non-cash contributions (Authorized Capital 2011). 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 € 80,000,000.00, divided into 80,000,000 no-par shares (Conditional Capital 2010). 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 June 2, 2010 authorized the company or a subordinated Group company to issue in the period ending June 1, 2015, 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.

Powers of the Management Board to buy back shares

The authorization of the Annual Shareholders' Meeting granted on May 26, 2011 and originally limited until November 26, 2012 to acquire, sell or cancel treasury shares was cancelled by the Annual Shareholders' Meeting of May 31, 2012 on expiration of May 31, 2012 with a future effect.

In accordance with Sec. 71 (1) No. 8 AktG, the Annual Shareholders' Meeting of May 31, 2012 at the same time authorized the Management Board to acquire, sell or cancel treasury shares of up to ten percent of its capital stock in the period directly following the expired authorization and ending on November 30, 2013.

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.

United Internet shares may be purchased in all legally permissible manners, especially via the stock exchange and/or by means of a public bid. In the case of a purchase via the stock exchange, the price for the acquisition of United Internet shares (excluding transaction costs) may not be more than ten percent lower or higher than the stock market price.

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").

The Management Board is authorized, subject to the approval of the Supervisory Board, to use these and previously acquired shares for all legally permissible purposes, in particular a sale of treasury shares other than via the stock exchange or by offering to all shareholders or for cash compensation. The authorization to sell for cash contribution 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, as well as the management and employees of affiliated companies pursuant to Secs. 15 ff. AktG, 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 acquired treasury shares in full or in part, 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.

12 Corporate governance declaration

As a German public company listed on the stock exchange, the management of United Internet AG is primarily determined by the German Stock Corporation Act (AktG) and the rules set forth in the currently valid version of the German Corporate Governance Code.

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

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

The following report contains the Declaration on Corporate Governance in accordance with Sec. 289a HGB and the Corporate Governance Report of the Management Board and Supervisory Board pursuant to Section 3.10 of the German Corporate Governance Code.

Management and corporate structure

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

The **Supervisory Board** is elected by the Annual Shareholders' Meeting and consisted of three members in fiscal year 2012. The members of the Supervisory Board are generally elected for a period of five years. Members of the Supervisory Board should not generally be older than 70. In accordance with German law, the company's articles and its rules of procedure, the Supervisory Board is in regular contact with the Management Board and monitors and advises it with regard to the management of business, and the company's risk and opportunity management system. The Supervisory Board meets at regular intervals to discuss with the Management Board all matters of relevance to the company regarding strategy and its implementation, as well as planning, the development of business, the risk position, risk management and compliance. Together with the Management Board, it discusses the quarterly and half-year reports before publication and approves annual budgets as well as the annual financial statements of the parent company and the group. In doing so, it also takes the reports of the company's external auditors into account. Its responsibilities also include appointing members of the Management Board as well as determining and regularly monitoring their remuneration. The Supervisory Board conducts regular tests to assess its own efficiency. The members of the Supervisory Board complete the training and further education measures required for their tasks on their own, but receive appropriate support in this context from the company.

The **Management Board** is the body charged with managing the group’s operations and consisted of two persons in fiscal year 2012. The Management Board conducts operations in accordance with its legal and statutory obligations as well as the rules of procedure approved by the Supervisory Board. It is responsible for preparing the quarterly and annual financial statements as well as for appointing key managers within the company. Resolutions are always adopted with a simple majority. Should the vote result in a tie, the Chairman of the Management Board has a casting vote. Decisions of fundamental importance require the approval of the Supervisory Board. The Management Board regularly informs the Chairman of the Supervisory Board. There is also an age limit of 70 for members of the Management Board.

The **Annual Shareholders' Meeting** is the body which formulates and expresses the interests of the shareholders of United Internet AG. At the Annual Shareholders' Meeting, the annual financial statements are presented to the shareholders. The shareholders decide on the appropriation of the balance sheet profit and vote on resolutions concerning other statutory topics. Each share entitles the owner to one vote. All shareholders who register in time and are listed in the Share Register on the day of the Annual Shareholders' Meeting are entitled to attend. Shareholders may also exercise their rights at the Annual Shareholders' Meeting by means of a proxy vote.

Composition of the Management Board and Supervisory Board

In the fiscal year 2012, the **Management Board** of United Internet AG comprised Ralph Dommermuth (CEO) and Norbert Lang (CFO). On December 18, 2012, the Supervisory Board appointed Robert Hoffmann as an additional member of the company’s Management Board. In this new position as of January 1, 2013, Robert Hoffmann will support the CEO, Ralph Dommermuth, with the strategic development of the company and stand in for him whenever necessary.

In the case of new appointments, the Supervisory Board takes account of diversity aspects as defined by the German Corporate Governance Code. In particular, it strives to ensure that women are appropriately represented.

The **Supervisory Board** elected by the Annual Shareholders' Meeting currently comprises Kurt Dobitsch (Chairman), Kai-Uwe Ricke and Michael Scheeren.

The Supervisory Board of United Internet AG is composed in such a way that its members together have the knowledge, skills and professional experience necessary for them to carry out their tasks correctly. The members of the Supervisory Board also have considerable business experience in countries other than Germany.

The Supervisory Board comprises an adequate number of independent members, who have no business or personal relationship with the company or its Management Board. Moreover, these independent members do not exercise functions on a management body of or perform advisory duties at major competitors.

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

Control systems

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

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

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

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

The Company’s operating business is monitored and controlled primarily via the key figures: sales, EBITDA and EBIT, as well as via a number of other significant non-financial figures, such as customer contracts, free accounts, reach/active users of our own websites and marketable third-party domains and websites.

Accounting-related internal control and risk management system

In accordance with Sec. 289 (5) and Sec. 315 (2) No. 5 German Commercial Code (HGB), United Internet AG is obliged to describe the main features of its accounting-related internal control and risk management system in its Management Report.

United Internet AG regards risk management as part of its internal control system, which is based on the internationally recognized framework for internal control systems of the Committee of Sponsoring Organizations of the Treadway Commission (COSO Internal Control – Integrated Framework).

The Supervisory Board of United Internet AG monitors the functionality of the internal control system (ICS). The scope and structure, under consideration of the specific requirements for United Internet AG, are at the discretion and within the responsibility of the Management Board. Within the United Internet Group, the Internal Audit division is responsible for independently auditing the appropriateness, effectiveness and functionality of the internal control system. In order to conduct its duties, Internal Audit has been granted extensive rights with regard to information, examination and access. The audit actions of Internal Audit are based on a risk-oriented audit plan which may also include regular audits of domestic and foreign subsidiaries. In addition, Internal Audit conducts fundamental audits regarding the proper functioning of important inventory and asset stock-taking. In addition, those areas of ICS of relevance for financial reporting are audited with regard to efficiency by the external auditors as part of their risk-oriented audit approach.

The accounting-related ICS is continually being developed and comprises principles, procedures and measures to secure the effectiveness, economic efficiency and compliance of the accounting system and to ensure that the relevant legal regulations are observed.

However, a fundamental aspect of every ICS, irrespective of its particular design, is that it cannot provide absolute safety. This may be due, for example, to incorrect discretionary decisions of individuals, faulty controls or criminal acts. With regard to the accounting-related ICS, there can only be relative but never absolute certainty that material misrepresentations in the accounting are avoided or discovered.

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

United Internet AG regards risk management as the total of all measures designed to detect and assess risks, reduce them to an acceptable level, and monitor recognized risks. A risk management system requires organized action to deal suitably with uncertainty and threats and urges employees to utilize the regulations and instruments required to ensure compliance with the risk management principles. In addition to operative risk management, it also includes the systematic early recognition, management and monitoring of risks. The accounting-related risk management system focuses on the risk of false statements in accounting and external reporting.

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

Clearly defined internal controls are embedded into the accounting process with the aid of risk aspects. The respective accounting-related internal control system comprises organizational, preventive and investigative controls, including IT-aided and manual coordination, ordering and payment guidelines, standardized reporting formats, the functional separation of administrative, executive and approval processes, the "four-eye principle", general IT controls, e.g. access rights to IT systems, or change management and its monitoring. In order to ensure the high quality of the accounting-related ICS, the Internal Audit division is closely integrated into all stages of the process.

With the aid of clearly defined organizational, control and monitoring structures, the internal control system enables the recognition, preparation and assessment of company-related issues and their proper representation in consolidated accounting. The Corporate Accounting division is responsible for the management of the accounting processes. Laws, accounting standards and other pronouncements are continually analyzed with regard to their relevance and effect on the annual financial statements. Employees involved in the consolidated accounting process are regularly trained. The Group companies are responsible for the orderly and timely execution of the accounting-related processes and systems and are supported by the Corporate Accounting division accordingly.

Compliance

Compliance is an integral component of corporate and management culture throughout the United Internet Group. For United Internet AG, compliance means ensuring its activities comply with all laws of relevance to its business, as well as with its own principles and regulations.

This includes open and fair communication with our employees, business partners, shareholders and the public as well as acting correspondingly. As a service company with several million customers and business partners, United Internet's impeccable behavior is vital for gaining and retaining the trust of these customers and business associates.

In order to guarantee uniform and exemplary behavior in line with the relevant laws and the company’s principles and regulations, the Management Board has developed various guidelines which apply to the overwhelming majority of the Group’s companies as a binding Code of Behavior.

In addition to the statutory regulations, this Code contains the company’s own management guidelines and should encourage each employee to take responsibility for their own behavior and provide suitable orientation. It therefore creates a safe operational framework for choosing the right decisions to difficult questions in everyday business situations. Moreover, it specifies how the company understands its role and values, and serves as a model for the Management Board, senior executives, managers and all employees in the same way.

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

Financial disclosures / transparency

It is the declared aim of United Internet to inform institutional investors, private shareholders, financial analysts, employees and the public simultaneously and with equal treatment about the company’s situation by means of regular, open and up-to-date communication.

To this end, all important information, such as press releases, ad-hoc announcements and other mandatory disclosures (e.g. directors’ dealings and notifications of voting rights), as well as all financial reports, are published in accordance with statutory regulations. In addition, United Internet provides extensive information on its corporate website (www.united-internet.de), where documents and information on Annual Shareholders' Meetings and other economically relevant facts can be found.

United Internet provides shareholders, analysts and the press with four reports each fiscal year on the company’s business development and its financial and earnings position. The publication dates of these reports are stated in a binding financial calendar, which the company posts on its website and regularly updates in accordance with legal obligations.

The Management Board also provides immediate information in the form of ad-hoc announcements about any events not known to the public which might significantly affect the share price.

As part of its investor relations activities, the company's management team regularly meets with analysts and institutional investors. We also hold analyst conferences to announce our semi-annual and annual figures, which investors and analysts can also participate in via telephone.

Accounting and auditing

The Group's accounts are drawn up according to the principles of the International Financial Reporting Standards (IFRS). However, the annual financial statements of the parent company – relevant for all dividend and tax matters – are drawn up according to the rules of the German Commercial Code (HGB). The annual financial statements for the parent company and the group are audited by independent auditors. The respective auditing company is selected by the Annual Shareholders' Meeting. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was elected to audit the annual financial statements for the fiscal year 2011. The Supervisory Board issues the auditing mandate, determines auditing focal points, approves the auditing fee and examines the independence of the auditors.

Remuneration of Management Board and Supervisory Board

The principles of remuneration for the Management Board and Supervisory Board are presented in section 7 of this Management Report. The disclosure of total remuneration for members of the Management Board and Supervisory Board and its breakdown into fixed and variable compensation components is to be found in section 41 of the notes to the consolidated financial statements.

Stock option plans

The principles of the stock-based compensation plan of United Internet AG are described in the Remuneration Report in section 7 of this Management Report. Further details are provided in section 36 of the notes to the consolidated financial statements.

Directors' Dealings

According to Sec. 15a of the German Securities Trading Act (Wertpapierhandelsgesetz - WpHG), members of the Management Board and Supervisory Board of United Internet AG are legally obliged to declare their purchase and sale of shares in United Internet AG or related financial instruments whenever the transaction conducted by an executive body or related persons reaches or exceeds the amount of € 5,000 within one calendar year.

On June 14, 2012, Mr. Norbert Lang exercised 200.000 subscription rights and received in return 81,355 shares in United Internet AG. The total volume amounted to € 1,104k. On September 28, 2012, Mr. Ralph Dommermuth sold 2,000,000 shares at a price of € 16.10 each via Ralph Dommermuth

Beteiligungen GmbH. The total volume amounted to € 32,200k. On November 30, 2012, Mr. Michael Scheeren sold 100,000 shares at a price of € 17.33. The total volume amounted to € 1,733k.

No further Directors' Dealings were reported to the company.

Further details on shares held by members of the Management Board and Supervisory Board are also disclosed in section 41 of the notes to the consolidated financial statements.

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

The corporate governance of United Internet is based on the German Corporate Governance Code, which the Government Commission set up by the Federal Justice Minister in September 2001 published for the first time on February 26, 2002. The tenth and currently valid version of the German Corporate Governance Code was completed on May 15, 2012 and published by the Ministry of Justice in the Federal Gazette (http://www.bundesanzeiger.de/) on June 15, 2012.

The Code contains three types of standard:

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

German corporations are obliged to observe the legal regulations.

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

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

On March 5, 2013, the Management Board and Supervisory Board of United Internet AG submitted their current annual declaration of conformity in accordance with Sec. 161 AktG and immediately published it on the Company's website (www.united-internet.de), as well as in the Federal Gazette.

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

United Internet AG has complied with the recommendations of the German Corporate Governance Code in its currently valid version dated May 15, 2012 (the "Code") since it came into effect on June 15, 2012, and plans to comply with these recommendations in future with the following exceptions:

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

The German Stock Corporation Act (AktG) stipulates that in D&O insurance policies for management board members an obligatory deductible equivalent to at least 10% of the loss up to at least 1.5 times the level of annual fixed salary is to be adopted (§93 AktG). Beyond the scope of the German Stock Corporation Act, the Code recommends that a similar deductible be agreed for the supervisory board in any D&O policy.

United Internet AG has adopted the legal requirements by amending the existing D&O insurance policies as of January 1, 2010 and has agreed a deductible for members of the Management Board. The Company has refrained from agreeing a deductible for Supervisory Board members. United Internet does not generally believe that the motivation and responsibility with which the members of United Internet's Supervisory Board conduct their duties will be affected by such a deductible.

Committees (Code 5.3)

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

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

Targets for the composition of the Supervisory Board (Code section 5.4.1)

The Code recommends that the Supervisory Board specifies concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity, and since June 15, 2012 also the number of independent supervisory board members in the meaning of section 5.4.2. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation. Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The objectives of the Supervisory Board and the status of their implementation shall be published in the Corporate Governance Report.

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

Compensation of Supervisory Board members (Code 5.4.6)

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

To the extent that the Supervisory Board addresses all topics on a plenary basis, and no committees have been formed, United Internet takes only the position of the Chair of the Supervisory Board into separate consideration.

The Code has recommended since June 15, 2012 that performance-based compensation of supervisory board members should be oriented to sustainable corporate development. United Internet has diverged from the Code since it was amended.

As recommended by the Code until June 15, 2012, the Supervisory Board members of United Internet AG received both fixed and performance-based compensation for the 2012 fiscal year. The performance-based compensation is connected with exceeding a threshold in terms of consolidated earnings per share in the fiscal year, in line with the Code until June 15, 2012. For the 2013 and following fiscal years, part of the variable compensation is measured in terms of the change in consolidated earnings per share in the given fiscal year compared with the status three years previously. The Company introduced these components by way of implementing a suggestion by the Code in the version of May 26, 2010.

United Internet AG regards a performance-based compensation component as appropriate if it is oriented to the actual reported earnings per share in the respective fiscal year. For this fiscal year and for the future, the total of variable compensation components in this compensation scheme is also connected to sustainable corporate development. As a consequence, the executive bodies identify no direct need for action for the compensation scheme which has been implemented in compliance with the version of the Code which was valid until June 15, 2012. They will observe and analyze developments in compensation schemes for supervisory board members, and propose a new compensation scheme at the end of the Annual Shareholders' Meeting if required.

Publication of reports (Code 7.1.2)

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

Due to organizational, internal reasons, United Internet published its interim report for the first nine months of 2012 on November 22, 2012. As already announced in its 2013 financial calendar, United Internet will publish its interim report for the first quarter of 2013 on May 21, 2013.

In addition, the Management and Supervisory boards declare that United Internet AG complied with the recommendations of the Code in the version of May 26, 2010 in the period from the submission of the last Declaration of Conformity on March 5, 2012 until June 14, 2012, with the exceptions mentioned therein.

13 Dependent company report

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

14 Forecast report

Expectations for the economy

IMF downgrades its forecasts

In its updated global economic outlook published in January 2013, the International Monetary Fund (IMF) downgraded its forecasts slightly for the **global economy**. Due in particular to the slower than expected recovery of the Euro zone, the IMF now expects global growth of just 3.5% in 2013 and 4.1% in 2014 – in both cases, 0.1 percentage point below its October forecast.

For the **Euro zone** itself, the IMF now expects the recession to last until early 2014. Following a decline of 0.6% in 2012, a further fall of 0.2% is forecast for 2013 – after the Fund had previously projected minimal growth of 0.1%. The Euro zone is not expected to return to growth until 2014 (1.0%). The IMF blames the Euro zone's sluggish recovery on the continued uncertainty of companies and consumers as to whether the political measures already taken will actually be sufficient to tackle the debt crisis.

The IMF has also downgraded its forecast for economic growth in **Germany** for 2013 from 0.9% (in October 2012) to 0.6%. The Fund predicts growth of 1.4% in 2014.

The IMF forecasts for **United Internet's most important target markets** in 2013 are as follows: whereas growth is predicted for the economies of France (+0.3%), Germany (+0.6%), the UK (+1.0%), Canada (+1.8%), the USA (+2.0%) and Mexico (+3.5%), the IMF forecasts a further decline in economic output for Italy (-1.0%) and Spain (-1.5%).

Market / sector expectations

Further growth expected for ICT sector

Further international and national growth is forecast for IT and telecommunications companies in 2013: according to the German industry association BITKOM, the global ICT market will grow by 5.1% to € 2.7 trillion in 2012.

BITKOM expects the ICT market in the EU to grow by 0.9% in 2013.

The overall market for IT, telecommunications and digital entertainment electronics in Germany is expected to grow by 1.4% to € 153 billion in 2013. The IT sector is likely to lead the overall market with expected growth of 2.2% to € 75.0 billion. The telecommunications sector is also likely to grow by a further 1.4% to € 66.3 billion. According BITKOM's calculations, however, the entertainment electronics market is expected to decline by 3.2% to € 12.0 billion.

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

Growth in German broadband market primarily qualitative

In view of the comparatively high level of household coverage of over 80% already achieved – and the trend toward mobile internet – experts continue to forecast only moderate growth for the German broadband market (fixed line-based).

According to the survey "German Entertainment and Media Outlook 2012-2016" of October 2012, PricewaterhouseCoopers expects sales of fixed-line broadband connections to increase by 4.0% to € 7.28 billion in 2013.

Market forecast: broadband access (fixed-line) in Germany

in € billion	2013e	2012	Change
Sales	7.28	7.00	+ 4.0%

Source: BITKOM

Dynamic growth in German mobile internet market

All experts continue to predict dynamic growth for the mobile internet market, however. Following market growth of 14.5% to € 8.6 billion in 2012, BITKOM also expects growth of 7.0% to € 9.2 billion in 2013.

This growth will be driven above all by favorable – and thus for the consumer attractive – prices, as well as by the boom in smartphones and tablet PCs, as well as their respective applications (or apps). BITKOM forecasts sales growth of 29% to 28.0 million sold smartphones in 2013 (following 21.7 million in 2012).

Market forecast: mobile internet access in Germany

in € billion	2013e	2012	Change
Sales	9.2	8.6	+ 7.0%

Source: BITKOM

Further growth in German online advertising market

Online advertising activities continued to be dominated by a strong willingness to invest in 2012. As a result, the internet was able to expand its position as the second most important medium in the media mix by 2.2 percentage points. The Online Marketing Group (Online-Vermarkterkreis - OVK) forecasts a further positive development for the online advertising market in 2013 with growth in gross advertising spend of up to 11% to € 7.18 billion.

Market forecast: online advertising in Germany

in € billion	2013e	2012	Change
Gross advertising spend	7.18	6.47	+ 11.0%

Source: BVDW / OVK

Megatrend cloud computing

In its study "Forecast Overview: Public Cloud Services, Worldwide" of August 2012, Gartner forecasts global growth for Public Cloud Services of 18.8%, from $ 109.3 billion to $ 129.9 billion for 2013.

Based on a study of the Experton Group, the sector association BITKOM expects business cloud sales in Germany to grow by 53.3% to € 4.6 billion in 2013 and to reach € 13.7 billion by 2016.

Key market figures: cloud computing worldwide and in Germany (B2B)

	2013e	2012	Change
Sales worldwide (in $ billion)	129.9	109.3	+ 18.8%
Sales in Germany (in € billion)	4.6	3.0	+ 53.3%

Source: Gartner, BITKOM / Experton Group

Expectations for the company

Forecast for 2013 and 2014

United Internet AG will continue to pursue its policy of sustainable growth in future.

Specifically, United Internet expects that the number of fee-based customer contracts will grow by approx. 1 million to approx. 12.85 million in **2013**.

Sales growth of approx. 10% is forecast.

EBITDA from established business fields is expected to rise to approx. € 500 million. Around 20% of this amount (approx. € 100 million) will be used to finance start-up losses from the ongoing establishment of the company's new business fields (1&1 MyWebsite and De-Mail).

Free cash flow (after investment in intangible assets and property, plant and equipment) is expected to exceed € 200 million in fiscal year 2013.

EPS is expected to increase from € 0.56 to € 1.00–€ 1.10.

On the basis of current market estimates and strong customer growth targeted for 2013, United Internet expects a further increase in sales and earnings in **2014**.

Due to its role as a holding company, the earnings of United Internet AG at parent company level are mainly influenced by its investment result. The key driver of this result is the profit transfer agreement with subsidiary 1&1 Internet AG. The above statements on the Group's earnings therefore also apply qualitatively for United Internet AG itself.

Forward-looking statements

This Management Report contains forward-looking statements based on current expectations, assumptions, and projections of the Management Board of United Internet AG and currently available information. These forward-looking statements are subject to various risks and uncertainties and are based upon expectations, assumptions, and projections that may not prove to be accurate. United Internet AG does not guarantee that these forward-looking statements will prove to be accurate and does not accept any obligation, nor have the intention, to adjust or update the forward-looking statements contained in this report.

Montabaur, March 15, 2013

The Management Board

Ralph Dommermuth   Robert Hoffmann   Norbert Lang

Annual Financial Statements of the Parent Company

acc. to HGB

as at
December 31, 2012

United Internet AG - Balance Sheet acc. to HGB

as of December 31, 2012 in €k

A S S E T S	December 31, 2012		December 31, 2011	
FIXED ASSETS				
Intangible assets				
Concessions, industrial and similar rights and assets as well as licenses in such rights and assets	41		5	
	41		5	
Property, plant and equipment				
Other equipment, operational and office equipment	198		162	
	198		162	
Financial assets				
Shares in affiliated companies	1,105,566	89.0%	1,104,999	80.3%
Loans to affiliated companies	1,750	0.1%	1,750	
Investments	59,611	4.8%	36,737	2.7%
	1,166,927	94.0%	1,143,486	83.1%
	1,167,166	94.0%	1,143,653	83.1%
CURRENT ASSETS				
Accounts receivable and other assets				
Receivables due from affiliated companies	69,482	5.6%	164,464	11.9%
Receivables due from companies in which an investment is held	0		0	
Other assets	175	0.0%	57,533	4.2%
	69,657	5.6%	221,997	16.1%
Cash in hand and bank balances	4,781	0.4%	11,152	0.8%
	74,438	6.0%	233,149	16.9%
PREPAID EXPENSES	40		40	
	1,241,644	100.0%	1,376,842	100.0%

E Q U I T Y A N D L I A B I L I T I E S	December 31, 2012		December 31, 2011	
EQUITY				
Capital stock	194,438	15.7%	193,775	14.1%
Capital reserves	95,977	7.7%	95,977	7.0%
Revenue reserves				
Other revenue reserves	335,419	27.0%	46,075	3.7%
Retained earnings	189,129	15.2%	455,739	33.1%
	814,963	65.6%	791,566	57.5%
ACCRUALS				
Accrued taxes	44,879	3.6%	18,815	1.4%
Other accrued liabilities	24,500	2.0%	23,554	1.7%
	69,379	5.6%	42,369	3.1%
Liabilities due to banks	287,000	23.1%	502,000	36.5%
Trade accounts payable	0		235	
Liabilities due to affiliated companies	62,099	5.0%	36,252	2.6%
Liabilities due to companies in which an investment is held	361	0.0%	715	0.1%
Other liabilities	7,842	0.6%	3,705	0.3%
	357,302	28.8%	542,907	39.4%
DEFERRED TAX LIABILITIES	0	0.0%	0	0.0%
	1,241,644	100.0%	1,376,842	100.0%

United Internet AG - Income Statement acc. to HGB

from January 1, 2012 to December 31, 2012 in €k

	2012 January - December	2011 January - December
Sales	3,211	2,727
Other operating income	15,870	18,602
Cost of materials		
Cost of purchased services	-1,891	-1,745
Personnel expenses		
a. Wages and salaries	-5,205	-2,561
b. Social security contributions	-243	-198
Amortization and depreciation of intangible assets and property, plant and equipment	-77	-97
Other operating expenses	-3,533	-5,026
Income from profit transfer agreements	159,830	253,693
Income from investments	4,577	5,100
Other interest and similar income	6,093	12,172
Expense from loss transfer	-2,317	0
Amortization and depreciation of financial assets and securities	0	-1
Interest and similar expenses	-22,571	-26,636
Ergebnis der gewöhnlichen Geschäftstätigkeit	153,744	256,030
Taxes on income	-83,224	-75,685
Other taxes	1,002	-1,184
Net profit for the year	71,522	179,161
Profit carried forward	147,607	376,578
Cancellation of shares	0	-25,000
Transfer to other revenue reserves	-30,000	-75,000
Income from capital reduction	0	25,000
Transfer to capital reserves acc. to the regulations governing simplified capital reduction	0	-25,000
Balance sheet profit	189,129	455,739

UNITED INTERNET AG, MONTABAUR

Notes to the Financial Statements for Fiscal Year 2012

GENERAL PROVISIONS

The annual financial statements for fiscal year 2012 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).

Due to its capital market orientation, United Internet AG, Montabaur, is classified 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.

Reference is made 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 with reference to Sec. 315 a HGB.

INFORMATION ABOUT THE COMPANY

The business activities of United Internet AG (United Internet) 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 a listing in the Neuer Markt segment of 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 accounting and valuation methods were used once again in the preparation of the annual financial statements.

Intangible assets acquired for consideration are carried at cost and, insofar as their value diminishes, amortized in scheduled amounts according to their expected useful life.

Property, plant and equipment are carried at cost and depreciated over their expected useful lives. For assets acquired up to December 31, 2007 and between January 1, 2009 and December 31, 2009, the declining balance method is applied. The straight-line method is applied in the year in which it leads to higher annual depreciation rates. Other fixed assets are depreciated using the straight-line method. Individual items with a low net value of up to € 150.00 are fully expensed in the year of acquisition; it is assumed that they are disposed of immediately. For reasons of simplification, the tax method used to compile omnibus items is also applied in the commercial balance sheet for individual assets with a net value of over € 150.00 and up to € 1,000.00. This omnibus item is then written off in a lump sum of 20 percent in the year of addition as well as in each of the following four years. Other depreciation of additions to property, plant and equipment is always made pro rata temporis.

Operational equipment is usually depreciated over 4 to 5 years. Leasehold improvements are generally written off over a period of 10 years or the shorter lease period. The normal useful life of office furniture and equipment is 8 to 13 years, that of the vehicles is 6 years.

Shares in affiliated companies and investments disclosed under **financial assets** are reported at the lower of cost or market value, while loans are always stated at the lower of nominal or market value.

Receivables and other assets are stated at nominal value. All risk-bearing items, which are significant in terms of amount, are covered by reasonable allowances.

Tax accruals and **other accruals** consider all contingent liabilities, recognizable risks, and impending losses. They are carried at the settlement amount computed in accordance with prudent commercial practice (i.e. including future cost and price increases). Accruals with a remaining term of more than one year are discounted.

Liabilities are stated at their settlement amount.

For the calculation of **deferred taxes** due to temporary or quasi-permanent differences between the commercial law valuation of assets, liabilities and prepaid expenses and their tax valuation, or due to tax loss carryforwards, the amounts of the resulting tax burden or relief are measured using the company’s individual tax rates at the point in time when the differences reverse and are not discounted. Deferred tax assets and liabilities are netted. An excess of deferred tax assets is not carried if the existing recognition option is exercised.

Assets and liabilities denominated in foreign currencies are translated at the average spot rate on the balance sheet date. In the case of remaining terms of over one year, the realization principle (Sec. 252 (1) No. 4 Half-sentence 2 HGB) and the acquisition cost principle (Sec. 253 (1) Sentence 1 HGB) are applied.

Insofar as **hedges** are created in accordance with Sec. 254 HGB, the following accounting and measurement principles are applied:

Economic hedging relationships are presented in the financial statements by the creation of hedges. The so-called “net hedge presentation method” ("Einfrierungsmethode") is used, in which offsetting value changes in the hedged risk are not disclosed. The offsetting positive and negative changes in value are therefore not recognized with an effect on the income statement.

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 respective shareholding, is included in the list of shareholdings (exhibit 2 of the notes).

Additions to shares in affiliated companies amount to € 567k. Of this total, an amount of € 492k results from the increased shareholding in Sedo Holding AG.

The additions to investments amount to € 59,608k and result exclusively from the purchase of a 25.1% stake in VictorianFibre Holding & Co. S.C.A., Luxembourg, in fiscal year 2012.

On May 19, 2011, VictorianFibre Holding GmbH, a holding company of Kohlberg Kravis Roberts & Co. L.P. (KKR), had announced its intention to make a public offer to all shareholders of Versatel. United Internet AG had previously undertaken – as had the two other major shareholders Apax and Cyrte – to sell the Versatel shares it held (11,492,000 units) to KKR at a price of € 5.50 per share. The corresponding contracts were signed on May 19, 2011. The total purchase price of € 63,206k consisted of a cash component of € 3,385k and an interest-free vendor loan of € 59,821k, payment of which was deferred until the expiry of 17 months from completion of the transaction.

As part of this transaction, United Internet had received a call option to purchase 25.1% of shares in the holding company founded by KKR for the Versatel acquisition at the same conditions as KKR on expiry of 17 months from completion of the transaction. On December 12, 2012, United Internet exercised its option. At the same time, the vendor loan of € 59,821k was repaid and 25.1% of shares in VictorianFibre Holding & Co. S.C.A., Luxembourg, were acquired.

Disposals of € 36,735k result from the sale of all shares in freenet AG in October 2012. The sales proceeds amounted to € 48,061k.

CURRENT ASSETS

Receivables and other assets

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

	12/31/2012	12/31/2012			12/31/2011
		Remaining term			
	Total	up to 1 year	1 to 5 years	over 5 years	Total *
Accounts receivable from affiliated companies	69,482	69,482			164,464
Other assets	175	175			57,533
	69,657	**69,657**	**0**	**0**	**221,997**

* All remaining terms up to 1 year

Receivables from affiliated companies mainly comprise receivables due from 1&1 Internet AG (€ 69,086k). Receivables result primarily from profit and loss transfer agreements (€ 9,830k), balances of the United Internet Group's internal cash management system (€ 39,956k), and receivables from service relationships and tax pooling with Group companies (€ 19,300k).

Other assets in the previous year comprised an amount of € 57,520k from the interest-free vendor loan granted in connection with the sale of shares in Versatel AG. Due to the interest-free deferral, there was a discounting effect of € 2,301k to be deducted from the total receivable.

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 € 215,000,000.00 divided into 215,000,000 registered no-par shares having a theoretical share in the capital stock of € 1.00 each. As of December 31, 2012 the company held 20,562,202 treasury shares, which in accordance with Sec. 272 (1)a HGB are deducted from capital stock on the face of the balance sheet.

Approved capital

The company's Management Board is authorized, subject to the approval of the Supervisory Board, to increase the capital stock by a maximum of € 112,500,000.00 in the period ending May 25, 2016 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 € 80,000,000.00, divided into 80,000,000 no-par registered shares (Conditional Capital 2010). 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 June 2, 2010 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. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercising the conversion or option rights. The Management Board is authorized to set the further details regarding the execution of the conditional capital increase.

Authorization of Annual Shareholders' Meeting to acquire treasury shares

Pursuant to Sec. 71 (1) No. 8 AktG, the company is entitled to acquire treasury shares until November 30, 2013 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 20,562,202 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 also permitted, subject to the approval of the Supervisory Board, to use the acquired treasury shares to meet conversion or option rights, or option commitments.

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		
- Capital stock as of December 31, 2011		215,000,000.00
- Capital stock as of December 31, 2012		215,000,000.00
- Open disclosure of treasury shares acc. to Sec. 272 (1)a HGB - December 31, 2011	-21,225,158.00	
- Issue of treasury shares	662,956.00	
- Open disclosure of treasury shares acc. to Sec. 272 (1)a HGB - December 31, 2012		-20,562,202.00
- Balance as of December 31, 2012		**194,437,798.00**
Capital reserves		
- Balance as of December 31, 2011		95,976,677.74
- Balance as of December 31, 2012		**95,976,677.74**
Other revenue reserves		
- Balance as of December 31, 2011		46,074,851.92
- Transfer to other revenue reserves on the basis of a resolution of the Annual Shareholders' Meeting of May 31, 2012		250,000,000.00
- Transfer to other revenue reserves (employee stock ownership plan)		9,344,871.12
- Transfer to other revenue reserves acc. to Sec. 58 (2) sentence 1 AktG		30,000,000.00
- Balance as of December 31, 2012		**335,419,723.04**
Balance sheet profit		
- Balance as of December 31, 2011		455,738,799.44
- Dividend payment		-58,132,452.60
- Transfer to other revenue reserves		-250,000,000.00
- Net profit for the year		71,522,111.52
- Transfer to other revenue reserves		-30,000,000.00
- Balance as of December 31, 2012		**189,128,458.36**
Total shareholders' equity		**814,962,657.14**

As of fiscal year 2010, treasury shares are treated in the same way as a capital reduction. The nominal amount was deducted from subscribed capital on the face of the balance sheet, the difference was offset with other revenue reserves. The nominal value of shares held on the balance sheet date December 31, 2012, amounting to € 20,562,202.00 was therefore deducted from capital stock and disclosed in a sub-column on the face of the balance sheet.

The Annual Shareholders' Meeting of May 31, 2012 followed the proposal of the Management Board and Supervisory Board to transfer a part of the balance sheet profit 2011 amounting to € 250,000,000.00 to other revenue reserves. Due to the issue of employee stocks and the sale of treasury shares in a subsidiary, the difference of € 9,345k was transferred to other revenue reserves.

Moreover, the Management Board of United Internet AG resolved to transfer a part of the balance sheet profit amounting to € 30,000k to other revenue reserves as required by Sec. 58 (2) p. 1 AktG.

(Following allocation to other revenue reserves), the balance sheet profit as of the balance sheet date amounts to € 189,128,458.36. The balance sheet profit contains a carryforward from the previous year amounting to € 455,738,799.44. This amount was reduced under consideration of the dividend paid in fiscal year 2012 and the transfer to other revenue reserves from the balance sheet profit 2011 to € 147,606,346.84.

The Management Board and Supervisory Board will discuss their dividend proposal for fiscal year 2012 at the Supervisory Board meeting on March 20, 2013. According to Sec. 21 of the by-laws of United Internet AG, the Annual Shareholders' Meeting decides on the appropriation of the balance sheet profit.

Pursuant to Sec. 71b AktG, the company does not accrue any rights from treasury shares and thus has no pro-rated dividend rights.

Treasury shares

As of December 31, 2011 the company held 21,225,158 treasury shares, representing 9.87% of the capital stock of 215,000,000 shares. The average purchase cost per share amounted to € 12.46.

On the basis of existing stock ownership plans, 562,956 treasury shares were issued to staff in fiscal year 2012 and 100,000 shares sold 1&1 Internet AG at their market value.

As of December 31, 2012, the Company therefore held 20,562,202 treasury shares or 9.56% of the current capital stock of 215,000,000 shares. The average purchase cost per share amounted to € 12.46.

ACCRUALS

Accrued taxes of € 10,210k refer to corporation tax, the solidarity surcharge and trade tax for fiscal 2012. Accrued taxes for previous years, from the tax audit for the years 2002 to 2005 and for 2006 to 2008, amount to € 34,669k.

Other accrued liabilities contain appropriate accruals formed for all foreseeable liabilities whose amount and nature are uncertain as well as for pending losses. They were formed mainly for an interest hedging transaction (€ 5,488k), legal, auditing and consulting fees (€ 540k) and for bonuses and commissions (€ 293k). In addition, accrued liabilities were formed for the employee stock ownership plan (€ 5,001k) and for foreseeable interest risks accruing from the tax audit (€ 11,891k).

The effect from discounting accruals recognized in interest expenses amounts to € 73k.

LIABILITIES

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

	12/31/2012	12/31/2012			12/31/2011	
		Remaining term				Remaining term
	Total	up to 1 year	1 to 5 years	over 5 years	Total	up to 1 year
Bank liabilities	287,000	72,000	215,000		502,000	100,000
Trade payables	0	0			235	235
Liabilities due to affiliated companies	62,099	62,099			36,252	36,252
Liabilities due to companies in which an investment is held	361	361			715	715
Other liabilities thereof for social security € 1k (prior year: € 1k)	7,842	7,842			3,705	3,705
	357,302	**142,302**	**215,000**	**0**	**542,907**	**140,907**

Liabilities due to banks as of December 31, 2012 result from a promissory note loan ("Schuldscheindarlehen") and a syndicated loan.

The syndicated loan agreement was concluded on June 7, 2011. The entire credit line is divided into a Tranche A amounting to € 120 million and a Tranche B of € 360 million. Tranche A is a bullet loan with a term of five years. Tranche B is a revolving syndicated loan which expires on June 7, 2016. As of December 31, 2012, € 120 million have been used from Tranche A and € 95 million from Tranche B.

The syndicated loan agreement of September 14, 2007 had a term of five years and expired on September 13, 2012. It was divided into a Tranche A amounting to € 300 million and a Tranche B of originally € 200 million.

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

No collateral was provided for the syndicated loan or the promissory note loan.

Liabilities to affiliated companies mainly consist of liabilities due from balances as part of the United Internet Group's cash management system (€ 56,466k), for services received from these companies (€ 3,317k), and from profit transfer agreements (€ 2,316k).

Other liabilities consist mainly of sales tax liabilities of € 5,940k and liabilities from interest hedging transactions amounting to € 1,843k.

DEFERRED TAXES

The introduction of the German Accounting Law Modernization Act (BilMoG) led to a revision of regulations regarding the accounting of deferred taxes. As a consequence, deferred taxes already existing as of December 31, 2009 were transferred to other revenue reserves without affecting the income statement during conversion to the BilMoG on January 1, 2010.

Due to existing direct and indirect tax pooling, the measurement of existing deferred taxes must be made across the entire tax pooling group of United Internet.

As in the previous year, there is an excess of deferred tax assets as of December 31, 2012. Deferred tax assets as of the reporting period result mainly from prepaid expenses (hardware subsidies), while deferred tax liabilities result from intangible assets. The calculation is based on a tax rate of 30.06%. In execution of the reporting option pursuant to Sec. 274 (1) S. 2 HGB, this excess is not recognized.

In the previous year, the change in recognized deferred taxes resulted in deferred tax income of € 16,215k. This resulted from the reversal of deferred tax liabilities formed as of December 31, 2010.

NOTES TO THE INCOME STATEMENT

SALES

The company's sales were generated exclusively in Germany and mainly comprise charges to subsidiaries for services rendered (€ 2,766k) and rent (€ 445k).

OTHER OPERATING INCOME

The sale of shares held in freenet AG accounted for € 11,326k of other operating income.

The income from an interest hedging transaction amounts to € 4,052k.

Other operating income not relating to the period of € 137k results from the reversal of accruals.

OTHER OPERATING EXPENSES

In addition to legal, consulting and audit fees and Supervisory Board remuneration (€ 1,507k), other operating expenses mainly contain expenses for investor relations, marketing and press PR (€ 321k), rent expenses (€ 268k) and expenses for insurances/contributions (€ 130k). Expenses relating to other periods amount to € 13k.

INCOME FROM PROFIT TRANSFER AGREEMENTS

This item comprises the profit transfer of 1&1 Internet AG (€ 159,830k).

INCOME FROM INVESTMENTS

In the period under review, dividends of € 4,577k were received from the investment in freenet AG.

EXPENSES FOR LOSS ASSUMPTIONS

This item mainly comprises the compensation expense for United Internet Beteiligungen GmbH (€ 2,266k).

AMORTIZATION OF FINANCIAL ASSETS

In the previous year, this item included the non-scheduled amortization of the carrying value of investments in Hi-Media S.A. to its fair value as of the balance sheet date.

INCOME TAXES

Income taxes of € 69,970k concern current taxes, of which € 36,491k were corporation tax and the solidarity surcharge and € 33,479k concerned trade tax.

As a result of findings from the tax audit of 2006 to 2008 completed in the reporting period, as well as consequential effects, there were tax expenses not relating to the period for income taxes amounting to € 13,254k. In addition, there was also income not relating to the period for sales tax of € 1,007k, interest income not relating to the period of € 1,706k, and interest expenses not relating to the period of € 6,159k. These are disclosed under other taxes or in the interest result.

OTHER DISCLOSURES

Average number of employees

An average of 19 (prior year: 17) permanent salaried staff were employed in the past fiscal year (without Management Board members, apprentices, part-time staff and employees on maternity leave).

Executive bodies of United Internet AG

As of December 31, 2012, the Management Board consisted of the following members:

Ralph Dommermuth, (CEO), Montabaur

Norbert Lang, (CFO), Waldbrunn

Robert Hoffmann, Kelkheim, was appointed as Deputy Chairman of the Management Board / COO with effect from January 1, 2013.

The members of the Management Board also belong to the supervisory boards of the following companies:

Ralph Dommermuth

- United Internet Media AG, Montabaur (chair)
- Sedo Holding AG, Cologne (left June 6, 2012)

Norbert Lang

- Hi-Media SA, Paris / France
- United Internet Media AG, Montabaur
- united-domains AG, Starnberg (chair)
- Versatel AG (left February 9, 2012)

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 2011. 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 90% to 120%. No bonus is paid below 90% 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 2012, preliminary remuneration of € 872k (prior-year: € 1,045k) was agreed for the Management Board. Of this total, € 600k or 69% was fixed and € 272k or 31% variable.

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

In fiscal years 2008 and 2009, Mr. Norbert Lang was granted 800,000 virtual stock options each year (so-called Stock Appreciation Rights or SARs) at an exercise price of € 12.85 and € 5.52. At the time these virtual stock options were issued, the fair values amounted to € 2,384k and € 1,104k.

SARs refer to the company's commitment to pay the beneficiary a cash amount equivalent to the difference between the share price on the date of granting the option (strike price) and the share price on exercising the option. The exercise hurdle is 120% of the share price of 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 strike 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 United Internet AG shares 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% 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 exercised a total of 200,000 rights in 2012, at a strike price of € 5.52 each.

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

2012	fixed	variable	total
Ralph Dommermuth	300	152	452
Norbert Lang	300	120	420
	600	272	872

2011	fixed	variable	total
Ralph Dommermuth	300	249	549
Norbert Lang	300	197	497
	600	446	1,046

As of December 31, 2012, the Supervisory Board of United Internet AG consisted of the following members:

Kurt Dobitsch, chair,
self-employed entrepreneur, Markt Schwaben

Kai-Uwe Ricke
Managing Partner, Thalwil / Switzerland

Michael Scheeren, deputy chair
qualified banker, Cologne

In fiscal year 2012, 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
- Graphisoft S.E, Budapest / Hungary
- Singhammer IT Consulting AG, Munich

Kai-Uwe Ricke

- 1&1 Internet AG, Montabaur
- Exigen Capital Europa AG, Zurich / Switzerland (retired October 30, 2012)
- SUSI Partner AG, Zurich / Switzerland (joined February 22, 2012)
- euNetworks Group Ltd., Singapore / Singapore
- Delta Partners, Dubai / Emirate of Dubai

Michael Scheeren

- 1&1 Internet AG, Montabaur (Chairman)
- Sedo Holding AG, Montabaur (Chairman)
- United Internet Media AG, Montabaur (Deputy Chairman)
- Goldbach Group AG, Küsnacht- Zurich / 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 € 10k 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 € 1k for every cent which exceeds the consolidated earnings per share (EPS) value of € 0.60 for United Internet AG, calculated according to IFRS.

In addition, each member of the Supervisory Board shall receive for fiscal year 2013 and the following fiscal years remuneration of € 500 per starting percentage point by which EPS in the past fiscal year exceeds the EPS of the fiscal year completed 3 years previously, limited to a maximum of € 10k per fiscal year.

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

2012	fixed	variable	total
Kurt Dobitsch	20	---	20
Kai-Uwe Ricke	10	---	10
Michael Scheeren	10	---	10
	40	0	40

2011	fixed	variable	total
Kurt Dobitsch	20	20	40
Kai-Uwe Ricke	10	20	30
Michael Scheeren	10	20	30
	40	60	100

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

Share ownership and subscription rights as of December 31, 2012

	Shares (units)	Subscription rights (units)
Management Board		
Ralph Dommermuth	88,000,000	---
Norbert Lang	524,232	1,200,000
Supervisory Board		
Kurt Dobitsch	---	---
Kai-Uwe Ricke	---	---
Michael Scheeren	600,000	---

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 facility was used for credit line drawings of € 15,000k and credit guaranties of € 12,305k. With regard to other bank liabilities, reference is made to the explanations under “Liabilities”.

Due to the stable business position of the borrowing subsidiaries of the United Internet Group, the risk involved in the contingent liabilities is currently regarded as very low.

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. The fair value including accrued interest of € 1,612k amounts to € 7,100k as of the balance sheet date. Negative market value of € 5,488k was carried under accruals for pending losses, while deferred interest of € 1,612k is included in other liabilities. The change in fair value is recognized in other operating expenses, or other operating income, while the cash-relevant interest component is included in interest expenses. The measurement of fair value was made on the basis of current market data using recognized mathematical valuation methods (discounted cash flow method).

Against the backdrop of new financial loans taken out in fiscal year 2011, four interest swaps were concluded with a total nominal amount of € 180,000k to hedge against the interest risk. The agreements have terms until June 7, 2016. The negative fair value including accrued interest of € 231k amounts to € 11,587k as of the balance sheet date. A hedge was formed with the underlying transaction (financial loans) pursuant to Sec. 254 HGB for these hedging transactions. Due to the use of the “net hedge presentation method” ("Einfrierungsmethode"), the negative market value of € 11,356k was not recognized. The deferred interest of € 231k is included in other liabilities. The measurement of fair value was made on the basis of current market data using recognized mathematical valuation methods (discounted cash flow method).

The hedges are formed as follows:

	Underlying transaction / hedging instrument	Risk / type of hedge	Considered amount	Amount of hedged risk
(1)	Syndicated loan - revolver / interest derivative	Zinsrisiko / micro-hedge	60,000 T€	60,000 T€
(2)	Syndicated loan - term loan / interest derivative	Zinsrisiko / micro-hedge	40,000 T€	40,000 T€
(3)	Syndicated loan - term loan / interest derivative	Zinsrisiko / micro-hedge	40,000 T€	40,000 T€
(4)	Syndicated loan - term loan / interest derivative	Zinsrisiko / micro-hedge	40,000 T€	40,000 T€

on (1): The opposing changes in value / cash flows of the underlying transaction and hedge mainly offset each other in fiscal year 2012. Over the entire course of the hedge period, the opposing changes in value / cash flows of the underlying transaction and hedge are also expected to mainly offset each other as the main underlying conditions agree (so-called critical-term match). The formation of a hedge in this case is mainly based on the assumption that the use of the credit line of the revolving syndicated loan will amount to at least € 60,000k.

on (2) to (4): Over the entire course of the hedge period, the opposing changes in value / cash flows of the underlying transaction and hedge are also expected to mainly offset each other as the main underlying conditions agree (so-called critical-term match).

A critical-term match was made on conclusion of the hedges. On every balance sheet date, a retrospective examination and measurement of the hedge's effectiveness is made using the "hypothetical derivative method". When using this method, a company must consider the option's fair value if it determines any change in the fair value of the underlying transaction during its examination and measurement of the hedge's effectiveness. According to current commercial law regulations, the market value of the hedging instruments is to be recognized in the amount of the ineffective share. No effects were recognized in fiscal year 2012.

Miscellaneous

The carrying value of certain listed shares in affiliated companies and investments pursuant to Sec. 284 (2) No. 4 HGB is € 41,933k above the fair value of these securities based on their stock market price. The Company assumes that there is no expected permanent impairment.

Transactions with related parties

In the period under review, no transactions were made with related parties at non-standard market conditions.

Other financial commitments

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

	2012 €k
Liabilities from long-term financial obligations	2,797
of which due within one year	451
of which due between two and five years	1,706
of which due in more than five years	640

Publication of voting right announcements acc. to Sec. 26 WpHG

Publication on January 29, 2009

Deutsche Bank AG, London, United Kingdom informed our company on January 27, 2009 of the following:

Pursuant to Sec. 21 (1), 24 WpHG (German Securities Trading Act) in conjunction with Sec. 32 (2) InvG (German Investment Act), we hereby notify that the percentage of voting rights of our subsidiary DWS Investment GmbH, Frankfurt, Germany, in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany, crossed below the threshold of 5% on 26 January 2009 and amounts to 4.86% (12,213,000 voting rights) as per this date.

Publication on December 22, 2009

In accordance with Sec. 21 (1) WpHG, Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft, Montabaur, Germany, has informed us that its proportion of voting rights in United Internet AG, Montabaur, exceeded the threshold of 30% due to a reduction in the total number of voting rights as of December 21, 2009, and amounted to 31.00% on this day (74,400,000 voting rights). Of this amount, 1.67% of voting rights (4,000,000 voting rights) are attributable to Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft according to Sec. 22 (1) Sentence 1 No. 1 WpHG.

In accordance with Sec. 21 (1) WpHG, Ralph Dommermuth Verwaltungs GmbH, Montabaur, Germany, has informed us that its proportion of voting rights in United Internet AG, Montabaur, exceeded the threshold of 30% due to a reduction in the total number of voting rights as of December 21, 2009, and amounted to 31.00% on this day (74,400,000 voting rights). Of this amount, 31.00% of voting rights (74,000,000 voting rights) are attributable to Ralph Dommermuth Verwaltungs GmbH according to Sec. 22 (1) Sentence 1 No. 1 WpHG. Voting rights attributed to Ralph Dommermuth Verwaltungs GmbH are held by the following companies it controls, whose voting rights in United Internet AG amounted to 3% or more: Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft.

Publication on January 10, 2012

BlackRock, Inc., New York, USA has informed us according to Sec. 21 (1) of the WpHG in correction of the notification dated November 16, 2011 that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the 3% threshold of the voting rights on November 16, 2011 and on that day amounted to 3.01% (corresponding to 6,475,930 voting rights). According to Sec. 22 (1) Sentence 1 No. 6 in connection with Sentence 2 of the WpHG, 3.01% of the voting rights (corresponding to 6,475,930 voting rights) is attributable to the company.

Publication on February 17, 2012

On February 16, 2012, BlackRock, Inc., New York, USA, informed us according to Sec. 21 (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the 3% threshold of voting rights on February 10, 2012, and on that day amounted to 3.00667% (corresponding to 6,464,346 voting rights). According to Sec. 22 (1) Sentence 1 No. 6 in connection with Sentence 2 of the WpHG, 3.00667% (corresponding to 6,464,346 voting rights) are attributable to the company.

Publication on March 23, 2012

On March 22, 2012, Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main, Germany, informed us according to Sec. 21, (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, fell below the 3% threshold of voting rights on March 20, 2012 and on that day amounted to 2.95% (corresponding to 6,332,352 voting rights).

According to Sec. 22 (1) Sentence 1 No. 6 of the WpHG, 1.30% of the voting rights (corresponding to 2,788,408 voting rights) are attributable to the company.

On March 23, 2012, Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main, Germany, informed us according to Sec. 21, (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the 3% threshold of voting rights on March 22, 2012 and on that day amounted to 3.01% (corresponding to 6,473,683 voting rights).

According to Sec. 22 (1) Sentence 1 No. 6 of the WpHG, 1.36% of the voting rights (corresponding to 2,929,739 voting rights) are attributable to the company.

Publication on May 4, 2012

On May 3, 2012, BlackRock, Inc., New York, USA, informed us according to Sec. 21 (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, fell below the 3% threshold of voting rights on April 27, 2012, and on that day amounted to 2.95% (corresponding to 6,338,173 voting rights). According to Sec. 22 (1) Sentence 1 No. 6 in connection with Sentence 2 of the WpHG, 2.95% (corresponding to 6,338,173 voting rights) are attributable to the company.

Publication on July 6, 2012

On July 6, 2012, Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main, Germany, informed us according to Sec. 21, (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, fell below the 3% threshold of voting rights on July 5, 2012 and on that day amounted to 2.96% (corresponding to 6,362,382 voting rights).

According to Sec. 22 (1) Sentence 1 No. 6 of the WpHG, 1.34% of the voting rights (corresponding to 2,872,338 voting rights) are attributable to the company.

Publication on July 23, 2012

On July 23, 2012, Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main, Germany, informed us according to Sec. 21, (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the 3% threshold of voting rights on July 20, 2012 and on that day amounted to 3.02% (corresponding to 6,503,582 voting rights).

According to Sec. 22 (1) Sentence 1 No. 6 of the WpHG, 1.38% of the voting rights (corresponding to 2,973,939 voting rights) are attributable to the company.

Publication on December 11, 2012

On December 10, 2012, WP International I S.à r.l., Luxembourg, Luxembourg, informed us according to Sec. 21, (1) of the WpHG, on its own behalf as well as on behalf of the following companies:

WP X International Holdings LLC, New York, USA,

Warburg Pincus Private Equity X, L.P., New York, USA,

Warburg Pincus X, L.P., New York, USA,

Warburg Pincus X LLC, New York, USA,

Warburg Pincus Partners LLC, New York, USA

Warburg Pincus & Co., New York, USA,

WP International I S.à r.l., a company organized under the laws of the Grand Duchy of Luxembourg with an address in Luxembourg, Grand Duchy of Luxembourg, fell below the thresholds of 3% and 5% of voting rights in United Internet Aktiengesellschaft on December 6, 2012 and held 0.00% (0 voting rights) as of this date.

WP X International Holdings LLC, a Delaware limited liability company with an address in New York, New York, USA, fell below the thresholds of 3% and 5% of voting rights in United Internet Aktiengesellschaft on December 6, 2012 and held 0.00% (0 voting rights) as of this date.

Warburg Pincus Private Equity X, L.P., a Delaware limited partnership with an address in New York, New York, USA, and a subsidiary, fell below the thresholds of 3% and 5% of voting rights in United Internet Aktiengesellschaft on December 6, 2012 and held 0.00% (0 voting rights) as of this date.

Warburg Pincus X, L.P., a Delaware limited partnership with an address in New York, New York, USA, fell below the thresholds of 3% and 5% of voting rights in United Internet Aktiengesellschaft on December 6, 2012 and held 0.00% (0 voting rights) as of this date.

Warburg Pincus X LLC, a Delaware limited liability company with an address in New York, New York, USA, fell below the thresholds of 3% and 5% of voting rights in United Internet Aktiengesellschaft on December 6, 2012 and held 0.00% (0 voting rights) as of this date.

Warburg Pincus Partners LLC, a New York limited liability company with an address in New York, New York, USA, fell below the thresholds of 3% and 5% of voting rights in United Internet Aktiengesellschaft on December 6, 2012 and held 0.00% (0 voting rights) as of this date.

Warburg Pincus & Co., a New York general partnership with an address in New York, New York, USA, fell below the thresholds of 3% and 5% of voting rights in United Internet Aktiengesellschaft on December 6, 2012 and held 0.00% (0 voting rights) as of this date.

Publication on December 28, 2012

On December 28, 2012, RD Holding GmbH & Co. KG, Montabaur, Germany, informed us according to Sec. 21, (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the 3% threshold of voting rights on December 20, 2011 and on that day amounted to 3.72% (corresponding to 8,000,000 voting rights).

On December 28, 2012, RD Holding-Verwaltungs GmbH, Montabaur, Germany, informed us according to Sec. 21, (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the 3% threshold of voting rights on December 20, 2011 and on that day amounted to 3.72% (corresponding to 8,000,000 voting rights).

According to Sec. 22 (1) Sentence 1 No. 1 of the WpHG, 3.72% (corresponding to 8,000,000 voting rights) are attributable. Voting rights attributed to Ralph Dommermuth Verwaltungs GmbH are held by the following companies it controls, whose voting rights in United Internet AG amounted to 3% or more:

- RD Holding GmbH & Co. KG, Montabaur

Publication on January 9, 2013

United Internet AG (ISIN DE0005089031), Elgendorfer Str. 57, 56410 Montabaur, Germany, herewith notifies pursuant to Sec. 26 (1) Sentence 2 WpHG that its amount of treasury shares fell below the threshold of 5% and 3% (based on 200 million shares/voting rights) on January 8, 2013, and on this date amounted to 2.83% (5,662,202 shares).

Publication on February 1, 2013

United Internet AG (ISIN DE0005089031), Elgendorfer Str. 57, 56410 Montabaur, Germany, herewith notifies pursuant to Sec. 26 (1) Sentence 2 WpHG that its amount of treasury shares reached the threshold of 3% (based on 200 million shares/voting rights) on February 1, 2013, and on this date amounted to 3.00% (6,000,000 shares).

Publication on February 7, 2013

United Internet AG (ISIN DE0005089031), Elgendorfer Str. 57, 56410 Montabaur, Germany, herewith notifies pursuant to Sec. 26 (1) Sentence 2 WpHG that its amount of treasury shares fell below the threshold of 3% (based on 200 million shares/voting rights) on February 6, 2013, and on this date amounted to 0.00% (0 shares).

Publication on February 18, 2013
On February 14, 2013, Massachusetts Mutual Life Insurance Company, Springfield, USA, informed us according to Secs. 21 (1) and 24 of the WpHG, of the following:

OppenheimerFunds Inc., Centennial, USA, exceeded the 3% threshold of voting rights in United Internet AG, Montabaur (ISIN: DE0005089031, WKN: 508903) on February 12, 2013. The number of voting rights held on February 12, 2013, amounted to 5,873,094 or 3.03%, which are attributable to OppenheimerFunds Inc. according to Sec. 22 (1) Sentence 1 No. 6 WpHG.

Oppenheimer Acquisition Corp., Centennial, USA, exceeded the 3% threshold of voting rights in United Internet AG, Montabaur (ISIN: DE0005089031, WKN: 508903) on February 12, 2013. The number of voting rights held on February 12, 2013, amounted to 5,873,094 or 3.03%, which are attributable to Oppenheimer Acquisition Corp. according to Sec. 22 (1) Sentence 1 No. 6 WpHG.

MassMutual Holding LLC, Springfield, USA, exceeded the 3% threshold of voting rights in United Internet AG, Montabaur (ISIN: DE0005089031, WKN: 508903) on February 12, 2013. The number of voting rights held on February 12, 2013, amounted to 5,873,094 or 3.03%, which are attributable to MassMutual Holding LLC according to Sec. 22 (1) Sentence 1 No. 6 WpHG.

MM Asset Management Holding LLC, Springfield, USA, exceeded the 3% threshold of voting rights in United Internet AG, Montabaur (ISIN: DE0005089031, WKN: 508903) on February 12, 2013. The number of voting rights held on February 12, 2013, amounted to 5,873,094 or 3.03%, which are attributable to MM Asset Management Holding LLC according to Sec. 22 (1) Sentence 1 No. 6 WpHG.

Massachusetts Mutual Life Insurance Company, Springfield, USA, exceeded the 3% threshold of voting rights in United Internet AG, Montabaur (ISIN: DE0005089031, WKN: 508903) on February 12, 2013. The number of voting rights held on February 12, 2013, amounted to 5,873,094 or 3.03%, which are attributable to Massachusetts Mutual Life Insurance Company according to Sec. 22 (1) Sentence 1 No. 6 WpHG.

Publication on February 25, 2013
On February 22, 2013, DWS Investment GmbH, Frankfurt, Germany, informed us according to Sec. 21, (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, exceeded the 5% threshold of voting rights on February 19, 2013 and on that day amounted to 5.005% (corresponding to 9,708,975 voting rights).

Publication on February 28, 2013:
On February 26, 2013, DWS Investment GmbH, Frankfurt, Germany, informed us according to Sec. 21, (1) of the WpHG that via shares its voting rights in United Internet AG, Montabaur, Germany, fell below the 5% threshold of voting rights on February 21, 2013 and on that day amounted to 4.999% (corresponding to 9,698,975 voting rights).

Events after the balance sheet date

Based on the authorization granted by the Annual Shareholders' Meeting of United Internet AG on May 31, 2012 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Executive Board resolved on January 7, 2013, to cancel a total of 15,000,000 shares from the company's stock of treasury shares, purchased in the course of share buyback programs, and thus reduce the capital stock of United Internet AG by € 15,000,000, from € 215,000,000 to € 200,000,000. The number of shares issued decreased correspondingly from 215,000,000 shares to 200,000,000 shares. Issued shares continue to represent a notional share of capital stock of € 1 each.

Based on the authorization granted by the Annual Shareholders' Meeting of United Internet AG on May 31, 2012 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Executive Board resolved on February 1, 2013, to cancel a total of 6,000,000 shares from the company's stock of treasury shares, purchased in the course of share buyback programs, and thus reduce the capital stock of United Internet AG by € 6,000,000, from € 200,000,000 to € 194,000,000. The number of shares issued decreased correspondingly from 200,000,000 shares to 194,000,000 shares. Issued shares continue to represent a notional share of capital stock of € 1 each.

Auditing and consulting fees

Auditing and consulting fees charged for the fiscal year are not disclosed as they are included in the details provided in the consolidated financial statements of United Internet AG.

Corporate Governance Code

The declaration of conformity with the German Corporate Governance Code acc. to Sec. 161 AktG was filed by the Management Board and Supervisory Board and is available to shareholders via the internet portal of United Internet AG (www.united-internet.de).

Montabaur, March 15, 2013

The Management Board

Ralph Dommermuth	Robert Hoffmann	Norbert Lang

United Internet AG

Development of Fixed Assets from January 1, 2012 to December 31, 2012

	Acquisition and production costs (€k)				Accumulated Depreciation (€k)				Net book value (€k)	
	1/1/2012	Additions	Disposals	12/31/2012	1/1/2012	Additions	Disposals	12/31/2012	12/31/2012	12/31/2011
Intangible assets										
Licenses	150			150	147			147	3	3
Software	658	46		704	656	10		666	38	2
Total (I)	**808**	**46**	**0**	**854**	**803**	**10**	**0**	**813**	**41**	**5**
Property, plant and equipment										
Operational equipment	949	16		965	928	8		936	29	21
Office equipment	584			584	582			582	2	2
Improvements	115			115	108	1		109	6	7
Vehicles	542	97	185	454	410	58	175	293	161	132
Low-cost assets	3			3	3			3	0	0
Total (II)	**2,193**	**113**	**185**	**2,121**	**2,031**	**67**	**175**	**1,923**	**198**	**162**
Financial assets										
Shares in affiliated companies	1,104,999	567		1,105,566	0			0	1,105,566	1,104,999
Loans to affiliated companies	1,750			1,750	0			0	1,750	1,750
Investments	36,740	59,608	36,734	59,614	3			3	59,611	36,737
Total (III)	**1,143,489**	**60,175**	**36,734**	**1,166,930**	**3**	**0**	**0**	**3**	**1,166,927**	**1,143,486**
Total	**1,146,490**	**60,334**	**36,919**	**1,169,905**	**2,837**	**77**	**175**	**2,739**	**1,167,166**	**1,143,653**

United Internet AG, Montabaur **Exhibit 2**

Statement of investments as of December 31, 2012

	Capital share	Company equity as of Dec. 31, 2012	Net income / loss FY 2012
	in %	€k	€k
Shares held directly			
1&1 Internet AG, Montabaur (1)	100.00	916,301	0
1&1 Access Holding GmbH	100.00	25	0
1&1 Internet Service Holding GmbH (1)	100.00	25	0
1&1 Corporate Services GmbH (1)	100.00	25	0
MIP Multimedia Internet Park GmbH, Zweibrücken (1)	100.00	808	136
United Internet Beteiligungen GmbH, Montabaur (1)	100.00	128,416	0
Sedo Holding AG, Köln (3)	79.45	39,524	-58,261
VictorianFibre Holding & Co. S.C.A, Luxemburg	25.10	235,751	-114
Shares held indirectly			
1&1 Breitband GmbH, Montabaur	100.00	13	-6
1&1 Internet Applications GmbH, Montabaur (2)	100.00	25	0
1&1 Internet Development SRL, Bukarest / Rumänien	99.00	3,267	1,705
1&1 Internet Ltd., Slough / Großbritannien	100.00	2,174	2,016
1&1 Internet S.A.R.L., Saargemünd / Frankreich	100.00	-1,812	10,056
1&1 Internet Inc., Chesterbrook / USA	100.00	7,440	6,918
1&1 Internet Espana S.L.U, Madrid / Spanien	100.00	-95	17,305
1&1 Internet Service GmbH, Montabaur (2)	100.00	370	0
1&1 Internet Service GmbH Zweibrücken, Zweibrücken (4)	100.00	25	0
1&1 Internet (Philippines) Inc., Cebu City / Philippinen	100.00	901	132
1&1 Internet Sp.z o.o, Warschau / Polen	100.00	68	5,319
1&1 Mail & Media Holding GmbH, Montabaur (2)	100.00	913,356	0
1&1 Mail & Media GmbH, Montabaur (14)	100.00	212,665	0
1&1 Mail & Media Inc., Chesterbrook / USA	100.00	4,183	-323
1&1 Mail & Media Beteiligungen GmbH, Montabaur	100.00	990	44
1&1 De-Mail GmbH, Montabaur (16)	100.00	25	0
1&1 Telecom Holding GmbH, Montabaur	100.00	24	-1
1&1 Telecom GmbH, Montabaur (2)	100.00	26	0
1&1 UK Holdings Ltd., Slough / Großbritannien	100.00	93,587	-8
A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur (2)	100.00	31	0
A1 Media USA LLC, Chesterbrook / USA	100.00	-351	-320
Dollamore Ltd., Gloucester / Großbritannien	100.00	667	240
Fasthosts Internet Ltd., Gloucester / Großbritannien	100.00	8,573	7
Fasthosts Internet Inc., Chesterbrook / USA	100.00	-291	-620
Fast Recruitment Ltd., Gloucester / Großbritannien (5)	100.00	n/a	n/a
General Media Xervices GMX S.L., Madrid / Spanien (5)	100.00	n/a	n/a
GMX Italia S.r.l., Mailand / Italien (5)	100.00	n/a	n/a
Immobilienverwaltung AB GmbH, Montabaur	100.00	445	17
Immobilienverwaltung NMH GmbH, Montabaur	100.00	113	47
United Internet Media AG, Montabaur (2)	100.00	50	0
United Internet Dialog GmbH, Montabaur (13)	100.00	25	0
UIM United Internet Media Austria GmbH, Wien / Österreich	100.00	124	33
InterNetX GmbH, Regensburg (12)	95.56	9,692	4,047
InterNetX LAC S.A., Buenos Aires / Argentinien	100.00	15	-40
mySARL GmbH, Regensburg	100.00	25	-1
myLLC GmbH, Regensburg	100.00	25	-1
myLLP GmbH, Regensburg	100.00	25	-1
myLTD GmbH, Regensburg	100.00	25	-1
mySRL GmbH, Regensburg	100.00	25	-1
InterNetX Corp., Miami / USA (5)	100.00	39	0
TLDDOT GmbH, Berlin (15)	53.50	28	-10
Domain Robot Enterprises Inc., Vancouver / Kanada (5)	100.00	0	0
Domain Robot Servicos de Hospedagem na Internet LTDA, Sao Paulo / Brasilien (5)	100.00	59	0
PSI-USA, Inc., Las Vegas / USA	100.00	450	5
Schlund Technologies GmbH, Regensburg (6)	100.00	25	0
united-domains AG, Starnberg	85.00	2,018	7,427
united-domains Reselling GmbH, Starnberg (11)	100.00	-209	0
United Domains, Inc., Cambridge / USA	100.00	-1,124	-426
1&1 Datacenter SAS, Straßburg / Frankreich	100.00	979	-21
Response Republic Beteiligungsgesellschaft Deutschland GmbH, Montabaur (8)	100.00	33,937	0
affilinet GmbH, München (8)	100.00	3,334	0
affilinet Ltd., London / Großbritannien	100.00	-5,499	-1,277
affilinet Nederland B.V., Haarlem / Niederlande	100.00	161	51

United Internet AG, Montabaur **Exhibit 2**

Statement of investments as of December 31, 2012

	Capital share	Company equity as of Dec. 31, 2012	Net income / loss FY 2012
	in %	€k	€k
affilinet Espana S.L.U., Madrid / Spanien	100.00	131	28
affilinet France SAS, Saint-Denis / Frankreich	100.00	4,460	-348
Cleafs B.V. Groningen, Niederlande	100.00	54	-87
Sedo GmbH, Köln (7)	100.00	13,428	0
Sedo.com LLC, Boston / USA	100.00	1,810	596
Sedo London Ltd., London / Großbritannien (17)	100.00	115	70
DomCollect Worldwide Intellectual Property AG, Zug / Schweiz	100.00	-2,613	-45
European Founders Fund Nr. 2 Verwaltungs GmbH, München	90.00	25	0
European Founders Fund Nr. 2 Geschäftsführungs GmbH, München	90.00	23	0
European Founders Fund GmbH & Co. Beteiligungs KG Nr. 2, München	90.00	4,236	969
European Founders Fund Nr. 3 Verwaltungs GmbH, München	80.00	22	0
European Founders Fund Nr. 3 Management GmbH, München	80.00	23	0
European Founders Fund GmbH & Co. Beteiligungs KG Nr. 3, München	80.00	9,275	864
European Founders Fund Nr. 3 Beteiligungs GmbH, München	100.00	582	-12
European Founders Fund Verwaltungs GmbH, München	66.67	24	0
European Founders Fund Management GmbH, München	66.67	119	-1
European Founders Fund GmbH & Co. Beteiligungs KG Nr. 1, München	66.67	22,214	11,302
fun communications GmbH, Karlsruhe	49.00	1,770	153
Intellectual Property Management Company Inc., Dover (Delaware) / USA	49.00	-342	48
DomainsBot S.r.l, Rom / Italien	49.00	755	127
Virtual Minds AG, Freiburg (15)	48.65	5,332	778
European Founders Fund Investment GmbH, München	33.33	238	-184
ProfitBricks GmbH, Berlin (15)	30.02	-1,054	-3,205
PunktBayern GmbH & Co. KG, München (18)	25.00	124	-146
Travel-Trex GmbH, Köln (9)	25.00	1,648	1,015
getAbstract AG, Luzern / Schweiz (10)	22.00	3,720	360
Goldbach Group AG, Küsnacht-Zürich / Schweiz	< 20,00	--	--
Hi-media S.A., Paris / Frankreich	< 20,00	--	--
MMC Investments Holding Company Ltd., Port Louis / Mauritius	< 20,00	--	--
Afilias Ltd., Dublin / Irland	< 20,00	--	--
Silverpop Systems Inc., Atlanta / USA	< 20,00	--	--
Become Inc., Sunnyvale / USA	< 20,00	--	--

(1) after profit transfer to United Internet AG, Montabaur
(2) after profit transfer to 1&1 Internet AG, Montabaur
(3) thereof 17.89% of shares via United Internet Beteiligungen GmbH
(4) after profit transfer to 1&1 Internet Service GmbH, Montabaur
(5) no operating business
(6) after profit transfer to InterNetX GmbH, Regensburg
(7) after profit transfer to Response Republic Beteiligungsgesellschaft GmbH, Montabaur
(8) after profit transfer to Sedo Holding AG, Köln
(9) based on published figures as of May 31, 2011
(10) based on consolidated annual statements as of December 31, 2011
(11) after profit transfer to united-domains AG, Starnberg
(12) before dividends
(13) after profit transfer to United Internet Media AG, Montabaur
(14) after profit transfer to 1&1 Mail & Media Holding GmbH, Montabaur
(15) based on published figures as of December 31, 2011
(16) after profit transfer to 1&1 Mail & Media GmbH, Montabaur
(17) in liquidation
(18) annual financial statements as of December 31, 2011

Audit opinion of the Independent auditor

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report for the group and the company of United Internet AG, Montabaur, for the fiscal year from January 1 to December 31, 2012. The maintenance of the books and records and the preparation of the annual financial statements and management report for the group and the company in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report for the group and the company based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report for the group and the company. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements [and supplementary provisions of the partnership agreement/articles of incorporation and bylaws] and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report for the group and the company is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks relating to future development.

Eschborn/Frankfurt am Main, March 15, 2013
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Grote	Kemmerich
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Responsibility statement

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

Montabaur, March 15, 2013

Board of Management

Ralph Dommermuth　　Robert Hoffmann　　Norbert Lang