United Internet AG,
Montabaur

Management Report and Group Management Report
for the fiscal year 2007

Highlights 2007

Dynamic customer growth: the number of paid customer contracts grew by 920,000 to 7.23 million.

Boom in DSL and DSL telephony: in addition to 400,000 new DSL contracts, we also increased the number of telephony customers by 500,000 and telephony minutes to as much as 950 million per month.

Successful international expansion: the number of hosting contracts outside Germany grew by 370,000 to 1.55 million. We also successfully entered the Spanish market.

Growth in portal reach: the reach of our online portals was increased by 1.4 million unique users / month to 19.4 million.

Sales and earnings growth: consolidated sales grew by 27% in 2007 to € 1.49 billion, while EBT increased by 37% to € 235 million.

Economic environment

Global economic growth

2007 was a good year on the whole for the global economy, albeit at a lower level than in the previous year. According to estimates of the International Monetary Fund (IMF), the global economy grew by 4.7% in 2007. However, there were increasingly adverse conditions caused by the spreading financial crisis, triggered by the collapse of the subprime mortgage market. This was compounded by growing fears of recession in the USA, coupled with consistently high energy prices and a weakening dollar. The IMF forecasts growth of 2.6% for the EU. According to preliminary estimates of the Federal Statistics Office (Destatis), the German economy grew noticeably by 2.5% in 2007 – its second successive year of significant growth.

German growth was fuelled by both its international and domestic markets, although exports were once again the main driver. Foreign demand for products 'Made in Germany' remains unbroken and led to growth of 8.3% in exports. Imports grew more slowly at 5.7% and thus helped Germany achieve a positive trade balance in 2007, which accounted for over half the nation's economic growth. German companies increased their investments in machines, plant and vehicles by over 8%, compared with the previous year. Consumer spending remained sluggish, however. According to the Federal Statistics Office this was due to a sales tax increase in early 2007, which caused many consumers to bring forward purchases in 2006. As a result of the economic upturn, Destatis registered an increase in employment of around 650,000 persons to 39.7 million in 2007 – the highest level since German reunification. At the same time, the number of unemployed fell by some 640,000 to 3.6 million.

Growing ITC markets

The German market for information technology, telecommunications and digital consumer electronics (ITC) performed better than expected. The German ITC sector association BITKOM had to make an upward adjustment to its figures for 2007. According to these revised figures, the market grew by 2% to € 143 billion – compared with the original forecast of 1.3%. The main growth drivers were software, IT services, eco-friendly devices and broadband services. Whereas the Consumer Electronics segment grew by 8.4% to € 11.6 billion and Information Technology by 5.1% to € 64.0 billion, sales in the Telecommunication segment were down by 1.6% to € 67.4 billion. BITKOM believes that the steady erosion of prices is the main cause of the current market difficulties for Telecommunications. Despite the ongoing boom in demand, prices are falling faster than growth in unit sales. While the volume of telephony in total grew from 241.1 billion to 253.3 billion minutes, the proportion of fixed-line calls dropped from 175 billion to 169 billion minutes. This loss was compensated for by growth in mobile and internet telephony, which increased by 19.6% to 68.3 billion and by 77.8% to 16 billion minutes, respectively.

United Internet's target markets booming

From the point of view of United Internet, the most important markets are the German DSL market, the German and European advertising market and the global market for hosting services. All of these segments displayed strong growth in 2007.

The Federal Network Agency expects the number of German DSL connections to have grown by some 30 percent to 18.7 million in 2007.

Broadband connections in Germany 2005-2007
in million

	2005	2006	2007
DSL connections	10.5	14.4	18.7
Other	0.3	0.6	1.1
Total broadband connections	10.8	15.0	19.8

Growing broadband penetration also led to an increase in internet telephony of 77.8%, from 9.0 billion minutes to 16.0 billion.

Internet telephony minutes in Germany 2005-2007
in billion

2005	2006	2007
2.0	9.0	16.0

The market research agency JupiterResearch also forecasts sustained growth for the European online advertising market. The market is thought to have grown by 24% in 2007 to € 7.7 billion.

The same applies to the German advertising market. Online advertising continues to display strong growth and has exceeded the expectations of many experts. Forecasts made by the German Online Marketing Group (Online-Vermarkterkreis - OVK) were once again below actual gross spending for online advertising in 2007. The advertising industry invested almost € 2.9 billion in online advertising in the past year. An increase of 51.1%. Experts were still forecasting € 2.7 billion in September for classic online advertising, search word marketing and affiliate marketing. With growth of 63.6%, demand for graphic advertising elements was particularly strong. Banners, wallpaper and similar elements still represent the lion's share with almost € 1.5 billion. There was also strong growth (+38.7%) for affiliate networks, which generated sales of € 215 million. The degree to which advertising spend is shifting toward online media is illustrated by a comparison of the proportionate spend on various advertising formats. This shows that the internet is not only the fourth largest advertising medium, but now accounts for a double-digit share of total advertising spend (approx. 12%). The trend toward online advertising is thus continuing: especially in comparison with classic advertising formats, which achieved average growth of 3.7% in 2007.

Online advertising revenues in Germany 2005-2007
in € million

2005	2006	2007
1.035	1.909	2.884

Further market growth was also forecast for the global hosting market in 2007. Tier 1 Research expects growth of 10% in 2007. In their European Managed Webhosting Forecast of October 2007, the experts of IDC expect growth of 12.3% to USD 3.78 billion in 2007 – in the B-to-B sector alone.

This wide-scale market growth is driven primarily by the global demand for ever faster internet access. According to figures of the Deutschland Online report, maximum speeds were still around 3 Mbits/s in 2004, rose to 6Mbits/s in 2005 and had already reached 16 Mbits/s in 2006. For 2015, experts forecast that over 30% of all internet connections will be broadband and well beyond the current “16-Mbits/s barrier”.

The growing spread of broadband connections in private households enables Internet Service Providers (ISPs), such as United Internet, to offer increasingly data-intensive and innovative products and services – such as internet telephony, video-on-demand, web-based office applications or, in future, internet TV – which customers can use without any noticeable fall in performance. Widespread broadband access also opens up new opportunities for internet advertising, a field in which we are represented by our portals GMX, WEB.DE and 1&1, as well as by our Online Marketing segment. Advertisers are now able to use more data-intensive advertising formats, such as high-resolution video clips, for their online campaigns.

United Internet benefits from this market development on several levels: as the second-largest DSL provider in Germany, as the leading provider of online advertising in Germany, as the leading European marketer of third-party online advertising space and as the leading hoster of complex, value-added applications at our data centers.

Business development

Excellent consolidated figures

With 7.23 million customer contracts, United Internet AG is a leading international ISP. The Group's operations are primarily through its subsidiaries 1&1 Internet AG, including WEB.DE GmbH, GMX GmbH, GMX Internet Services GmbH, United Internet Media AG, Fasthosts Internet Ltd. and InterNetX GmbH, as well as via AdLINK Internet Media AG, including Sedo GmbH and affilinet GmbH.

Following the sale of twenty4help and the closure of our Outsourcing segment, our brands are active in two business segments:

> In the **Product** segment, our value-added internet services and fast DSL connections are directed at private users, small/home offices (SoHos) and small to mid-size enterprises (SMEs). These groups are served by the brands GMX, WEB.DE and 1&1. Our InterNetX and Fasthosts brands offer hosting products also as white-label solutions – indirectly – via resellers and United Internet Media markets our portals to e-commerce merchants and advertisers.
>
> In our **Online Marketing** segment, we are mainly represented by the brands AdLINK Media, affilinet and Sedo. We offer advertisers a variety of marketing and sales solutions in this segment: Display Marketing via AdLINK Media, Affiliate Marketing via affilinet and Domain Marketing via Sedo.

Quantitative performance indicators

Due to our positioning in the two segments Product and Online Marketing, we measure the success of our business according to the key indicators: sales, gross margin, EBT, customer contracts, reach/active users and number of websites.

Successful international expansion

We continue to make strong progress in our international expansion. In 2007, our Group companies were active in 10 different nations through their own local offices. In the period under review, non-German sales contributed € 207.7 million (prior year: € 154.5 million) to total consolidated revenues of € 1,487.4 million.

In the Product segment, we operate our "Webhosting" business in Germany, the UK, France, Austria, the USA and – since summer 2007 – also in Spain. We also serve customers in numerous other countries via our international US website. In 2007, we raised the number of non-German customer contracts from 1.18 million (as of December 31, 2006) to over 1.55 million (as of December 31, 2007).

After successfully establishing ourselves in the USA, we launched operations at our new data center in Lenexa, Kansas, in January 2007. With a floor space of 5,400 m^2 and room for 40,000 servers (in the final stage), it is the United Internet Group's largest-ever data center.

The international presence we have already achieved in the Online Marketing segment is a key element of our overall concept. In addition to the USA, our brands are represented in 8 European countries (Sweden, the UK, the Netherlands, Belgium, Germany, France, Italy and

Spain). A key focus in 2007 was the expansion of our Domain Marketing business in the USA and the UK. In the Affiliate Marketing segment, we implemented our German platform technology in France during 2007. The move completed our international standardization of platform technology.

Dynamic growth in DSL

In comparison with December 31, 2006 we succeeded in adding 400,000 new DSL customer contracts, bringing the total to approximately 2.67 million as of December 31, 2007. Of the 130,000 new contracts gained in the fourth quarter of 2007, some 55,000 connections were already active as of December 31, 2007 and a further 75,000 were connected within the first 30 days of 2008.

In addition to the acquisition of new customers, the main focus of our DSL business was placed on raising customer loyalty and expanding business with our current client base. We also launched innovative new products, such as the 1&1 all-inclusive package with internet and telephony flat rates and the optional inclusion of movie and mobile telephony flat rates. Compared with December 31, 2006, the number of our telephony customers grew by 500,000 to 1.76 million. At the same time, the number of telephone minutes completed per month rose from 690 million to as many as 950 million. The number of our own DSL connection customers rose by 530,000 to 2.34 million. Following the launch of our all-inclusive packages – without a Deutsche Telekom phone connection – on July 1, 2007, we were able to compensate in part for the dip in DSL growth, especially in the second quarter of 2007 (60,000 new customer contracts). The launch helped us gain 120,000 and 130,000 new DSL customers in the third and fourth quarters – despite the usual learning curve in processes, interfaces and sales.

Sale of twenty4help

On March 13, 2007 we completed the sale of the United Internet Group subsidiary twenty4help Knowledge Service AG to the French Teleperformance group. The Group's Outsourcing segment, of which twenty4help accounted for around 90%, will no longer be separately disclosed in future. The remaining Outsourcing brand InterNetX was integrated into the Product segment. The sale resulted in extraordinary income of around € 65.7 million, which is disclosed in this report as "Result from discontinued operations" in accordance with IFRS 5.

Investment in Goldbach Media

On April 13, 2007 the United Internet subsidiary AdLINK Internet Media AG concluded an agreement with Goldbach Media AG, Küsnacht, Switzerland, the terms of which stipulated that AdLINK Internet Media AG was to contribute its shares of 50% in AdLINK Internet Media AG Switzerland and 30% in AdLINK Internet Media GmbH Austria to Goldbach Media AG. In return, AdLINK Internet Media AG received a 19.4% shareholding in Goldbach Media AG (now 14.99% due to dilution following a capital increase in June 2007 and the listing of Goldbach on the SWX Swiss Exchange). The non-cash contribution was accompanied by long-term cooperation agreements between AdLINK and Goldbach in the field of online marketing.

Investment fund with the Samwer brothers

On June 25, 2007 United Internet AG announced that it was to invest in young European internet and technology companies in cooperation with the German internet entrepreneurs Alexander, Marc and Oliver Samwer (amongst other things, founders of alando / eBay Germany and Jamba, and investors in studiVZ, LinkedIn and many more). The investments are to be held in a joint, newly founded fund to be managed by the Samwer brothers. The fund will act as an early-phase investor and help boost the growth of start-ups by utilizing the contacts and experience of the Samwer brothers' well-established European Founders Fund as well as the reach and wide range of possibilities offered by the United Internet Group. Following the successful start of the venture, two more joint funds have already been established – for later-stage investments and for smaller holdings.

Indirect strategic investment in freenet

On September 21, 2007, United Internet announced that it was acquiring a 50% stake in MSP Holding GmbH, subject to approval (now received) from the anti-trust authorities. The remaining 50% is held by Drillisch AG. At the time of acquisition, MSP Holding GmbH held approx. 6.01% of shares in freenet AG, Büdelsdorf. This shareholding in freenet was raised to approx. 20.05% as of December 31, 2007. With this (indirect) investment in freenet AG, United Internet continues to pursue a strategic positioning as part of the expected consolidation of the German DSL market. United Internet and Drillisch are thus keeping all options open, especially with regard to a further increase in their stake in freenet.

In the course of a capital increase completed in November 2007, United Internet AG also acquired a 9.68% stake in Drillisch AG with a total of 5.15 million shares. At the same time, the two companies began talks concerning a marketing cooperation in the field of DSL and mobile telephony products.

Strategic investment in Versatel

On November 28, 2007, United Internet announced that it had acquired a parcel of shares in Versatel AG. As of December 31, 2007, United Internet AG held 19.50% of shares in Versatel AG. The average price per share acquired amounted to € 14.46. On January 14, 2008, United Internet announced that it had purchased a further shareholding in Versatel AG and now owns a total of 25.05% of the capital stock of Versatel AG, Berlin. The average price of the 11,022,000 shares acquired amounted to € 16.28. With its investment in Versatel, United Internet is pursuing a strategic positioning as part of the expected consolidation of the German DSL market. United Internet is thus keeping all options open, especially with regard to a further increase in its stake in Versatel AG.

Segment development

Product segment posts 26% sales growth

In 2007, the United Internet Group's dominant business remained its Product segment with the brands GMX, WEB.DE, 1&1, InterNetX and Fasthosts, which together account for 84.8% of total sales.

In fiscal year 2007, sales in this segment grew by 26.1% to € 1,261.9 million (prior year: € 1,001.0 million). Earnings before interest, taxes, depreciation and amortization (EBITDA) improved by 39.7% to € 279.4 million (prior year: € 200.0 million). Earnings before taxes (EBT) reached € 219.9 million (prior year: € 150.3 million, growth of 46%). Despite high customer acquisition expenses for our DSL business, the EBT margin reached 17.4%. Customer acquisition costs continue to be charged directly as expenses. The number of employees in this segment amounted to 3,456 (prior year: 2,856), corresponding to growth of 21%.

Financial figures for Product segment
in € million

	Dec. 31, 2006*	Dec. 31, 2007	Change in %
Sales	1,001.0	1,261.9	+ 26.1
EBITDA	200.0	279.4	+ 39.7
EBT	150.3	219.9	+ 46.3

Quarterly development
in € million

	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q4 2006*
Sales	287.5	306.9	321.1	346.4	279.2
EBITDA	57.9	74.0	72.5	75.0	32.1
EBT	44.7	60.6	57.9	56.7	19.4

* Prior-year figures adjusted following transfer of InterNetX to Product segment.

Our very healthy key financials are closely linked with the dynamic growth of our customer base. As of December 31, 2007 we had 7.23 million fee-based customer contracts (year-end 2006: 6.31 million). These are divided among the three product lines of our Product segment:

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

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

Internet Access with DSL connections (including internet telephony and video-on-demand) and narrowband connections

Customer contracts*
in million

2005	2006	2007
4.96	6.31	7.23

Product segment customer contracts increased by over 14%

Divided according to product lines, the customer contract figures comprise 1.21 million contracts in the field of Information Management, 3.21 million in Webhosting (of which 1.55 million outside Germany) and 2.81 million in Internet Access (of which 2.67 million DSL). The marketing of our own DSL connections also made good progress: since launching on July 12, 2004 we have already sold 2.34 DSL connections as of year-end 2007 (prior year: 1.81 million).

Customer contracts by product line*
in million

	Dec. 31, 2006	Dec. 31, 2007	Change
Information Management	1.09	1.21	+0.12
Webhosting	2.78	3.21	+0.43
of which abroad	1.18	1.55	+0.37
Internet Access	2.44	2.81	+0.37
of which DSL	2.27	2.67	+0.40
Total	6.31	7.23	+0.92

* After statistical adjustment of general domain agreements of Fasthosts Internet Ltd., acquired in 2006.

Leading supplier of internet advertising

With over 19.4 million active users, the United Internet AG portals (GMX, WEB.DE, 1&1) are used by 48% of all Germans online. According to the current “Internet Facts 2007-III” of internet research institute AGOF, the marketing cooperation of our portals "United Internet Media" represents the largest supplier of internet advertising in Germany, in terms of both reach and advertising space volume. In total, United Internet’s portals rank 2nd (WEB.DE), 5th (GMX) and 23rd (1&1) among the 348 portals measured in Germany.

Market leader in webhosting

With 3.21 million hosting contracts and around 43,000 hosted servers, United Internet is one of the world’s largest webhosters. In our foreign markets, we succeeded in enhancing our position as a leading supplier of hosting products. According to our own calculations, we are the clear market leader in webhosting in both Germany and the UK and have already reached fifth position in the USA (market entry January 2004) and fourth position in France (market entry May 2004).

We launched activities in Spain in the second half of 2007. From August 2007 to the end of the year, 1&1's Spanish customers were offered a "Pack Bienvenida" – a webhosting package worth some 200 euros with numerous features and an .es-domain, which users can test for free and without risk over a two-year period. Starting in January 2008, Spanish internet users can choose from our full webhosting range comprising 16 products, including domain and hosting packages as well as dedicated servers. Further products, such as the software-as-a-service solutions Microsoft Exchange and MailXchange, are to be added in the course of the year.

Webhosting customers by country*
in million

	2006	2007	Growth
Germany / Austria	1.60	1.66	+0.06
UK	0.60	0.74	+0.14
France	0.10	0.17	+0.07
USA	0.48	0.64	+0.16
Total	2.78	3.21	+0.43

* After statistical adjustment of general domain agreements of Fasthosts Internet Ltd., acquired in 2006.

Germany's second largest DSL provider

With 2.67 million DSL customer contracts, United Internet is second only to T-Online in Germany. In the period under review, the number of customer contracts grew by 400,000. Of the 130,000 new DSL customers gained in the fourth quarter of 2007, some 55,000 connections were already active as of December 31, 2007 and a further 75,000 were connected within the first 30 working days of 2008.

In addition to the acquisition of new customers, the main focus of our DSL business was placed on raising customer loyalty and expanding business with our current client base. We also launched innovative new products, such as the 1&1 all-inclusive package with internet and telephony flat rates and the optional inclusion of movie and mobile telephony flat rates.

Compared with December 31, 2006, the number of our telephony customers grew by 500,000 to 1.76 million. At the same time, the number of telephone minutes completed per month rose from 690 million to as many as 950 million. We have therefore achieved a top position in the German VoIP market and have already reached the level of smaller classic phone companies – just 3.5 years after roll-out.

The number of our own DSL connection customers also rose by 530,000 to 2.34 million. Following the launch of our all-inclusive packages – without a Deutsche Telekom phone connection – on July 1, 2007, we were able to compensate in part for the dip in DSL growth, especially in the second quarter of 2007 (60,000 new customer contracts). The launch helped us gain 120,000 and 130,000 new DSL customers in the third and fourth quarters – despite the usual learning curve in processes, interfaces and sales.

GMX one of the leading suppliers of communication services

GMX targets private users with its Information Management products. With some 8.4 million unique users per month, GMX is one of Germany's leading suppliers of mail, messaging and communication solutions. In addition to its free e-mail accounts, GMX also offers fee-based, added-value services.

Highlights 2007:

Roll-out of GMX Mail 2007 Beta. The use of Web 2.0 technologies (Ajax) not only enhances ease-of-use but also the speed of e-mail retrieval, as the program no longer needs to reload whole pages – just the content. The new web mailer offers features normally only found in dedicated PC software.

Launch of GMX MultiMessenger Beta. The MultiMessenger not only integrates standard text-based chat, but also GMX mail and SMS, as well as voice, video and multi-user chat. The MultiMessenger can be used anywhere, can be adapted to personal preferences and can communicate with many other messenger systems.

"Playing It Safe – Together". WEB.DE and GMX have joined forces with eBay to launch a joint attack on phishing – the stealing of user data via fake e-mails and websites. Apart from a high-profile education campaign, the main focus is on authenticating and marking all e-mails sent by eBay to WEB.DE and GMX customers.

GMX roll-out in UK and USA. Following extensive preparations, GMX launched its e-mail products in the USA and UK in 2007. The roll-out was supported by a media campaign in both countries at the beginning of the year.

WEB.DE: Germany's No. 2 portal

WEB.DE is Germany's second largest portal with 13 million internet users per month. In addition to its free basic services, WEB.DE also offers fee-based products – including the popular WEB.DE Club.

Highlights 2007:

SmartSurfer 4.0 – new version, greater tariff security. SmartSurfer 4.0 offers all users the option of entering their planned online duration before dialing up the internet. By considering cost per minute and any dial-up charges or tariff changes while online, the least-cost router finds the cheapest known internet provider.

Expansion of WEB.DE Entertainment. WEB.DE made significant additions to its entertainment services in 2007 with the integration of ringtones, a ticket shop, music downloads and a video community. The games area was also relaunched and expanded with new and often exclusive games.

Launch of 2 new social networks. WEB.DE also launched two new social networks with unddu.de and ShortView.de. Whereas ShortView automatically networks members in virtual discussion groups according to private interests and hobbies, unddu.de offers internet users a product which provides them with all possible variants of online publishing: from personal portals, to private home pages to communities and social networks.

FreeMail goes mobile. A new mobile version of WEB.DE's free e-mail service was launched at the end of the year, allowing access to FreeMail mailboxes from any internet-enabled mobile device. Full use can be made of the various mail functions – irrespective of the current mobile phone provider.

1&1: Germany's second largest DSL provider

1&1 offers a wide range of reliable online applications for consumers and small businesses. Services range from webhosting (websites, domains, web shops, payment systems, servers) to fast DSL connections (with DSL telephony, video-on-demand and mobile telephony) and personal information management (PIM) via the internet (Pocket Web, Profi-E-Mail accounts). 1&1 is Germany's second-largest DSL supplier and the world's largest hosting company, with operations in 6 countries.

Highlights 2007:

New data center in the USA. After successfully establishing ourselves in the USA, we launched operations at our new data center in Lenexa, Kansas, in January 2007. With a floor space of 5,400 m^2 and room for 40,000 servers (in the final stage), it is the United Internet Group's largest-ever data center.

Start of 1&1 MailXchange. 1&1 MailXchange offers a full range of PIM services. Basic functions such as e-mail and the administration of diaries, contacts and to-do lists, are combined with an intelligent document management system to offer valuable functions for distributed working and communication. A mobile version of 1&1 MailXchange was released in late 2007. 1&1 MailXchange is based fully on open source software.

1&1 launches first multi-play packages. In mid 2007 1&1 launched a DSL package for surfing and phoning which no longer required a Deutsche Telekom phone connection. Existing phone numbers could be retained free of charge. The packages consist of a flat-rate internet and telephony tariff as well as an optional flat-rate movie and mobile tariff.

Successful roll-out in Spain. With over 50,000 customer contracts and 30,000 registered internet addresses, 1&1 successfully completed its market entry in Spain. In less than six months, 1&1 succeeded in establishing itself among Spain's top 7 webhosting providers. During the launch phase, from August 2007 until year-end, 1&1's Spanish customers were offered a "Pack Bienvenida" – a webhosting package worth some 200 euros with numerous features and an .es-domain, which users can test for free and without risk over a two-year period.

InterNetX – the provider's provider in Germany

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

Highlights 2007:

Expansion of reseller network. In fiscal year 2007, InterNetX focused on gaining new sales partners. The company now serves some 17,700 resellers (prior year: 16,300), for which it hosts over 2.1 million domains and over 800 servers.

New data center. InterNetX launched operations at its new Tier 4-class data center in 2007. The certified data center meets the highest standards for security, fire protection, uninterrupted power supply and redundant air conditioning.

Fasthosts – the provider's provider in the UK

Fasthosts is our reseller brand in the UK. Like InterNetX, Fasthosts markets hosting products to over 5,400 ISPs and multimedia agencies (resellers), who in turn market them under their own name. Fasthosts also operates its own direct business with consumers and companies.

Highlights 2007:

Product range expansion. Fasthosts upgraded its hosting packages with new high-end features and unlimited traffic in 2007. A new line of high-performance dedicated servers was added and security mechanisms greatly improved.

Preparations for US launch. A further key topic in 2007 was the company's product launch in the USA, planned for the first half of 2008. Fasthosts will focus exclusively on its reseller business in the USA and thus complement our direct business via the 1&1 brand.

Online Marketing growing fast

In our Online Marketing segment we offer advertisers a variety of marketing and sales solutions: Display Marketing via AdLINK Media, Affiliate Marketing via affilinet and Domain Marketing via Sedo.

As a result of the successful integration of affilinet and Sedo, as well as the strong growth of online advertising, sales rose sharply in this segment by 30.2% – from € 172.6 million to € 224.8 million. The Online Marketing segment accounted for 15.1% of the United Internet Group's total sales in the period under review. EBITDA grew by 94.2%, from € 22.3 million to € 43.3 million, while EBT improved by 49.5%, from € 19.8 million to € 29.6 million. As a result of the contribution of our shares in AdLINK Switzerland and AdLINK Austria to Goldbach Media AG and the restructuring of our French and UK markets, these earnings figures include one-off income of € 16.8 million and impairment charges of € 9.4 million. As of December 31, 2007 the segment employed 472 people (prior year: 400).

Financial figures for the Online Marketing segment
in € million

	Dec. 31, 2006	Dec. 31, 2007	Change in %
Sales	172.6	224.8	+ 30.2
EBITDA	22.3	43.3	+ 94.2
EBT	19.8	29.6	+ 49.5

Quarterly development
in € million

	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q4 2006
Sales	49.2	54.0	53.8	67.8	50.5
EBITDA	6.5	23.0	5.4	8.4	7.3
EBT	5.6	12.5	4.2	7.3	6.0

AdLINK Media: Europe’s leading independent online marketer

AdLINK is one of Europe’s largest independent marketers of online advertising space. The company's business model is based on an online advertising network consisting of high-reach websites generating some 8.5 billion ad impressions per month, which it markets to advertisers for branding purposes or direct product sales (Display Marketing). Payment is either on a CPM basis (cost per thousand contacts) and/or performance-based pay-per-click basis.

Highlights 2007:

Reach extended. AdLINK Media focused on extending its advertising network in 2007. The number of ad impressions generated monthly via the network grew to 8.5 billion (prior year: 6.8 billion), while the number of unique users per month was raised from 68.9 million to 81.6 million.

Portfolio expanded. A number of well-known and high-reach websites were gained for marketing in 2007, including MTV Netherlands, AOL Spain and Weightwatchers Germany. AdLINK Media now markets over 4,000 websites.

New advertisers gained. Numerous well-known advertising partners were acquired in the past year, such as Microsoft, Cartier, Sanofi-Aventis, Mittal-Arcelor, Kodak and Danone. A total of over 3,500 client campaigns were run in 2007.

Sedo: World’s leading domain marketing company

Sedo operates the global domain trading platform sedo.com, where some 10.4 million domains are currently traded. In its domain-parking business, Sedo markets some of these domains to advertisers on behalf of the domain owners. Sedo takes a share of the revenues generated from marketing on a pay-per-click basis.

Highlights 2007:

sedo voted best parking provider. In an international survey held by “Domain Name Wire”, one of the sector’s biggest online news platforms, sedo was voted best parking provider in the secondary domain market. Over 300 sector experts also regard Sedo as the best possibility for professional domain owners to earn money with their web addresses. Sedo outscored 12 of its competitors in the Domain Parking category.

Takeover of GreatDomains. In June 2007, sedo acquired the US domain trading platform GreatDomains.com. Founded in 1994, GreatDomains specializes in premium domains and is regarded as the pioneer of domain trading. The GreatDomains brand previously belonged to the American listed company VeriSign, the registry for .com and .net domains. The current focus of GreatDomains is the buying and selling of high-quality premium domains. On its revamped GreatDomains.com website, the company offers hand-picked English-language domains in its monthly premium auctions.

Successful internationalization. The company continued to drive its international expansion in the USA and the UK in fiscal year 2007. Further gains were made in the company's highly competitive markets. The number of marketable domains around the world was almost doubled to over 5.14 million (prior year: 2.66 million).

Affilinet: Leading player on core European markets

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

Highlights 2007

New ad format "VideoAd". In March 2007 affilinet became the first German affiliate network to offer its advertisers the possibility of achieving both image-building and sales-oriented effects with its VideoAd format. Performance-oriented adjustments to spots, such as the integration of a "call to action", animated click prompts and direct links to product pages, promise high click and conversion rates. Major advertisers such as KarstadtQuelle insurance or callmobile quickly adapted their TV spots to the new ad format.

International platform standard – CibleClick becomes affilinet. Following its takeover in 2006, CibleClick became affilinet France with the launch of the international affilinet platform in November 2007. The platform's international standardization offers advertisers in France, and all other markets, numerous benefits for the development of their local and international business, as well as for their European program management. With a constant flow of new product and service developments for efficient program management, affilinet's advertisers around the world have everything they need to be at the cutting edge of each new trend.

Affiliate network expanded. In 2007 affilinet increased the number of ad impressions generated per month from 4.9 billion to over 6.2 billion. This was largely the result of a scheduled expansion of the company's affiliate network, from 400,000 in the previous year to 425,000 websites by year-end 2007. There was also an increase in the number of affiliate program operators, from 1,240 to over 1,370. Among the new and exclusive suppliers of affiliate programs are partners such as maxdome, smava, Frogster, My-Hammer or the world's third-largest car-hire company Budget.

Research and development

R&D results quickly translated into marketable products

United Internet's success is rooted in an ability to develop or adapt innovative products and services and quickly launch them on major markets. Our core competency is the rapid translation of R&D results into marketable products and the adaptation and modification of existing products. Due to our steady growth in customer figures, the demands placed on our products with regard to reliability and availability are also constantly rising. We meet these demands with IT solutions which we develop ourselves or purchase from partners, such as Microsoft, and then modify and integrate into our systems.

Our expertise in product development and market roll-out minimizes our reliance on third party developments and supplies in many areas and thus gives us a decisive competitive edge on the market. At our development centers in Karlsruhe and Bucharest, over 300 developers use mainly open source code (Linux). We also use third-party programming services in order to swiftly and efficiently implement specific products, such as unddu.de. We can quickly change existing basic applications of our products and adapt them to changing customer needs. The modules of this system can be easily combined and provided with product-specific or country-specific user interfaces in order to create a wide variety of powerful solutions.

The overwhelming majority of our product developments and implementations in 2007 were for our Product segment. In 2007 we successfully launched a large number of new or modified products. These focused mainly on our consumer products with broadband connections and mobile internet, additional webhosting features and enhanced portal applications.

1&1 Surf & Phone multi-play – without Deutsche Telekom phone connection

Starting in July 2007, our customers were offered the first 1&1 all-inclusive package which no longer required a Deutsche Telekom phone connection. Existing phone numbers could be kept free of charge. With our new infrastructure service providers, Telefonica and QSC, we can reach over 60% of all German households. With our 1&1 Surf & Phone, based on Deutsche Telekom phone connections, we can reach almost 95% of German households. In March we added new features to our triple-play product 3DSL. Customers were given the possibility of using a free mobile phone flat-rate with unlimited access to Germany's fixed-line network. We transferred this functionality to our all-inclusive packages, so that customers were now offered four flat-rates: an internet flat-rate for unlimited internet surfing, a telephony flat-rate and mobile telephone flat-rate for Germany's fixed-line network and a movie flat-rate for 100 selected cinema and TV films from the Maxdome video program.

We also worked closely with AVM to launch the new Fritz!Box 7270. The new box is compatible with the latest WLAN standard ("n") and can now play music files from a USB-attached drive via its integrated streaming server.

For even greater security, we also offer a comprehensive solution for private users (Norton 360). The package provides complete all-round security, including an anti-phishing function, and is free for six months as part of our DSL connection.

Data centers running on "green" electricity

In December 2007, we became the first major German webhoster to power our data centers and office buildings exclusively with electricity from renewable sources, such as wind, water and sun. The move underlines our commitment to make an active contribution to environmental protection. We also give customers the certainty that they are using energy-saving technology. For years we have been promoting energy savings with the use of highly efficient power units and low-consumption cooling components in our data centers. These measures enable us to save around 30,000 tons of CO_2 per year.

Cooperation with GfK strengthens our position in the German advertising market

Our media targeting tool TGP®, with which advertisers can tailor their campaigns to specific target groups throughout the entire United Internet Media portfolio, was expanded and refined in the past year. TGP® enables direct and efficient customer targeting, without the need for aids, such as topic environments, and without any restrictions regarding advertising format or targets. In order to identify target groups even more precisely, we entered into a co-operation with GfK AG in 2007, one of the world's largest market research companies. Targeting with TGP® is based on a huge database using four data sources: socio-demographics, surfing behavior, psychographics and now also real-life purchase behavior data from GfK's ConsumerScan. This variety of data sources allows detailed target group profiling and analysis. The TGP® ad system shows each person of a target group, wherever they are on our portals, the advertising which is exactly relevant to them when they call up a website. This means that target groups can be contacted precisely, irrespective of their momentary surfing environment. Advertising is thus no longer regarded as annoying. This enhances the impact and thus the efficiency of the advertiser's campaign.

1&1 MailXchange: software-as-a-service solution

February 2007 saw the launch of 1&1 MailXchange, which was developed in cooperation with Open-Xchange GmbH. MailXchange is the first step toward becoming a Software-as-a-Service (SaaS) provider. SaaS means that the user no longer has to buy software and install it on his computer, but simply uses it online and pays a "rental charge" for the service. 1&1 MailXchange offers a full range of Personal Information Management services (PIM) and thus provides an alternative solution to the Microsoft product Hosted Exchange. MailXchange combines basic functions, such as e-mail, diary, contact and task administration, with an intelligent document management system. As of late 2007, 1&1 MailXchange can also be used with mobile devices. This means that users of the MailXchange system can now check their centrally stored data, and that of all other participants, while on the move. 1&1 Mail Exchange is based fully on open source software.

Position as leading supplier of communication services strengthened

In late 2007, GMX launched its range of e-mail products in the USA and the UK. This gives us access to new user groups who want the ability to check their e-mail wherever they are in the world and irrespective of provider. Our tried and tested product was completely revamped in 2007 with the integration of Web 2.0 technologies (Ajax). In addition to greater ease-of-use and improved user interface, the new version offers considerable speed benefits, as the program no longer needs to reload whole pages when users are navigating through the site. Such features are normally only offered by installed PC software.

In October, a strategic partnership between GMX, WEB.DE and eBay was formed. The aim was to launch a joint attack on phishing – the stealing of sensitive user data, such as passwords, via fake e-mails and websites. The main focus is on authenticating and marking all e-mails sent by eBay to WEB.DE and GMX customers. E-mails sent by eBay or eBay users via the eBay system are authenticated by WEB.DE and GMX for their customers as genuine e-mails from eBay and given a special seal. These mails then appear in the mailboxes of WEB.DE and GMX with an eBay logo and a tick next to the sender's name. Users can thus identify fake mails before opening and simply delete them.

WEB.DE made significant additions to the entertainment area of its portal in 2007 with the integration of ringtones, a ticket shop, music downloads and a video community. A new mobile version of WEB.DE's free e-mail service was launched in December, which for the first time allows access to user mailboxes from any internet-enabled mobile device. In the field of WEB.DE and GMX, United Internet also launched two new social networks with unddu.de and ShortView.de in the past year, in line with the megatrend Web 2.0. Whereas ShortView automatically networks members in virtual discussion groups according to private interests and hobbies, unddu.de offers internet users a product which provides them with all possible variants of online publishing: from personal portals, to private home pages to communities and social networks.

Employees

As of December 31 2007, the United Internet Group employed a total of 3,954 people – an increase of 20% over the previous year (3,284 without twenty4help). There were 3,456 employees in the Product segment, 472 in the Online Marketing segment and 26 employed at the Group's headquarters. Our non-German subsidiaries employed 827 people (prior year: 677). Personnel expenses rose by 18.3% to € 145.8 million.

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

The Supervisory Board is responsible for determining the remuneration of the Management Board. The members of the Management Board are compensated according to performance. This compensation consists of a fixed and a variable element. There are no remuneration components providing long-term incentives at present. A target income is determined for the fixed component and the bonus, which is regularly reviewed. The last review took place in the fiscal year 2007. The fixed remuneration component is paid monthly as a salary. The size of the variable component depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on sales and earnings figures. The target attainment corridor is generally between 80% and 120%. No bonus is paid below 80% of the agreed target and the bonus calculation ends at 120% of the agreed target. No subsequent amendment of the performance targets is allowed. There is no minimum guaranteed bonus. 43% of Management Board remuneration was fixed and 57% variable in 2007.

The members of the Supervisory Board receive compensation consisting of a fixed element and a variable element which depends on the Company's success. The fixed remuneration for an ordinary member of the Supervisory Board amounts to € 20k per full fiscal year. The chairman of the Supervisory Board receives the double amount. The variable element for each member of the Supervisory Board, including the chairman, amounts to € 2k for every cent which exceeds the consolidated earnings per share value of € 0.10 for United Internet AG, calculated according to IFRS. There are no convertible bond programs for members of the Supervisory Board. 27% of Supervisory Board remuneration was fixed and 73% variable in 2007.

Results of operations, financial position and net assets

Strong growth in consolidated sales and earnings figures

Consolidated financial figures
in € million

	Dec. 31, 2006	Dec. 31, 2007	Change in %
Sales	1.174.1	1.487.4	+ 26.7
EBITDA	221.2	308.8	+ 39.6
EBT	171.3	234.5	+ 36.9
Net income from continued operations	111.7	155.4	+ 39.1
Net income after discontinued operations	120.2	223.5	+ 85.9

Quarterly development
in € million

	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q4 2006
Sales	336.9	361.1	375.1	414.3	329.7
EBITDA	63.4	95.5	76.6	73.3	44.0
EBT	50.1	71.8	60.1	52.5	30.9

The United Internet Group can look back on a very successful fiscal year 2007. There was significant year-on-year growth in all key figures, both for the Group as a whole and for its Product and Online Marketing segments. Consolidated sales grew strongly by 26.7%, from € 1,174.1 million to € 1,487.4 million. We achieved strong organic growth in the Product and Online Marketing segments, where we benefited from growing customer figures and a booming advertising market. There was an above-average increase in sales of 30.2% in the Online Marketing segment, where our network of specialists achieved growth in an increasingly competitive environment. In absolute terms, the Product segment made the largest contribution to sales growth: sales in this segment benefited from the dynamic growth of broadband contracts with stronger customer retention, successful customer acquisition in national and international target markets in webhosting and fast-growing advertising and e-commerce revenues in our portal business. In our broadband segment, strong growth in sales resulted from the fact that more and more of our new DSL customers and our existing base subscribed not only to our DSL tariff, but also to network connections, internet telephony and additional services like security packs and video-on-demand. On July 1, 2007 we launched all-inclusive DSL packages, in certain regions, for which customers no longer need a Deutsche Telekom phone line. This will help intensify customer loyalty, while also raising average revenue per customer. Apart from net growth of 400,000 DSL customers in fiscal 2007, we also raised the number of our own DSL connections from 1.81 million at year-end 2006 to 2.34 million as of December 31, 2007. In 2007, we therefore once again invested in more valuable customer relationships in our DSL business.

Consolidated gross margin fell from 40.6% in the previous year to 39.8% for the period under review. The main reason was the strong growth in new DSL customers and the changed product mix. Compared with other products, like webhosting and information management, DSL customers offer higher revenue but a lower gross margin. As a consequence, gross margin fell on average by 0.8% compared with 2006.

Due to our strong customer growth, the higher costs associated with strengthening customer retention, and the launch of multi-play packages, sales and marketing expenses also grew from € 225.6 million to € 248.2 million. As a result of the stronger increase in sales revenues, however, their proportion fell to 16.7% (prior year: 19.2%). As in previous years, customer acquisition costs are directly expensed. Thanks to economies of scale, administrative expenses grew more slowly than sales, from € 70.4 million (6.0%) to € 82.5 million (5.5%).

EBITDA grew by 39.6% to € 308.8 million, compared with € 221.2 million in the previous year. This figure includes a positive special item from the Online Marketing segment of € 16.8 million resulting from the contribution of AdLINK Switzerland and AdLINK Austria to Goldbach Media AG. EBT increased by 36.9%, from € 171.3 million to € 234.5 million. EBT contains various special items with a net positive effect of € 2 million. This increase in earnings was achieved against a backdrop of strong growth, with 400,000 new DSL customers (prior year: 530,000) and 430,000 new webhosting customers (prior year: 680,000 including takeover of Fasthosts Internet Ltd.). The EBT margin grew from 14.6% in 2006 to 15.8% in 2007.

Strong cash flow and strategic positioning

Despite high expenses for customer acquisition in the field of DSL and webhosting, and the expansion of targeting technology in our portal business, the Group continued to improve its profitability in the period under review. Cash flow from operating activities grew from € 170.3 million in the previous year to € 209.8 million. Cash flow from operating activities grew even faster to € 291.9 million (prior year: € 226.0 million). As a result of the expansion of business, and because of the balance sheet date, there was an increase in trade payables of € 73.3 million and in other liabilities of € 10.6 million.

In terms of capital expenditures, the Group invested € 343.4 million in 2007 (prior year: € 171.4 million). The dominant item was the purchase of shares in associated companies / joint ventures amounting to € 309.3 million (prior year: € 0). This resulted mainly from the acquisition of shares in Versatel and MSP Holding, with which we have positioned ourselves for a possible consolidation of the German broadband market. The sale of twenty4help, which no longer belonged to our core business, resulted in proceeds of € 85.2 million. Investments in tangible and intangible assets amounting to € 58.8 million (prior year: € 41.4 million) focused mainly on the Product segment, and in particular on the scheduled expansion of infrastructure and server capacities. An amount of € 31.5 million was invested in other financial assets (prior year: € 1.8 million). In 2007 this related to the purchase of shares in Drillisch, as part of our strategic positioning in the DSL consolidation process and with regard to possible joint marketing campaigns in future.

Cash flow from financing activities resulted in net proceeds of € 80.3 million (prior year: net disbursements of € 57.8 million). Proceeds from new loans totaling € 250.7 million (prior year: € 35.5 million) were offset by the acquisition of treasury shares € 133.8 million (prior year: € 79.6 million) and dividend payments of € 42.5 million (prior year: € 15.6 million).

Assets and equity

In 2007, the Group's overall asset structure was influenced by the increase in shares held in associated companies / joint ventures to € 309.0 million (prior year: € 11.0 million) and other non-current financial assets to € 67.9 million (prior year: € 3.7 million). The shares held in associated companies consist mainly of our stake in Versatel AG (€ 125.6 million), while shares held in joint ventures relate to MSP Holding GmbH (€ 165.4 million). Cash and cash equivalents amounted to € 59.8 million as of the balance sheet date (prior year: € 32.7 million). Total consolidated assets increased from € 819.5 million in the previous year to € 1,214.0 million, of which goodwill accounted for € 388.8 million (prior year: € 373.7 million).

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

Net borrowing grew from € 86.0 million in 2006 to € 311.3 million in 2007. This was mainly the result of the aforementioned and largely debt-financed acquisitions and the purchase of treasury shares. As a result, bank liabilities grew from € 118.7 million to € 371.1 million. Due to this partially debt-financed growth in total assets and the deduction of treasury shares from shareholders' equity, the consolidated equity ratio fell from 40.9% to 31.6%. As a result of strong earnings, the Group's accumulated profit increased to € 171.7 million in 2007 (prior year: € -6.0 million).

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

Sales and earnings of the parent company

In the period under review, sales of the parent company amounted to € 9.2 million (prior year: € 9.4 million). These revenues result mainly from services provided to the Group's subsidiaries, as well as from cost allocations, e.g. rent for the Business Park in Montabaur and for sponsoring activities in connection with the America's Cup. Other operating income resulted mainly from the contribution of AdLINK shares to a 100% subsidiary of United Internet AG (€ 69.7 million) and from the sale of shares in NT plus (€ 6.2 million). Due to the positive development of our operating subsidiaries and indirectly from the sale of twenty4help, income from profit transfer agreements increased from € 120.7 million in the previous year to € 196.2 million. EBT of the parent company amounted to € 249.7 million (prior year: € 123.9 million), while net income grew to € 182.0 million in 2007 (prior year: 75.4 million).

The parent company's balance sheet is mainly influenced by shares in affiliated companies amounting to € 393.6 million (prior year: € 286.5 million) as well as by investments of € 291.8 million (prior year: € 7.9 million). The main additions to investments result from the 50% shareholding in MSP Holding GmbH and 19.50% shareholding in Versatel AG. As of December 31, 2007, the parent company also held 18,000,000 treasury shares, for which an accrual for treasury shares was formed amounting to € 213.3 million (prior year: € 79.6). Bank liabilities of United Internet AG result from a revolving syndicated loan, € 370 million of which had been drawn as of December 31, 2007 (prior year: € 50 million). The equity ratio fell to 58.4% as of December 31, 2007 (prior year: 84.2%), due to partially debt-financed investments.

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

The main financial liabilities used by the parent company to finance its activities include bank loans and overdraft facilities, convertible bonds and other financial liabilities.

United Internet AG holds various financial assets which result directly from its business activities. They consist mainly of shares in affiliated companies and investments, as well as receivables from affiliated companies. As of the balance sheet date, the Company held derivative financial instruments resulting mainly from an obligation to acquire shares in listed companies.

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

Liquidity risk

As in the previous year, the general liquidity risk of United Internet consists of the possibility that the Company may not be able to meet its financial obligations, such as the redemption of financial debts. The Company’s objective is to maintain a suitable balance between continual coverage of its financial needs and securing flexibility by using overdraft facilities and loans.

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

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

The Company has no significant concentration of liquidity risks

Market risks

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

Interest risk

The Company is exposed to interest risks as the major share of its borrowing as of the balance sheet date bears variable interest rates with varying terms. As part of liquidity planning we constantly monitor the various investment and borrowing possibilities. Borrowing requirements are met by using suitable instruments to manage liquidity, while surplus cash is invested on the money market to achieve the best possible return. Due to developments on the global finance markets, the interest risk has increased since the previous year.

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.

The balance sheet as of December 31, 2007 includes bank liabilities of € 370,000k. As of the balance sheet date, the interest rates of these bank liabilities were in a corridor of 5.05% to 5.18%. If these bank liabilities were to remain on average at € 370,000k in 2008, this would result in interest expenses of € 18,907k for fiscal year 2008 at an assumed interest rate of 5.11% (based on average interest as of the balance sheet date). A market interest rate which was 1 percentage point higher or lower, would cause pre-tax earnings to increase or decrease by € 3,700k. On the basis of sound business judgment, the market interest rate is not expected to fluctuate by more than one percentage point.

The interest risk is negligible for other interest-bearing liabilities.

Currency risk

The currency risk of United Internet results mainly from equity investments. There were no foreign exchange risks with a significant impact on cash flow in the period under review.

Stock exchange risk (valuation risk)

Investments are carried at cost. Risks arise from the permanent impairment of an investment's stock exchange value.

Capital management

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

In order to maintain and adapt its capital structure, the Company can adjust dividend payments or pay capital back to its shareholders, can issue new shares or purchase treasury shares. As of December 31, 2007 and 31, 2006, no changes were made to the Company's targets, methods and processes.

Dividend

At the Annual Shareholders' Meeting on May 30, 2007, it was voted to accept the proposal of the Management Board and Supervisory Board of United Internet AG concerning the payment of a dividend of 18 cents per share (prior year: 6.25 cents adjusted for the share split). The payment of € 42.5 million in total was effected on May 31, 2007. The Management Board and Supervisory Board will discuss their dividend proposal for the fiscal year 2007 at the Supervisory Board of April 2, 2008.

Investments as of December 31, 2007

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

Both fun communications GmbH (United Internet stake: 49.00%) and NT plus AG (United Internet stake: 40.23%, since sold to Actebis Peacock GmbH, a subsidiary of Arques Industries AG) posted positive operating results in the period under review.

In February 2007 we acquired a 12.51% stake in the online game portal Bigpoint GmbH. The company is still in the early phase of business development.

The joint fund for early-phase finance held together with the Samwer brothers (United Internet stake: 66.67%) already invested in over 40 companies in its first six months. The legal conditions for a further joint fund for so-called later-stage investments were established in late 2007 (United Internet stake: 90.00%). However, the fund itself was not yet active as of year-end 2007.

The investments made in the second half of 2007 in Drillisch AG (United Internet stake as of December 31, 2007: 9.68%), Versatel AG (19.50%) and MSP Holding GmbH (50.00%), which in turn held a 20.05% stake in Freenet AG at year-end, had no significant influence on the earnings of the United Internet Group in 2007.

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

The Company's capital stock amounts to € 251,433,972 divided into 251,433,972 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.

As far as the Company is informed, Ralph Dommermuth, Montabaur, owns 88,000,000 shares or 35.00% of total shares in United Internet AG. Mr. Ralph 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.

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. The Supervisory Board is authorized to make amendments to the Company's articles insofar as they only concern formulation.

At the Annual Shareholders' Meeting of May 30, 2007, the Company's Management Board was authorized pursuant to Sec. 71 (1) No. 8 AktG, to acquire, sell or retire treasury shares not exceeding 10% of its capital stock up to November 29, 2008.

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

The Management Board is authorized, subject to approval by the Company's Supervisory Board, to increase the Company's capital stock on one or more occasions before June 12, 2011 by a total of € 124,550,402.00 by issuing new no-par shares for cash and/or non-cash contributions.

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

The capital stock has been increased conditionally by up to € 2,840,000.00, divided into 2,840,000 no-par shares. The conditional capital increase serves to grant conversion options to bearers of convertible bonds, for the issue of which an authorization resolution was passed by the shareholders' meeting on May 16, 2001.

The capital stock has been increased conditionally by up to € 4,903,576.00, divided into 4,903,576 no-par registered shares. The conditional capital increase serves to grant conversion options to bearers of convertible bonds, for the issue of which an authorization resolution was passed by the shareholders' meeting on May 16, 2003.

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

Subsequent events

According to all market surveys, the positive conditions and dynamic growth of those target markets of relevance to United Internet remain unchanged in 2008.

On January 14, 2008 United Internet acquired a further shareholding in Versatel AG and now holds a total of 25.05% of shares in Versatel AG. The average price of the 11,022,000 shares amounted to € 16.28. With its investment in Versatel, United Internet is pursuing a strategic positioning as part of the expected consolidation of the German DSL market. United Internet is thus keeping all options open, especially with regard to a further increase in its stake in Versatel AG.

On January 23, 2008, United Internet and Drillisch increased their shareholding in freenet AG to 24.52% via the jointly held company MSP Holding. With this (indirect) investment in freenet AG, United Internet continues to pursue a strategic positioning as part of the expected consolidation of the German DSL market. United Internet and Drillisch are thus keeping all options open, especially with regard to a further increase in their stake in freenet AG.

Effective January 1, 2008, the United Internet subsidiary Sedo GmbH acquired a minority shareholding of 40% in the Italian company DomainsBot S.r.l.. Based in Rome, DomainsBot is a young and innovative company offering search technology for the domain market and for domain registries. The search engine offers live status reports and enables users to register or sell the desired domain with just a few clicks. DomainsBot's latest development is the "Name Suggestion Tool", an intelligent semantic tool which automatically proposes synonyms to the desired name, or adds prefixes and suffixes. Users are thus offered a wide variety of suitable domains. The world's largest registries, such as 1&1, GoDaddy, Tucows, Register.com and many others are among DomainsBot's customers.

On February 8, 2008, United Internet acquired a 48.65% stake in Virtual Minds AG (Freiburg im Breisgau), a media holding company specializing in technology, media and content/entertainment, as well as its subsidiary the adserving specialist ADITION technologies AG. Apart from ADITION, the profitably operating Virtual Minds holding company owns a number of majority shareholdings, such as the data center operator myloc, the advertising platform BannerCommunity, the fiber optic network operator fibre one networks and mediatainment, which operates the games portal gamed.de. The management team, consisting of Andreas Kleiser, Torsten Wenniges and Christoph Herrnkind, will continue to be responsible for the operating business of the holding company and its subsidiaries.

Kai-Uwe Ricke was appointed as the new member of the Supervisory Board of United Internet AG by the District Court of Montabaur on February 20, 2008. He will replace Bernhard Dorn, who died on February 10, 2008. Bernhard Dorn had been a member of the Supervisory Board of United Internet AG since 2000 and played a significant role in shaping the company. In addition to his seat on the Supervisory Board of United Internet AG, Kai-Uwe Ricke is a Managing Partner of German Private Equity Partners and involved with the establishment of an investment fund for mid-sized German companies. Mr. Ricke is also active for various private equity companies. Apart from his consulting activities for BC Partners, Kai-Uwe Ricke is a member of the Supervisory Board of 1&1 Internet AG, the Advisory Committee of Kabel Baden-Württemberg GmbH & Co. KG, Heidelberg, a 100-percent subsidiary of EQT, a member of the Advisory Committee of easy cash, GmbH, Eschborn, a 100-percent subsidiary of Warburg Pincus, and Chairman of the Advisory Committee of Apollo Europe Investment, Guernsey, a European mezzanine fund of Apollo. Ricke also holds a seat on the Supervisory Board of the Italian insurance company Assicurazioni Generali S. p. A., Trieste.

Subject to approval by the European anti-trust authorities, ProSiebenSat.1 Media AG and United Internet are to place their current cooperation in the field of video-on-demand on a new basis. To this end, a jointly controlled company Maxdome GmbH & Co. KG is to be founded in which the partners will pool their complementary activities in the field of video-on-demand. The company will be headquartered in Unterföhring, Germany. ProSiebenSat.1 and United Internet will each hold 50% of the limited partner shares in the newly founded company. The respective contracts were signed on February 22, 2008. Maxdome offers pay-to-view cinema and TV films, series and other programs, as well as music videos, concerts and sports events. The products can be downloaded from the www.maxdome.de website and viewed on a computer or TV screen. Consumers can choose titles around the clock and watch them at any time, like a physical DVD. They have all the usual functions, such as pause, fast forward and backward etc. Customers pay via direct debit.

On March 7, 2008, United Internet acquired 33.36% of shares in BW2 Group AG, Lachen, in the course of a capital increase. BW2 offers professional CRM and ERP business solutions in various program versions and function variants. BW2 products can be run by the customer directly or in certified hosting centers. The company is headquartered in Switzerland and was founded in 1999.

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

Risk report

Risk management system

United Internet AG attaches great importance to its holistic Enterprise Risk Management system, which exceeds the provisions of legal requirements. The aim of risk management is to systematically deal with potential risks as well as to promote a risk-oriented approach throughout the entire organization. This controlled approach to risks is aimed at utilizing existing opportunities to the full and enhancing the company's success. The concept, organization and task of Enterprise Risk Management was defined by the Management Board and Supervisory Board of United Internet AG and documented as part of a risk manual available to all members of the Group. These requirements are continually compared with the changing legal conditions and adapted or developed further as required.

The risk management system is based on the COSO ERM framework, which we have adapted to the needs of United Internet AG. As part of our risk management process, we identify, classify and evaluate company risks in a standardized group-wide system with clear allocation of responsibilities. We use Enterprise Risk Management not only to identify risks which may endanger the Group's continued existence, but also to identify and monitor those risks which do not jeopardize our existence but which may have a significant negative impact on the Group's net assets, financial situation and results of operations.

In order to strengthen risk culture even further, the entire organization was aligned with the Group's risk management system in fiscal year 2007. A group-wide risk manager was appointed by United Internet AG with central responsibility for the risk management process. Decentralized, or local, risk managers are responsible for the risk management process of subsidiaries and major shareholdings. In order to secure the quality of risk information, risk managers and employees receive regular training. Risk management is not a closed system within itself. We attach great importance to group-wide networking beyond divisional and company borders. In particular, there is a regular exchange and comparison of data between the Controlling, Internal Audit and IT Security departments, as well as with managers responsible for insurance cover.

In fiscal year 2007 we once again conducted a company-wide risk audit. The identified risks were given a monetary rating where possible and assessed according to the probability of their occurrence. Wherever sensible, risk-limiting measures were defined for each significant risk. Early-warning indicators with pre-determined threshold values were also allocated to risks as part of a proactive monitoring system. Whenever the defined value is exceeded, the risk is reassessed.

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

A management circle on the subject of risk management has been installed for the group-wide exchange of risk information. This group is responsible for the continual development and adaptation of the risk management system to changing market situations and risks.

Risks for future business development

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

External risks

Threat potential of the internet

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

There is a general risk of hacker attacks with the aim of stealing, changing or destroying customer data. We counter this risk with the aid of virus scanners, firewalling concepts and various technical monitoring mechanisms. United Internet AG is committed to continually enhancing and updating its security concept with the aid of its IT Security Management system. However, despite our IT security measures, the possibility of hackers gaining access to company networks – as was the case, for example, at our UK subsidiary Fasthosts in 2007 – cannot be ruled out completely. To this end, emergency concepts have been developed aimed at minimizing possible damage and protecting the interests of our customers.

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

Should any of the above risks occur, this could have a negative impact on our image and reduce the trust placed in United Internet AG. As a consequence, this may have an adverse effect on the usage of products supplied by our subsidiaries and thus impede sales.

Market regulation

In Germany, the decisions of the Federal Network Agency and Federal Cartel Office have a significant influence on the pricing of internet access and telecommunication tariffs. United Internet AG procures various services which are subject to this regulation. In the field of internet access, for example, we purchase data transfer volumes and subscriber lines. In the case of subscriber line processes, there are one-off charges which are subject to further regulation. Price increases authorized by the regulation authorities can thus have a negative effect on the profitability of our tariffs in the field of internet access. Decisions taken by the Federal Network Agency in the field of telecommunications (internet telephony, mobile telephony and special rate numbers) have a significant impact on our profitability and business processes. External requirements of existing processes and new regulatory conditions could result in higher costs. On the other hand, there is the possibility that a lack of regulation for certain supplies may lead to a deterioration of market circumstances for United Internet AG under certain circumstances. We counter this regulation risk by cooperating with several supply partners in our DSL business and actively accompanying the regulation process.

Competition

The German DSL market is still experiencing a phase of strong growth and market share allocation. We assume that fiscal year 2008 will continue to be marked by takeovers and company mergers along the value chain. In addition to our major competitors, local town network operators, cable network operators and other network operators with their own infrastructure are active on the market. There is a risk that the achievable level of end-user prices may continue to fall and/or that customer acquisition costs may rise further. Increasing competition and/or falling prices might negatively impact our targeted market share of new customers and/or our net assets, financial situation and results of operations. United Internet attempts to counter these risks by, for example, developing innovative and high-value additional products, using exclusive sales channels and generating greater customer loyalty.

Operating risks

Product development

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

Use of hardware and software

Our products and related business processes are based on a complex technical infrastructure and a number of success-critical software systems (servers, customer relationship databases and statistics systems etc.). This infrastructure is subject to various malfunction risks, e.g. from overloading or technical defects. There is also the risk of targeted attacks from inside and outside the Company, e.g. from hackers or willful manipulation by staff. The integration of purchased business systems into the existing system landscape also bears the risks of interruptions and malfunctions due to the inherent complexity of our systems. Non-availability or deterioration of our services could have a sustained negative impact on the image and thus the operating business of United Internet AG. A wide variety of software- and hardware-based safety precautions have therefore been taken to protect our infrastructure and its availability. By dividing responsibilities, we have made sure that activities or business transactions involving risks are not carried out by single employees. Access restrictions also ensure that employees may only operate within their particular area. As a precautionary measure, all data are regularly backed up and hosted in separate data centers.

Legal risks

Property rights

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

Data protection

United Internet AG hosts the data of several million customers on its servers. These data are subject to certain legal regulations. We are aware of this responsibility and attach great importance to data protection, which is given particularly high priority throughout the Company. By using state-of-the-art technology and continually monitoring all data-protection regulations, we endeavor to guarantee a high standard of security. Should employees or third parties succeed, however, in willfully breaking through the various security measures and stealing personal data, United Internet AG might be made liable for any abuse.

Other risks

Staff fluctuation

The performance of our employees is the key determinant for the success of United Internet AG. Due to the intense competition for skilled and motivated employees or managers, there is no guarantee that United Internet AG will be able to recruit and retain a sufficient number of skilled employees in future. The loss of key employees could also have a negative impact. United Internet AG counters such personnel risks by undertaking an active personnel development program.

Acquisitions

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

Assessment of the overall level of risk

The main risks for the Company's current and future net assets, financial situation and results of operations focus on the areas of competition, supplies, hardware and software, personnel and acquisitions. The further expansion of our risk management system enables us to proactively counter such risks and to limit them to a minimum, where sensible, by introducing various measures. We judge the probability of such occurrences as very low to limited. There were no risks which directly jeopardized the continued existence of United Internet AG in the fiscal year 2007, neither from individual risk positions nor from the overall risk situation for the United Internet Group.

Outlook

Modest prospects for the global economy in 2008

The International Monetary Fund (IMF) has significantly reduced its forecasts for global economic growth and for the major economic regions in 2008. As the IMF announced in an update in late January 2008 to its "World Economic Outlook" (WEO) of October 2007, the global economy is expected to grow by 4.1% in 2008. This is 0.3 percentage points below its original forecast. The revision was mainly a consequence of continuing financial market turbulence caused by the US subprime crisis.

The IMF forecasts that the US economy will now grow by just 1.5% in 2008 (previously: 1.9%). Japan's economy will grow by 1.5% this year (1.7%), according to the IMF. China is expected to escape the current turbulence relatively unscathed. Although Chinese growth is expected to cool to 10.0% this year (from 11.4% in 2007), this trend was already forecast by the IMF in October. GDP growth of 1.6% (2.1%) is forecast for the Euro zone.

Despite the current turbulence on the world's stock exchanges and the danger of recession in the USA, the German government remains optimistic about the economic prospects for Germany. Nevertheless, the growth forecast for 2008 has been lowered from 2% to 1.7%. Despite the financial market crisis, the German government is sticking to its aim of presenting a balanced budget by no later than 2011.

Prospects for ITC markets still good

The German ITC sector is still upbeat about prospects for 2008. The trade association BITKOM expects total growth of 1.6% to € 145.2 billion in 2008 for the IT, telecommunications and digital consumer electronics segments. Growth of 2% to € 148.1 billion is forecast for 2009. IT services and software are expected to display the most dynamic growth, with increases of 5% and 6%. In total, the association expects sales to exceed € 150 billion for the first time in 2008. The general sector mood therefore remains upbeat: 79 percent of companies expect rising sales, 16% expected a stable development and just 5% expect revenue to fall.

These positive sector expectations are also reflected in the forecasts for various sub-segments: BITKOM expects growth of 2.4% to € 11.9 billion in the field of digital consumer electronics in 2008. Information technology is expected to grow by 4.6% to € 66.9 billion. In the field of telecommunications, sales are expected to be 1.5% below the prior-year level at € 66.4 billion in 2008. The continuing shrinking process in this sub-segment is expected to weaken in 2009, when BITKOM forecasts a decline of just -0.5 percent and a market volume of € 66.1 billion. Following several years of falling revenues due to strong price pressure, the turning-point may now be in sight.

Boom in broadband connections continues

According to the latest “Germany Online” survey, the trend toward broadband connections is set to continue. The number of broadband connections will increase to 21 million by 2010 and to over 29 million connections by 2015 – so that over 80% of all German households will have a broadband connection by this time.

Broadband connections in Germany 2007-2015
in million

2007	2010	2015
18.7	21.3	29.3

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

Development of information technology and telecommunication as a proportion of German GDP
share in percent

2004	2010	2015
6.8	8.3	11.8

Above all, this rapid growth means increasing bandwidths and thus an improved performance of the broadband network. Without this development, attractive applications like internet telephony, internet TV or video-on-demand would simply not be possible. The customer equates increased speed with greater convenience and new application possibilities. This market driver will continue to play a key role while bandwidths continue to grow.

Whereas broadband connections of over 16 Mbit/s were restricted to very few households in 2005, such speeds are expected to be available to over 30% of all households by 2015. In contrast, the market share of currently available and highly popular bandwidths under 6 Mbit/s will fall in the coming years. The trend is thus clear: the strong decline in lower-speed internet connections will go hand-in-hand with an increase in ultra-high bandwidth connections.

Bandwidth development 2005-2015
connections in percent

	2005	2010	2015
> 50 Mbits/s	0.0	4.9	12.5
> 16 to 50 Mbits/s	0.2	11.1	19.1
> 6 to 16 Mbits/s	14.4	26.9	32.5
≤ 6 Mbits/s	85.4	57.1	35.9

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

High growth rates also for webhosting and online advertising

Market researchers also predict continuing growth for the webhosting industry. Gartner and IDC forecast annual growth rates of 15% and 16% until 2010. In their European Managed Webhosting Forecast of October 2007, the experts of IDC expect growth of 11.3% to USD 4.2 billion in 2008 – in the B-to-B hosting sector alone. Good growth opportunities are forecast for the European markets in which we operate: Germany (plus 9.4%), the UK (plus 11.3%), France (plus 11.0%), Austria (12.3%) and Spain (plus 13.4%).

Webhosting revenues in Western Europe
in USD billion

2007	2008	2009
3.78	4.20	4.64

The online advertising market is also expected to continue its high growth rates. In its report "European Online Advertising, Forecast, 2007 to 2012", JupiterResearch forecasts growth in Western Europe of 18% to € 9.1 billion in 2008.

Online advertising sales in Europe
in € billion

2007	2008	2009
7.7	9.1	10.4

Despite a leap in sales of 51% to almost € 2.9 billion, there is still no end in sight for growth on the German online advertising market. The tremendous untapped potential becomes apparent if one compares online advertising's share of the total advertising pie with online usage as a proportion of total media usage: the forecast for 2007 of 12.5% of the advertising market (without posters) is still behind the online share of daily media consumption of around 15%. In 2008, the German Online Marketing Group (Online-Vermarkterkreis - OVK) expects online advertising revenues to exceed € 3.7 billion, corresponding to growth of around 29%.

Opportunities for United Internet despite less encouraging environment

Thanks to our successful positioning in the growth markets of DSL, Webhosting, Portals and Online Marketing, we expect good growth opportunities once again in our fiscal year 2008.

The above mentioned market and sector surveys do not consider the current danger of a recession in the USA, the impact of a weak dollar and high oil prices, the turbulence on the international money and capital markets and its possible negative impact on the global economy. Should these factors deteriorate further in the course of the year, we cannot exclude the possibility that this may have an adverse effect on the development of our business.

Growth expected for Online Marketing and Product segments

In our Online Marketing business, in which we market websites and domains of third parties, we expect our strong positioning within identified target markets and the encouraging development currently forecast for the online advertising market to generate further growth.

In our Product segment, we are confident that our international expansion strategy will continue to make good progress and that we can maintain our dynamic growth. Thanks to further product innovations and our attractive price-performance ratio, we also see good opportunities for DSL connections and DSL telephony. In total, we expect dynamic growth in the number of customer contracts in all product lines with rising revenues and earnings.

According to leading market research institutes, the prospects are also still very encouraging for the marketing of our portals GMX, WEB.DE and 1&1. The online advertising market is expected to continue its dynamic growth in future. With the expansion of content, we also expect the reach and volume of marketable ad impressions of our websites to grow. Thanks to constant improvements in targeting technologies we currently believe this growth can be translated into rising sales and earnings figures.

Montabaur, March 13, 2008

Ralph Dommermuth, CEO

Norbert Lang, CFO

United Internet AG,
Montabaur

Consolidated Annual Financial Statements
according to IFRS

as of December 31, 2007

United Internet AG - Consolidated balance sheet acc. to IFRS as of December 31, 2007 in €k

ASSETS	Note	December 31, 2007	%	December 31, 2007	%
Current assets					
Cash and cash equivalents	19	59,770	4.9%	32,723	4.0%
Accounts receivable and other assets	20	123,788	10.2%	120,920	14.8%
Inventories	21	16,785	1.4%	16,797	2.0%
Prepaid expenses	22	23,020	1.8%	19,522	2.4%
Loans to joint ventures	41	4,007	0.2%	0	0.0%
Other assets	23	16,371	1.3%	17,705	2.2%
		243,741	20.1%	207,667	25.3%
Non-current assets					
Shares in associated companies / joint ventures	24	309,023	25.5%	11,006	1.3%
Other financial assets	25	67,867	5.6%	3,695	0.4%
Property, plant and equipment	26	77,105	6.4%	66,296	8.1%
Intangible assets	27	120,031	10.0%	147,370	18.0%
Goodwill	28	388,822	32.1%	373,687	45.6%
Deferred tax asset		7,437	0.6%	9,811	1.2%
		970,285	79.9%	611,865	74.7%
Total assets		**1,214,026**	100.0%	**819,532**	100.0%
LIABILITIES AND EQUITY					
Liabilities					
Current liabilities					
Trade accounts payable	30	232,421	19.1%	163,330	19.9%
Liabilities due to banks	31	2,056	0.2%	16,140	2.0%
Advance payments received		6,069	0.5%	5,440	0.7%
Accrued taxes	32	30,172	2.5%	25,743	3.1%
Deferred revenue	33	102,200	8.4%	92,520	11.3%
Other accrued liabilities	34	7,683	0.6%	1,699	0.2%
Other liabilities	35, 41	60,243	5.0%	50,510	6.2%
		440,844	36.3%	355,382	43.4%
Non-current liabilities					
Convertible bonds	36	245	0.0%	876	0.1%
Liabilities due to banks	31	369,049	30.4%	102,579	12.5%
Deferred tax liabilities	37	19,061	1.6%	21,769	2.7%
Deferred revenue		0	0.0%	1,756	0.2%
Other liabilities		886	0.1%	2,155	0.3%
		389,241	32.1%	129,135	15.8%
Total liabilities		**830,085**	68.4%	**484,517**	59.1%
Equity					
Capital stock	38	251,434	20.7%	250,235	30.5%
Additional paid-in capital	39	160,095	13.2%	156,447	19.1%
Accumulated profit/loss		171,688	14.1%	-6,014	-0.7%
Treasury stock	38	-213,338	-17.6%	-79,561	-9.7%
Revaluation reserves	39	9,411	0.8%	1,373	0.2%
Currency translation adjustment		-7,726	-0.6%	930	0.1%
Equity attributable to shareholders of the parent company		**371,564**		**323,410**	
Minority interests		12,377	1.0%	11,605	1.4%
Total equity		**383,941**	31.6%	**335,015**	40.9%
Total liabilities and equity		**1,214,026**	100.0%	**819,532**	100.0%

United Internet AG - Consolidated income statement acc. to IFRS
from January 1, 2007 to December 31, 2007 in €k

	Note	2007 January - December		2006 * January - December	
Sales	4	1,487,429	100.0%	1,174,143	100.0%
Cost of sales	5, 9, 11	-896,001	-60.2%	-697,531	-59.4%
Gross profit		**591,428**	39.8%	**476,612**	40.6%
Selling expenses	6, 9, 11	-248,234	-16.7%	-225,605	-19.2%
General administrative expenses	7, 9, 11	-82,470	-5.5%	-70,375	-6.0%
Other operating expenses	8	-34,380	-2.3%	-12,062	-1.0%
Other operating income	8	42,386	2.7%	24,268	2.1%
Amortization of intangible assets resulting from company acquisitions	9	-22,494	-1.5%	-21,846	-1.9%
Amortisation of goodwill	10	-9,373	-0.6%	0	0.0%
Operating result		**236,863**	15.9%	**170,992**	14.6%
Interest and similar expenses	12	-6,674	-0.4%	-5,340	-0.5%
Interest and similar income	13	2,049	0.1%	3,264	0.3%
Result from associated companies	14	2,284	0.2%	2,368	0.2%
Pre-tax result		**234,522**	15.8%	**171,284**	14.6%
Income taxes	15	-79,119	-5.4%	-59,602	-5.1%
Net income before minority interests (from continued operations)		**155,403**	10.4%	**111,682**	9.5%
Result from discontinued operations	16	68,098	4.6%	8,547	0.7%
Net income before minority interests (after discontinued operations)		**223,501**	15.0%	**120,229**	10.2%
Attributabel to					
minority interests		3,283	0.2%	6,954	0.6%
shareholders of United Internet AG		220,218	14.8%	113,275	9.6%
Result per share of shareholders of United Internet AG (in €)					
- basic	17	0.93		0.46	
- diluted	17	0.93		0.46	
thereof result per share (in €) - from continued operations					
- basic	17	0.64		0.42	
- diluted	17	0.64		0.42	
thereof result per share (in €) - from discontinued operations					
- basic	17	0.29		0.04	
- diluted	17	0.29		0.04	
Weighted average shares (in million units)					
- basic	17	235.76		245.98	
- diluted	17	236.63		247.75	

* Adjusted - see Note 2.4 of the consolidated financial statement as of December 31, 2007

United Internet AG - Consolidated cash flow acc. to IFRS
from January 1, 2007 to December 31, 2007 in €k

	Note	2007 January - December	2006 * January - December
Cash flow from operating activities			
Net income (from continued operations)		155,403	111,682
Net income (from discontinued operations)		68,098	8,547
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization (from continued operations)			
Depreciation and amortization of intangible assets and property, plant and equipment	9	40,097	28,347
Amortization resulting from company acquisitions			
Activated intangible assets	9	22,494	21,846
Goodwill amortisation	10	9,373	0
Depreciation and amortization (from discontinued operations)			
Amortization of intangible assets and fixed assets		0	5,026
Compensation expenses from employee stock option plans	36	1,605	1,614
Results of at-equity companies	24	-2,284	-2,368
Distributed profits of associated companies	24	950	859
Income from deconsolidation of affiliated companies	16	-65,746	0
Income from deconsolidation of associated companies	24	-4,591	0
Non-cash income from contributed companies	3	-16,808	0
Income from partial deconsolidation		0	-5,539
Change in deferred taxes		-742	-847
Non-cash expenses/income		1,928	1,163
Operative cash flow		**209,777**	**170,330**
Change in assets and liabilities			
Change in receivables and other assets		-20,144	-10,816
Change in inventories		-593	-10,144
Change in deferred expenses		-4,695	-3,438
Change in trade accounts payable		73,296	68,308
Change in advance payments received		629	328
Change in other accrued liabilities		5,984	171
Change in accrued taxes		5,688	12,924
Change in other liabilities		10,626	-10,410
Change in deferred income		11,347	8,700
Change in assets and liabilities, total		**82,138**	**55,623**
Cash flow from operating activities		**291,915**	**225,953**
Cash flow from investing activities			
Capital expenditure for intangible assets and property, plant and equipment		-58,777	-41,426
Investments in other financial assets	25	-31,465	-1,787
Payments of loans granted		-58	98
Payments of loans granted to joint ventures	41	-4,000	0
Disposal of assets		2,580	1,024
Purchase of shares in associated companies / joint ventures	24	-309,299	-5
Purchase of further shares in affiliated companies		-37,949	-38,312
Payments from deconsolidation of affiliated companies	16	85,248	0
Payments from deconsolidation of associated companies	24	6,881	0
Proceeds from partial deconsolidation		0	7,890
Payments for additional refunding company acquisition costs	28	3,436	0
Acquisition costs, net of acquired cash		0	-98,867
Cash flow from investment activities		**-343,403**	**-171,385**
Cash flow from financing activities			
Purchase of treasury stock	38	-133,777	-79,561
Change in bank liabilities	31	250,688	35,312
Received loans from associated companies	41	2,800	0
Dividend payments	18	-42,516	-15,569
Minority interests		-149	-180
Capital increase		3,509	2,177
Payment of convertible bonds		-230	-22
Cash flow from financing activities		**80,325**	**-57,843**
Net increase/decrease in cash and cash equivalents		28,837	-3,275
Cash and cash equivalents at beginning of fiscal year		32,723	36,177
Currency translation adjustments of cash and cash equivalents		-1,790	-179
Cash and cash equivalents at end of fiscal year		**59,770**	**32,723**

* Adjusted - see Note 2.4 of the consolidated financial statement as of December 31, 2007

United Internet AG - Consolidated statement of changes in shareholders´ equity acc. to IFRS
from January 1, 2007 to December 31, 2007

	Capital stock		Additional paid-in capital	Accumulated loss / profit	Capital stock		Revaluation reserves	Currency translation	Equity attributable to shareholders of the parent company	Minority interests	Total equity	Total net income attributable to shareholders of United Internet AG	Minority interests
	Share	€k	€k	€k	Share	€k	€k	€k	€k	€k	€k	€k	€k
Balance as of January 31, 2006	62,275,201	62,275	238,506	-2,822	0	0	892	1,111	299,962	8,528	308,490	57,608	2,214
Exercise of conversion rights	1,134,372	1,134	1,391						2,525		2,525		
Capital increase in return for stock	186,825,603	186,826	-85,928	-100,898					0		0		
Employee stock ownership programme AdLINK			303						303		303		
Employee stock ownership programme United Internet			1,311						1,311		1,311		
Change of market value of available disposal financial instruments after taxes							481		481		481	481	
Others			864						864		864		
Withdrawal of treasury shares					8,226,072	-79,561			-79,561		-79,561		
Dividend payment				-15,569					-15,569		-15,569		
Currency translation adjustment								-181	-181		-181	-181	
Net income 2006				113,275					113,275	6,954	120,229	113,275	6,954
Dividend payments									0	180	180		
Change amount of holding									0	-4,057	-4,057		
Balance as of December 31, 2006	250,235,176	250,235	156,447	-6,014	8,226,072	-79,561	1,373	930	323,410	11,605	335,015	113,575	6,954
thereof result directly included in equity												*300*	*0*
Balance as of January 1, 2007	250,235,176	250,235	156,447	-6,014	8,226,072	-79,561	1,373	930	323,410	11,605	335,015	113,575	6,954
Exercise of conversion rights	1,198,796	1,199	2,043						3,242		3,242		
Employee stock ownership programme AdLINK			311						311		311		
Employee stock ownership programme United Internet			1,294						1,294		1,294		
Change of market value of available disposal financial instruments after taxes							8,038		8,038	1,149	9,187	9,187	1,149
Treasury stock					9,773,928	-133,777			-133,777		-133,777		
Dividend payment				-42,516					-42,516		-42,516		
Currency translation adjustment								-8,656	-8,656	-35	-8,691	-8,656	-35
Net income 2007				220,218					220,218	3,283	223,501	220,218	3,283
Dividend payments									0	-75	-75		
Increase in shareholdings									0	-3,550	-3,550		
Balance as of December 31, 2007	251,433,972	251,434	160,095	171,688	18,000,000	-213,338	9,411	-7,726	371,564	12,377	383,941	220,749	4,397
thereof result directly included in equity												*531*	*1,114*

United Internet AG - Development of consolidated fixed assets acc. to IFRS in fiscal year 2007 and 2006 (€k)

	ACQUISITION AND PRODUCTION COSTS								ACCUMULATED DEPRECIATION							NET BOOK VALUE	
	Jan. 1, 2007	Additions from initial consolidation	Additions	Disposals	Reclassi-fications	Currency translation	Disposals from deconsolidation	Dec. 31, 2007	Jan. 1, 2007	Additions	Disposals	Reclassi-fications	Currency translation	Disposals from deconsolidation	Dec. 31, 2007	Jan. 1, 2007	Dec. 31, 2007
Intangible assets																	
Licenses	33,781	0	2,399	197	-371	0	-8,150	27,462	21,953	7,630	384	-5	-7	-6,782	22,405	11,828	5,057
Order backlog	2,141	0	0	0	0	0	0	2,141	1,128	552	0	0	0	0	1,680	1,013	461
Software	31,585	0	8,227	474	9	-99	-4,881	34,367	20,780	9,673	436	5	-63	-4,535	25,424	10,805	8,943
Trademark	22,282	0	0	0	0	-378	0	21,904	0	0	0	0	0	0	0	22,282	21,904
Kundenstamm	47,098	0	0	0	0	-1,573	0	45,525	7,361	7,491	0	0	-318	0	14,534	39,737	30,991
Portal	72,240	0	0	0	0	0	0	72,240	10,535	9,030	0	0	0	0	19,565	61,705	52,675
Goodwill	375,366	0	33,927	3,623	0	-5,168	-628	399,874	1,679	9,373	0	0	0	0	11,052	373,687	388,822
Total (I)	**584,493**	**0**	**44,553**	**4,294**	**-362**	**-7,218**	**-13,659**	**603,513**	**63,436**	**43,749**	**820**	**0**	**-388**	**-11,317**	**94,660**	**521,057**	**508,853**
Property, plant and equipment																	
Land and buildings	6,986	0	0	0	0	0	0	6,986	3,609	268	0	0	0	0	3,877	3,377	3,109
Operational equipment	149,782	0	41,291	8,490	4,426	-3,018	-27,086	156,905	95,119	27,947	7,831	0	-1,525	-20,574	93,136	54,663	63,769
Payments in advance	8,256	0	6,860	0	-4,405	-484	0	10,227	0	0	0	0	0	0	0	8,256	10,227
Total (II)	**165,024**	**0**	**48,151**	**8,490**	**21**	**-3,502**	**-27,086**	**174,118**	**98,728**	**28,215**	**7,831**	**0**	**-1,525**	**-20,574**	**97,013**	**66,296**	**77,105**
Total	**749,517**	**0**	**92,704**	**12,784**	**-341**	**-10,720**	**-40,745**	**777,631**	**162,164**	**71,964**	**8,651**	**0**	**-1,913**	**-31,891**	**191,673**	**587,353**	**585,958**

	ACQUISITION AND PRODUCTION COSTS								ACCUMULATED DEPRECIATION							NET BOOK VALUE	
	Jan. 1, 2006	Additions from initial consolidation	Additions	Disposals	Reclassi-fications	Currency translation	Disposals from deconsolidation	Dec. 31, 2006	Jan. 1, 2006	Additions	Disposals	Reclassi-fications	Currency translation	Disposals from deconsolidation	Dec. 31, 2006	Jan. 1, 2006	Dec. 31, 2006
Intangible assets																	
Licenses	31,357	0	2,712	280	-69	61	0	33,781	13,944	8,518	236	0	-273	0	21,953	17,413	11,828
Order backlog	2,141	0	0	0	0	0	0	2,141	213	915	0	0	0	0	1,128	1,928	1,013
Software	28,390	1,204	2,281	365	69	6	6	31,585	15,389	5,761	376	0	6	0	20,780	13,001	10,805
Trademark	17,207	5,075	0	0	0	0	0	22,282	0	0	0	0	0	0	0	17,207	22,282
Customer base	25,999	21,099	0	0	0	0	0	47,098	780	6,581	0	0	0	0	7,361	25,219	39,737
Portal	72,240	0	0	0	0	0	0	72,240	1,505	9,030	0	0	0	0	10,535	70,735	61,705
Goodwill	268,436	73,071	35,549	1,690	0	0	0	375,366	1,679	0	0	0	0	0	1,679	266,757	373,687
Total (I)	**445,770**	**100,449**	**40,542**	**2,335**	**0**	**67**	**6**	**584,493**	**33,510**	**30,805**	**612**	**0**	**-267**	**0**	**63,436**	**412,260**	**521,057**
Property, plant and equipment																	
Land and buildings	6,876	0	110	0	0	0	0	6,986	3,346	263	0	0	0	0	3,609	3,530	3,377
Operational equipment	118,035	4,046	30,852	5,626	2,895	-420	0	149,782	75,746	24,151	4,632	0	-146	0	95,119	42,289	54,663
Payments in advance	5,800	67	5,471	0	-2,895	-187	0	8,256	0	0	0	0	0	0	0	5,800	8,256
Total (II)	**130,711**	**4,113**	**36,433**	**5,626**	**0**	**-607**	**0**	**165,024**	**79,092**	**24,414**	**4,632**	**0**	**-146**	**0**	**98,728**	**51,619**	**66,296**
Total	**576,481**	**104,562**	**76,975**	**7,961**	**0**	**-540**	**6**	**749,517**	**112,602**	**55,219**	**5,244**	**0**	**-413**	**0**	**162,164**	**463,879**	**587,353**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2007

1. Information on the company

Nature of the business

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

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

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

The Company is registered in 56410 Montabaur, Elgendorfer Strasse 57, Germany, and has branches or subsidiaries in Düsseldorf, Ebersberg, Hanover, Karlsruhe, Cologne, Montabaur, Munich, Regensburg, Zweibrücken, Boston, Brussels, Cebu City, Chesterbrook, Dublin, Gloucester, Haarlem, Las Vegas, Levallois-Perret, London, Madrid, Milan, Paris, Saargemünd, Slough, Stockholm and Zug. With the exception of the building at Zweibrücken, all of the Company's buildings are leased.

The reporting company

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

2. Accounting and valuation principles

2.1 Basis of preparation

In accordance with Article 4 of the so-called IAS Ordinance (Ordinance (EU) No. 1606/2002 of the European Parliament and Council of July 19, 2002 concerning the application of international accounting standards, ABl. EU No. L 243 p. 1), the United Internet Group prepares its consolidated annual financial statements according to IFRS (International Financial Reporting Standards). The Company also observed and applied the supplementary regulations of Section 315a (1) German Commercial Code (HGB). All IFRS standards valid on the balance sheet date and as applied within the European Union were observed.

The reporting currency is euro (€). Amounts stated in the notes to the financial statements are in euro (€), thousand euro (€k) or million euro (€m). The consolidated financial statements are always drawn up on the basis of historical costs. The exception to this rule are derivative financial instruments and available-for-sale financial investments, which are stated at fair value.

The balance sheet date is December 31, 2007.

The Supervisory Board approved the consolidated financial statements for 2006 at its meeting on March 29, 2007. The consolidated annual financial statements were published in the German Federal Gazette ("Bundesanzeiger") on July 30, 2007.

The consolidated financial statements for 2007 were prepared by the Company's Management Board on March 13, 2008 and subsequently submitted to the Supervisory Board. The consolidated financial statements will be presented to the Supervisory Board for approval on April 2, 2008.

2.2 Consolidation principles

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

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

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

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

The Group includes the following significant subsidiaries in which United Internet AG holds a direct or indirect majority interest (as indicated by the shareholdings in brackets):

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

- 1&1 Internet AG, Montabaur (100.00%)
    - 1&1 Internet Inc., Chesterbrook / USA (100.00%)
        - A1 Media LLC, Chesterbrook / USA (100.00%)
    - 1&1 Internet Ltd., Slough / UK (100.00%)
    - 1&1 Internet S.A.R.L., Saargemünd / France (100.00%)
    - 1&1 Internet Espana S.L.U., Madrid / Spain (100.00%)
    - 1&1 Internet Service GmbH, Montabaur (100.00%)
    - 1&1 Internet Service GmbH Zweibrücken, Zweibrücken (100.00%)
    - 1&1 Internet Services (Philippines) Inc., Cebu City, Philippines (100.00%)
    - 1&1 UK Holdings Ltd., Slough / UK (100.00%)
        - Fasthosts Internet Ltd., Gloucester / UK (100.00%)
            - Fasthosts Internet Inc., Chesterbrook / USA (100.00%)
    - A1 Marketing Kommunikation und neue Medien GmbH, Montabaur (100.00%)
    - GMX GmbH, Munich (100.00%)
    - GMX Inc., Chesterbrook / USA (100.00%)
    - GMX Internet Services GmbH, Munich (100.00%)
    - Immobilienverwaltung AB GmbH, Montabaur (100.00%)
    - United Internet Media AG, Munich (100.00%)
    - WEB.DE GmbH, Montabaur (100.00%)

<u>United Internet Beteiligungen</u>:

- United Internet Beteiligungen GmbH, Montabaur (100.00%)
    - United Internet Beteiligungen International GmbH, Montabaur (100.00%)
    - InterNetX GmbH, Regensburg (85.09%)
        - Schlund Technologies GmbH, Regensburg (100.00%)
        - PSI USA Inc., Las Vegas / USA (100.00%)

<u>AdLINK</u>:

- AdLINK Internet Media AG, Montabaur (87.73%)
    - AdLINK Internet Media AB, Stockholm / Sweden (100.00%)
    - AdLINK Internet Media S.A., Levallois-Perret / France (100.00%)
    - AdLINK Internet Media N.V., Brussels / Belgium (100.00%)
    - AdLINK Internet Media S.L.U., Madrid / Spain (100.00%)
    - AdLINK Internet Media Ltd., London / UK (100.00%)
    - AdLINK Internet Media B.V., Haarlem / Netherlands (100.00%)
    - AdLINK Internet Media Srl., Milan / Italy (100.00%)
    - AdLINK Internet Media GmbH Deutschland, Düsseldorf (100.00%)
        - net:dialogs GmbH, Montabaur (100.00%)
        - Sedo GmbH, Cologne (75.94%)
            - Sedo.com LLC, Cambridge (Boston) / USA (100.00%)
            - DomCollect Worldwide Intellectual Property AG, Zug / Switzerland (100.00%)
    - affilinet GmbH, Ebersberg (100.00%)
        - affilinet Ltd., London / UK (100.00%)
        - CibleClick Performances S.A., Levallois Perret / France (100.00%)
            - affilinet SAS, Levallois Perret / France (100.00%)

<u>Other</u>:

- MIP Multimedia Internet Park GmbH, Zweibrücken (100.00%)
- Inson HOLDING GmbH, Montabaur (100.00%)
- European Founders Fund No. 2 Verwaltungs GmbH, Munich (90.00%)
- European Founders Fund No. 2 Management GmbH, Munich (90.00%)
- European Founders Fund GmbH Co. Beteiligungs KG No. 2, Munich (90.00%)

Due to the contractually agreed unanimity of voting on all shareholder resolutions, the Group cannot exert a controlling influence on EFF No. 2 companies. As the Group holds a majority of the economic opportunities and risks, however, the companies are consolidated according to SIC 12 *Consolidation – Special Purpose Entities.*

The shareholding in a joint venture is recognized using the equity method and comprises the following company:

- MSP Holding GmbH, Maintal (50.00%)

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

- European Founders Fund Verwaltungs GmbH, Munich (66.67%)
- European Founders Fund Management GmbH, Munich (66.67%)
- European Founders Fund GmbH & Co. Beteiligungs KG No.1, Munich (66.67%)
- gatrixx AG, Berlin (48.44%)
- fun communications GmbH, Karlsruhe (49.00%)
- Versatel AG, Berlin (19.50%)
- Bigpoint GmbH, Hamburg (12.51%)

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

As a result of shareholder regulations, United Internet AG can exert a significant influence over Bigpoint.

2.3 Changes in accounting and valuation methods

Initial application of new accounting standards in the period under review

The accounting and valuation policies applied mainly correspond to the methods applied in the previous year, with the following exceptions:

In the period under review, the Company applied the following new and revised IFRS standards and interpretations. There were no significant effects on the presentation of the consolidated financial statements from the application of new or revised standards and interpretations. However, they resulted in additional disclosures and in some cases to changes in the accounting and valuation methods.

- **IFRS 7** Financial Instruments: Disclosures
- **IAS 1 Amendment** Presentation of Financial Statements
- **IFRIC 8** Scope of IFRS 2
- **IFRIC 9** Reassessment of Embedded Derivatives
- **IFRIC 10** Interim Financial Reporting and Impairment

The Group also chose early adoption of the following interpretations. There were no significant effects on the presentation of net assets, financial situation and results of operations.

- **IFRIC 11** IFRS 2 – Group and Treasury Share Transactions

The main effects of these changes were as follows:

IFRS 7 – Financial Instruments: Disclosures

This standard requires disclosures which enable users to judge the significance of financial instruments for the Group's financial situation and profitability, as well as the type and extent of the risk resulting from such financial instruments. The corresponding new disclosures affect various items of the financial statements. Their application has no impact on the Group's net assets, financial position and earnings. The respective comparative information was adjusted.

IAS 1 Amendment – Presentation of Financial Statements

The new disclosures arising from this amendment enable users to judge the Group's aims, methods and processes with regard to capital management.

IFRIC 8 – Scope of IFRS 2

This interpretation requires the application of IFRS 2 for all transactions in which a company cannot specifically identify some or all of the goods or services received. This applies in particular if the consideration given for equity instruments granted by the company appears to be less than their fair value. As the Group only grants equity instruments to employees as part of its stock compensation plan, the application of this interpretation has no effect on net assets, financial situation and earnings.

IFRIC 9 – Reassessment of Embedded Derivatives

According to IFRIC 9, when signing a contract involving a structured instrument, companies must always judge whether there is an embedded derivative. A reassessment is only permissible in the case of a significant change in the contractual terms if this results in a significant change in cash flows. As the Group has no embedded derivatives which must be separated from a host contract, this interpretation has no effect on net assets, financial situation and earnings.

IFRIC 10 – Interim Financial Reporting and Impairment

The Group applied IFRIC Interpretation 10 for the first time on January 1, 2007. The interpretation regulates that an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost shall not be reversed. As the Group made no such adjustments to impairment charges in the past, this interpretation had no effect on net assets, financial situation and earnings.

IFRIC 11 – IFRS 2 Group and Treasury Share Transactions

IFRIC Interpretation 11 was released in November 2006 and is applicable for the first time for fiscal years beginning on or after on March 1, 2007. According to this interpretation, all agreements under which employees are granted rights to a company's equity instruments are to be accounted for as equity-settled share-based payment transactions, even if the company acquires the instrument from a third party or if the shareholders provide the required equity instruments.

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

The IASB and IFRIC have also released the following standards and interpretations whose adoption was not mandatory in fiscal year 2007 and which were not voluntarily applied by the Company.

Already adopted as EU law under the comitology procedure:

- **IFRS 8** Operating Segments

Not yet adopted as EU law under the comitology procedure:

- **IFRS 2 Amendment** Share-based Payment
- **IFRS 3** Business Combinations
- **IAS 1** Presentation of Financial Statements
- **IAS 23** Borrowing Costs
- **IAS 27** Consolidated and Separate Financial Statements acc. to IFRS
- **IAS 32 Amendment** Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements
- **IFRIC 12** Service Concession Arrangements
- **IFRIC 13** Customer Loyalty Programs
- **IFRIC 14 IAS 19** The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The main effects of these changes were as follows:

IFRS 8 – Operating Segments

IFRS 8 was released in November 2006 and is to be applied for the first time in fiscal years beginning on or after January 1, 2009. IFRS 8 requires the disclosure of information about a company's operating segments and replaces the obligation to specify primary (business segments) and secondary (geographical segments) segment report formats for a company. IFRS 8 follows the so-called management approach according to which segment reporting only conforms to the financial information the company's executives use for the internal management of the company. Decisive are the internal reporting and organizational structures as well as such financial values considered when deciding on the allocation of resources and the evaluation of profitability.

The Company decided not to apply IFRS 8 ahead of time and continues to apply IAS 14: Segment Reporting. The new standard will influence the mode of the presentation of financial information on the Group's business segments but will not affect the inclusion and valuation of assets and liabilities in the consolidated financial statements.

IFRS 2 Amendment – Share-based Payment

The amendment to IFRS 2 was released in January 2008 and is applicable for fiscal years beginning on or after January 1, 2009. The revision introduces the clarification that the term "vesting conditions" refers exclusively to the conditions of services and performances. Furthermore, the regulations for the financial reporting of an early exercise of share-based payment plans are extended to include early exercise by employees. The transitional provisions provide for retrospective application of the revision.

As the view held by the IASB corresponds to the accounting method hitherto applied by the Group, the application of this amendment will have no effect on the Group's net assets, financial situation and earnings.

IFRS 3 – Business Combinations

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

As the Company will probably continue to apply the *purchased goodwill method* for future business combinations, there will be no effects from the new regulation. Revaluation in the course of successive company acquisitions and the mandatory recognition of conditional compensation at the time of purchase may lead to higher goodwill values.

IAS 1 – Presentation of Financial Statements

The revised standard IAS 1 was released in September 2007 and is applicable for the fiscal years beginning on or after January 1, 2009. The revised version of the standard includes material changes to the presentation and disclosure of financial information in the financial statements. The revisions include in particular the introduction of an overall account that includes the income realized within a financial period as well as not yet realized gains and losses previously disclosed within the equity statement, replacing the income statement in its previous shape. Furthermore, the standard requires that in addition to the balance sheet as of balance sheet date and the balance sheet as of the preceding balance sheet date, a balance sheet shall be presented as of the beginning of the period of comparison if the company retroactively applies accounting policies and valuation methods, corrects a mistake, or reclassifies an item.

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

IAS 23 – Borrowing Costs

Revised standard IAS 23 was released in March 2007 and is applicable for the fiscal years beginning on or after January 1, 2009. The standard requires borrowing costs that can be attributed to a qualified asset to be capitalized. An asset is defined as a qualified asset if a considerable period of time is necessary to put the asset in its intended condition for use or sale. The standard provides for the revision's prospective application.

In accordance with the standard's transitional regulations, the Group shall apply the standard prospectively. Consequently, borrowing costs will be capitalized for qualified assets from January 1, 2009 onward. No changes arise for borrowing costs previously incurred that have immediately been charged to expense. Due to the insignificance of qualified assets in the fiscal year of first-time application, no effects are to be expected on the profit, financial and economic situation from first-time application of this revision.

IAS 27 – Consolidated and Separate Financial Statements acc. to IFRS

Revised standard IAS 27 was released in January 2008. The changes are applicable for the fiscal years beginning on or after July 1, 2009. The changes result from a joint project of IASB and FASB for the revision of accounting regulations for business combinations. The changes primarily concern the accounting of investments with no control over the entity (minority interest), participating in the Group's losses to the full amount in the future, and of transactions that lead to a loss of control over a subsidiary and whose consequences shall be recognized in the income statement. The consequences of the sale of investments not resulting in a loss of control shall be recognized in equity, not affecting net income. The transitional provisions, generally requiring a retrospective application of realized changes, provide for a prospective application with respect to the above-mentioned cases. Therefore no changes arise for assets and liabilities resulting from such transactions prior to the first-time application of the new standard.

As neither the above transactions nor a loss attributable to minority interests is expected in the fiscal year of first-time application, it is unlikely that the adoption of this standard will have any effect on the consolidated financial statements.

IAS 32 Amendment – Financial Instruments: Presentation and IAS 1 –Presentation of Financial Statements

The amendment to IAS 32 and IAS 1 was released in February 2008 and is applicable for the fiscal years beginning on or after January 1, 2009. The amendment addresses the classification of redeemable financial instruments as equity or financial liability. According to the previous regulation, companies were forced in part to disclose capital as financial liability due to the shareholders' lawful rights of cancellation. In future, these financial instruments shall be generally classified as equity if compensation at the respective market value is agreed on and the instruments belong in the most subordinate class of instruments.

Because of the legal structure of the parent company and the pertinent statutory and corporate law provisions, the revision will not affect the classification, valuation, and disclosure of financial instruments in the consolidated financial statements.

IFRIC 12 – Service Concession Arrangements

IFRIC interpretation 12 was released in November 2006 and is applicable for the fiscal years beginning on or after January 1, 2008. The interpretation governs the accounting of obligations assumed and rights granted within the context of service concession arrangements in the lessee's financial statements.

The companies included in the consolidated financial statements are not lessees of concessions pursuant to IFRIC 12. This interpretation will therefore have no effect on the Group.

IFRIC 13 - Customer Loyalty Programs

IFRIC interpretation 13 was released in June 2007 and is applicable for fiscal years beginning on or after July 1, 2008. According to this Interpretation, loyalty award credits granted to customers shall be accounted for as sales separate from the transaction within whose framework they have been granted. Therefore a part of the fair value of the consideration received is attributed to the loyalty award credits and deferred as a liability. The realization of sales occurs in the period in which the customer loyalty award credits are executed or expired.

As the Company currently has no customer loyalty programs, no effects on the consolidated financial statements are expected to arise from this interpretation.

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

IFRIC interpretation 14 was released in July 2007 and is applicable for the fiscal years beginning on or after January 1, 2008. This interpretation provides guidelines for the determination of the limit on the amount of the surplus from a defined benefit plan that can be capitalized as an asset according to IAS 19: Employee benefits.

As the Group has no defined benefit plans, no effects from this interpretation are expected for the consolidated financial statements.

2.4 Retrospective adjustment

The sale and deconsolidation of twenty4help requires adjustments to prior-year income statement positions in accordance with IFRS 5. Sales revenue and expenses of the discontinued division are no longer included in the respective items. The net profit after minority interests of the discontinued division is disclosed separately. The comparative figures in the balance sheet as of December 31, 2006 and the cash flow statement are to be presented unchanged, so that prior-year figures have only limited comparative use. Reclassifications were made in the prior-year cash flow statement in order to reflect the changed disclosures in the income statement. There were no changes in cash flow from operating activities, investment activities and financing activities.

2.5 Significant accounting judgments, estimates and assumptions

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

Accounting judgments

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

Special-purpose entities

In the period under review, the Group acquired shares in the special-purpose entities European Founders Fund No. 1 and No. 2. On analysis of the contractual terms of the bylaws under consideration of SIC-12 *Consolidation – Special Purpose Entities*, it was noted that:

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

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

Estimates and assumptions

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

Impairment of non-financial assets

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

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

Impairment of available-for-sale financial investments

The Company classifies certain assets as available-for-sale and recognizes changes in their fair value directly in equity. If the fair value falls, management makes assumptions about the loss in value in order to determine whether it constitutes an impairment which must be expensed in the income statement. The carrying value of available-for-sale financial investments amounted to € 62,472k (prior year: € 1,842k).

Share-based payments

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

Deferred tax assets

Deferred tax assets are recognized for all unused tax loss carryforwards, to the ex-tent for which it is probable that future taxable profit will be available. In order to assess the amount of deferred tax assets, management must make significant judgments based on the likely timing and level of future taxable income as well as future tax planning strategies. As of December 31, 2007, the carrying value of tax losses considered amounted to € 6,097k (prior year: € 8,448k), while tax losses not considered amounted to € 6,772k (prior year: € 11,952k). Further details are provided in Note 15.

Trade accounts receivable

Trade receivables are carried in the balance sheet less impairment charges made. Allowances for doubtful claims are made on the basis of a systematic review as well as valuations conducted as part of credit monitoring. Assumptions concerning the payment behavior and creditworthiness of customers are subject to significant uncertainties. The carrying value of trade receivables amounted to € 123,788k (prior year: € 120,920k).

Tangible and intangible assets

Property, plant and equipment and intangible assets are valued at cost on initial recognition. Property, plant and equipment and intangible assets with limited useful lives are then depreciated over their expected economic useful lives using the straight-line method. Expected useful lives are based on historical experience and thus subject to significant uncertainties, especially with regard to unforeseen technological developments. The carrying value of tangible and intangible assets amounted to € 175,232k (prior year: € 191,384k).

Provisions

Provisions are formed if the Group has a legal or actual obligation resulting from a past event which will probably give rise to the outflow of resources with an economic benefit to fulfill the obligation, provided that the level of the obligation can be reliably estimated. Such estimates are subject to significant uncertainties. The carrying value of provisions amounted to € 7,683k (prior year: € 1,699k).

2.6 Summary of significant accounting and valuation methods

Revenue recognition

Revenue is recognized separately for each of the Group's different segments (see Note 4).

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

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

Product segment

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

Internet access

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

Revenue is realized according to service provision, which generally corresponds to the receipt of monthly fees paid by customers (usage charges and basic fees). Payment is generally made by direct debit.

Web hosting solutions

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

Web hosting customers generally pay in advance for the services provided by the Company for a fixed time period. Revenue is recognized pro rata over the period of service provision. Payment is generally made by direct debit.

Portal/club business

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

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

Online Marketing segment

In its Online Marketing segment, the Company offers advertising customers a variety of online marketing and sales solutions in the field of display, affiliate, domain, e-mail, direct and dialogue-based marketing.

AdLINK Media

AdLINK Media comprises the sub-markets e-mail marketing and direct and dialogue-based marketing of the brands “composite email” and “net:dialogs”. AdLINK Media assumes the independent marketing of third-party websites and e-mail databases. Depending on the type of campaign and the advertiser’s campaign objectives, revenue is generated on the basis of cost per thousand contacts (CPM) or a cost-per-click basis. In the case of direct and dialogue-based marketing billing is also on a cost-per-lead/sale basis.

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

Domain Marketing

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

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

Affiliate Marketing

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

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

Foreign currency translation

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

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

Property, plant and equipment

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

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

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

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

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

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

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

Leasing contracts are all operating leases, whereby the Company acts exclusively as lessee. Leasing objects are carried in the balance sheet of the lessor, as the beneficial owner. The respective leasing charges are therefore expensed over the leasing period.

Borrowing costs

Borrowing costs are expensed in the period incurred.

Business combinations and goodwill

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

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

In order to test whether there is any impairment, goodwill acquired in the course of a business combination must be allocated from the date of acquisition to each of the cash-generating units of the

Group which are to profit from the synergy effects of the combination. This does not depend on whether other assets and liabilities of the Group are already allocated to these cash-generating units.

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

Intangible assets

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

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

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

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

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

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

Investments in associated companies

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

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

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

Shares in a joint venture

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

Impairment of non-financial assets

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

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

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

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

Goodwill

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

Intangible assets

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

Associated companies

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

Financial investments and other financial assets

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

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

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

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

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

Loans and receivables

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

Available-for-sale financial investments

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

Fair value

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

Amortized cost

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

Impairment of financial assets

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

Financial assets carried at amortized cost

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

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

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

Available-for-sale financial investments

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

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

Inventories

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

Treasury shares

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

Cash and cash equivalents

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

Financial liabilities

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

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

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

Derecognition of financial assets and financial liabilities

Financial assets

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

- The contractual rights to receive cash flows from a financial asset have expired.
- The Company reserves the rights to receive cash flows from a financial asset, but assumes a contractual obligation to immediately pay the cash flows to a third party as part of an agreement which fulfills the conditions of IAS 39.19 (*pass-through arrangement*).
- The Company transfers its rights to receive cash flows from a financial asset and either (a) transfers virtually all opportunities and risks connected with owning the financial asset or (b) retains authority to dispose of the asset even though it has neither transferred nor retained virtually all opportunities and risks connected with owning the financial asset.

Financial liabilities

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

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

Provisions

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

Share-based payment

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

Equity-settled transactions

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

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

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

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

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

Earnings per share

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

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

Leases

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

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

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

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

All leasing contracts are currently classified as operating leases, whereby the Company acts exclusively as lessee.

Financial income

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

Government grants

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

Taxes

Actual claims to income tax refunds and income tax due

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

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

Deferred taxes

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

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

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

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

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

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

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

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

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

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

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

Sales tax

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

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

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

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

Derivative financial instruments and hedging relationships

Derivative financial instruments are recognized at fair value on the date of the agreement and carried at fair value in the subsequent periods. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative.

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

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

3. Investments and business combinations

In fiscal year 2007, the shareholdings held by AdLINK Internet Media AG in AdLINK Switzerland (50%) and AdLINK Austria (30%) were contributed to Goldbach Media as a non-cash contribution. In return, AdLINK Internet Media AG received 89,897 shares in Goldbach Media AG as compensation, corresponding to 19.4% of capital stock. As a result of the IPO and capital increase of Goldbach Media AG, this shareholding was diluted to 14.99%. The shares in Goldbach are classified as available-for-sale financial assets and disclosed under the item “Other financial assets”. The transaction was as follows:

	2007
	€k
Initial valuation of shares	19,890
Ancillary acquisition costs	51
Additions from initial valuation	**19,941**
Subsequent valuation acc. to IAS 39	8,853
As of balance sheet date	**28,794**

This transaction resulted in a balance sheet profit of € 16,808k, which was calculated as follows:

	2007
	€k
Initial valuation of shares in Goldbach	19,890
Disposal value of associated companies	3,082
Result from the company transaction	**16,808**

Due to the non-cash contribution, the shares in AdLINK Switzerland and AdLINK Austria are no longer disclosed as shares in associated companies. The results of both companies were included pro rata in the consolidated financial statements until the time of disposal using the equity method. The change and disposal value of shares in associated companies during fiscal year 2007 can be seen below:

	2007
	€k
Carrying value at the beginning of the fiscal year	3,012
Additions	563
Adjustments	
- dividend payments	-666
- prorated results	173
	3,082

Up to fiscal year 2005, 80% of shares in InterNetX GmbH were acquired. The original shareholders were interested in successively selling further shares in InterNetX GmbH to United Internet Beteiligungen GmbH up to 2015. In fiscal year 2007, therefore, the shareholding in InterNetX GmbH was raised from 80% to 85.09%. The purchase price for this additional stake amounted to € 627k. A further 10.46% of shares are to be sold to United Internet Beteiligungen GmbH in fiscal year 2008. The selling price depends on the company’s profit development. The purchase of shares in InterNetX to date and the forward purchase agreement has resulted in goodwill of € 5,032k.

United Internet Beteiligungen GmbH acquired a shareholding of 66.67% in the European Founders Fund GmbH & Co. Beteiligungs KG No. 1. The acquisition cost amounted to € 10,037k in total. Due to company law regulations, United Internet Beteiligungen GmbH cannot exert a controlling interest in the company – despite holding a majority of voting rights. Instead, it exerts a material interest and the company is thus consolidated as an associated company pursuant to IAS 28.

At the end of fiscal year 2007, United Internet AG acquired 50% of shares in MSP Holding GmbH, Maintal. The acquisition cost amounted to € 165,428k and also comprised directly assignable costs of € 26k. The acquisition cost was settled in cash. Initial recognition was made on a provisional basis.

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

At the end of fiscal year 2007, United Internet AG acquired 19.5% of shares in Versatel AG, Düsseldorf. The acquisition cost amounted to € 126,382k and also comprised directly assignable costs of € 2,329k. The acquisition cost was settled in cash. Initial recognition was made on a provisional basis.

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

In May 2006, 1&1 UK Holdings Ltd., Slough / UK, acquired 100% of shares in Fasthosts Internet Ltd., Gloucester / UK. The preliminary acquisition cost of the business combination amounted to € 96,866k and also comprised directly assignable costs of € 1,214k, settled in cash. This resulted in goodwill of € 72,937k. Due to a contractually agreed purchase price reduction, which also depended on the company’s earnings in fiscal year 2006, the purchase price was reduced by € 3,436k in fiscal year 2007. The reduction was assigned in full to goodwill.

In October 2006, the remaining 25% of shares in CibleClick Performances S.A., headquartered in Levallois Perret, France, were acquired by affilinet GmbH. The total acquisition cost amounted to € 22,243k and also comprised directly assignable costs of € 615k. The acquisition cost was settled in cash. It resulted in goodwill of € 20,746k.

In fiscal year 2005 AdLINK Internet Media AG acquired the shares held by United Internet AG in Sedo GmbH. In addition, AdLINK Internet Media AG bought further shares from a Management Board member of Sedo GmbH. In November 2006, AdLINK Internet Media GmbH Deutschland purchased a further 23.80% of shares in Sedo GmbH. At the same time, AdLINK Internet Media AG transferred the shares it already held as a non-cash contribution to AdLINK Internet Media GmbH Deutschland, so that as of December 31, 2006, 75.94% of shares in Sedo GmbH were held.

The acquisition costs of the additional shares amounted to € 34,606k and comprised costs directly allocated to the acquisition amounting to € 100k. The acquisition cost was settled in cash. Goodwill from this acquisition amounted to € 30,949k.

In the course of the increase in shares held in Sedo GmbH, a profit transfer agreement was concluded between AdLINK Internet Media GmbH Deutschland and Sedo GmbH, effective from January 1, 2007. On the basis of this profit transfer agreement, Sedo GmbH will transfer its complete result to AdLINK Internet Media GmbH Deutschland. As compensation for the minority shareholders, the contract allows for a dividend payment of € 250k per fiscal year. The contract cannot be terminated before December 31, 2011.

As part of the purchase of additional shares, the minority shareholders were granted a conditional put option, which can be exercised in the period from January 1, 2009 to December 31, 2015, whereby the option can only be exercised jointly in 2009 and 2010 by all minority shareholders. The option is conditional in as far as AdLINK has the right to oppose the exercising of the put option. The purchase prices depend mainly on the company’s profit development.

4. Sales revenue / Segment reporting

Segment reporting includes the primary and secondary reporting formats in accordance with IAS 14. The Company has chosen the organizational structure aligned to products/customers as its primary reporting format. It relates to the Product segment, Outsourcing segment, Online Marketing segment and Head Office/Investments segment.

The secondary reporting format differentiates between domestic and foreign business.

Transactions between segments are charged at market prices.

The segments of United Internet AG in fiscal year 2007 are as shown in the table below:

DEVELOPMENT OF SEGMENT 2007

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

Following the sale of the twenty4help group, the Outsourcing segment is no longer separately reported. The prior-year figures were adjusted accordingly and now only include continued operations. The other company in the Outsourcing segment, the brand InterNetX, was integrated into the Product segment.

The segments (*) of United Internet AG in fiscal year 2006 are as shown in the table below:

DEVELOPMENT OF SEGMENT 2006

	Product Segment €k	Outsourcing Segment €k	Online-Marketing-Segment €k	Headquarter / Investmens €k	Crossover €k	United Internet Group €k
Total revenues	1,007,897	---	177,472	10,497	---	---
- thereof internal revenues	6,885	---	4,906	9,932	---	---
External revenues	1,001,012	---	172,566	565	---	1,174,143
- thereof domestic	925,251	---	93,865	565	---	1,019,681
- thereof non-domestic	75,761	---	78,701	0	---	154,462
EBITDA	199,969	---	22,291	-1,074	---	221,186
Result from at-equity companies	---	---	1,250	1,118	---	2,368
Segment result	150,322	---	19,782	1,180	---	171,284
Tax expenses					-59,602	-59,602
Net income (from continued operations)						111,682
Result from discontinued operations					8,547	8,547
Net income (after discontinued operations)						120,229
Operativ segment asset	637,418	33,738	120,423	177,054	-158,912	809,721
- thereof domestic	486,368	14,826	45,753	177,054	-158,912	565,089
- thereof non-domestic	151,050	18,912	74,670	0		244,632
Deferred taxes					9,811	9,811
Total assets						819,532
Shareholding in at-equity companies	---	---	3,012	7,994		11,006
Operativ segment liabilities	395,334	22,607	105,584	72,691	-159,211	437,005
Accrued taxes					25,743	25,743
Deferred tax liabilities					21,769	21,769
Total liabilities						484,517
Investments in intangibel assets and property, plant and equipment	37,401	2,035	1,775	215		41,426
- thereof domestic	27,791	1,324	1,624	215		30,954
- thereof non-domestic	9,610	711	151	0		10,472
Amortization/depreciation of intangibel assets property, plant and equipment	48,261	5,026	1,550	382		55,219
Number of Employees	2,856	3,063	400	28		6,347
- thereof domestic	2,383	1,376	196	28		3,983
- thereof non-domestic	473	1,687	204	0		2,364

* Adapted – see Note 2.4.

5. Cost of sales

	2007 €k	**2006** €k
Cost of services	726,953	533,717
Cost of goods	93,850	104,763
Personnel expenditure	42,099	35,133
Depreciation	28,531	17,465
Others	4,568	6,453
Total	896,001	697,531

Cost of sales increased in relation to sales revenue from 59.4% to 60.2%, compared with the previous year. This resulted in a deterioration of gross margin from 40.6% to 39.8%. The main reason was strong growth in new customers for DSL, as well as a change in the product mix.

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

6. Selling expenses

Due to strong customer growth, as well as costs incurred for expanding customer relationships and the marketing launch of all-inclusive packages, selling expenses grew from € 225,605k to € 248,234k. As a result of even stronger growth in sales, the corresponding ratio fell to 16.7% (prior year: 19.2%).

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

7. General and administrative expenses

General and administrative expenses rose more slowly than sales, from € 70,375k (6.0%) to € 82,470k (5.5%).

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

8. Other operating income / expenses

Other operating income in fiscal year 2007 was heavily influenced by the special item resulting from the contribution of shares as part of the acquisition of a shareholding in Goldbach (€ 16,808k) and the sale of shares in NTplus (€ 4,591k). In the previous year, other operating income of € 5,538k resulted from the partial deconsolidation of shares in a subsidiary.

Other operating expenses mainly comprise an indemnity obligation toward a joint venture (€ 10,000k). Losses due to account receivables of 1&1 Internet AG amounted to € 12,212k (prior year: € 10.237k), while income from dunning and return debit charges totaled € 9,933k (prior year: € 10,380k).

Due to the negative fair value of a derivative financial instrument, other operating expenses of € 2,663k (prior year: € 0k) were recognized.

Currency losses (net) in fiscal year 2007 amounted to € 371k (prior year: € 39k).

Expenses relating to other accounting periods totaled € 2,112k (prior year: € 3,962k).

In addition, other operating income contains subsidies for current personnel expenses in connection with the Multimedia Internet Park in Zweibrücken amounting to € 480k (prior year: € 520k).

9. Depreciation and amortization

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

	2007 €k	**2006** €k
Cost of sales	28,531	17,465
Selling expenses	2,496	1,964
General and administrative expenses	9,070	8,918
Total	40,097	28,347

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

	2007 €k	2006 €k
Portal	9,030	9,030
Customer base	7,280	6,581
Software	4,010	3,840
Licenses	1,412	1,480
Order backlog	762	915
Total	22,494	21,846

Amortization of capitalized goodwill of € 19,004k (prior year: € 19,367k) resulted from the acquisition of the portal business of WEB.DE AG (today: ComBOTS AG), an amount of € 2,882k (prior year: € 1,801k) from the acquisition of Fasthosts and € 608k (prior year: € 678k) from the acquisition of CibleClick.

As amortization of intangible assets resulting from company acquisitions cannot be accurately allocated to individual divisions, it is disclosed separately in the income statement.

10. Goodwill amortization

Due to restructuring at CibleClick France and AdLINK UK, the goodwill of both companies was subjected to a non-scheduled impairment test. In connection with this impairment test, goodwill of CibleClick France was written down by € 7,662k and of AdLINK UK by € 1,711k in the period under review. No amortization of goodwill was necessary in fiscal year 2006. Further details are provided in Note 29.

11. Personnel expenses

Personnel expenses are divided among the various divisions as follows:

	2007 €k	2006 €k
Cost of sales	42,099	35,133
Selling expenses	71,569	60,121
General and administrative expenses	32,176	27,948
Total	145,844	123,202

The number of employees increased from 3,284 to 3,954 at year-end 2007, representing growth of 20.4%:

	2007		2006	
Germany	3,127	79%	2,607	79%
Abroad	827	21%	677	21%
Total	3,954	100%	3,284	100%

The average number of employees in fiscal year 2007 amounted to 3,669 (prior year: 3,037), of which 2,884 (prior year: 2,484) were employed in Germany and 785 (prior year: 553) abroad.

12. Financial expenses

	2007 €k	2006 €k
Loans and overdraft	6,437	4,258
Guaranteed dividend to minority shareholder	54	1,082
Expense for loans from an associated company	183	---
Total financial expenses	6,674	5,340

13. Financial income

	2007 €k	2006 €k
Interest income from credit balances with banks	1,419	2,113
Income from financial investments	623	1,151
Income from loans to a joint venture	7	---
Total financial income	2,049	3,264

14. Result from associated companies

	2007 €k	2006 €k
Result from associated companies	2,284	2,368
	2,284	2,368

Further details on the result from associated companies are provided in Note 24.

15. Income taxes

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

	2007 €k	2006 €k
Current income taxes		
- Germany	-71,550	-54,132
- abroad	-8,390	-7,201
Total (current period)	-79,940	-61,333
Deferred taxes		
- due to tax loss carryforwards	-852	5,086
- tax effect on temporary differences	-515	-3,355
- due to tax rate changes	2,188	---
Total deferred taxes	821	1,731
Total tax expense	-79,119	-59,602

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

German trade tax on income is levied on a company's taxable income adjusted for certain revenues which are not subject to such tax and for certain expenses which are not deductible for purposes of trade tax on income. The effective trade tax rate depends on the municipality in which the company operates. The average trade tax rate during the period under review was 16.2% (prior year: 16.9%). As part of the German Corporate Tax Reform 2008, passed by the German government in 2007, trade tax will no longer be deductible as an operating expense. As compensation, the trade tax base rate will be reduced from 5% at present to 3.5%. As a result, the average trade tax rate in fiscal year 2008 will amount to approx. 14%.

German corporate income tax is levied at 25% for the tax assessment years 2006 and 2007 – irrespective of whether the result is retained or distributed. Additionally, a solidarity surcharge of 5.5% is imposed on the assessed corporate income tax. The tax rate will be reduced from 25 % to 15 % in connection with the German orporate tax reform 2008.

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

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

In Germany, the loss carryforwards can be claimed for an indefinite period. As in the previous year, these relate to loss carryforwards as of December 31, 2007 of AdLINK Internet Media AG and AdLINK Internet Media GmbH Deutschland.

Deferred taxes on temporary differences were calculated using a composite tax rate (corporate income tax, solidarity surcharge and trade tax on income). This amounts to 38.8% for 2006 and 38.5% for 2007. As a result of the German Corporate Tax Reform, the corporate income tax rate will be reduced from 25% to 15%. The composite tax rate will therefore fall from 38.5% to approx. 29.8% (14% trade tax + 15% corporate income tax + 0.83% solidarity surcharge).

The balance of deferred taxes was as follows:

	2007 €k	2006 €k
Deferred tax assets due to		
- tax loss carryforwards	6,097	8,448
- differing carrying amounts and consolidation adjustments	1,340	1,363
Total deferred tax assets	7,437	9,811
Deferred tax liabilities due to		
- differing carrying amounts and consolidation adjustments	-19,061	-21,769
Total deferred tax liabilities	-19,061	-21,769
Deferred tax debts	**-11,624**	**-11,958**

Deferred tax assets for loss carryforwards of € 1,970k refer to AdLINK Internet Media AG. Due to their economic development, deferred taxes were formed for the first time in fiscal 2007 for loss carryforwards of AdLINK France (€ 1,016k), AdLINK Italy (€ 110k) and Sedo USA (€ 66k). The remaining deferred taxes amounting to € 2,935k concern the sub-group 1&1. Due to the economic development of 1&1 USA, deferred taxes were formed for the first time. The Group capitalized deferred taxes for all companies which already generated positive, taxable earnings in fiscal years 2006 and 2007 and for whom a positive EBT is already forecast in the Group's budget planning. For reasons of prudence, only those tax loss carryforwards were capitalized, which are likely to be utilized within three years.

Deferred taxes on loss carryforwards and temporary differences totaling € 6,772k (prior year: € 11,952k) were not capitalized, as the recovery of loss carryforwards as of the balance sheet date was not sufficiently probable.

Other deferred tax assets consisted of the following items:

	2007 €k	2006 €k
Deferred tax assets due to		
- differing carrying amounts	1,284	1,302
- consolidation adjustments	10	61
- revaluation reserve not affecting income	46	0
	1,340	**1,363**

Deferred tax assets due to differing carrying amounts of € 1,284k (prior year: € 1,302k) apply to other liabilities in the amount of € 900k (prior year: € 583k) and differing carrying amounts of trade accounts receivable in the amount of € 356k (prior year: € 0k). Deferred tax assets in the previous year of € 719k resulted from differing carrying amounts of deferred income.

Deferred tax liabilities consisted of the following items:

	2007 €k	2006 €k
Deferred tax liabilities due to		
- company acquisitions	16,206	18,779
- consolidation adjustments	1,757	1,942
- revaluation reserve not affecting income	133	0
- others	965	1,048
	19,061	**21,769**

Deferred tax liabilities of € 16,206k (prior year: € 18,779k) result mainly from the different treatment of capitalized intangible assets from business combinations in the consolidated accounts and the tax balance sheet.

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

	2007 %	2006 %
Anticipated tax rate	-38.5	-38.8
- Goodwill amortization non-deductible for tax purposes	-1.5	0.0
- Tax-reduced profit from disposals	2.9	1.4
- Differences in foreign tax rates	0.7	0.7
- Employee stock ownership plan	0.2	-0.3
- Tax losses of the fiscal year, for which no deferred taxes have been capitalized	-1.1	-1.1
- First-time capitalization of tax losses not used in prior years	1.9	3.4
- Utilization of non-capitalized tax losses carryforewards	0.7	0.1
- Non-taxable at-equity results	0.4	0.5
- Change of tax rates	0.9	0.0
- Allowance for tax loss carryforewards capitalized in privious year	-0.1	0.0
- Balance of other tax-free income and non-deductible expenses	-0.2	-0.7
Effective tax rate	-33.7	-34.8

16. Result from discontinued operations

In a contract dated January 19, 2007, United Internet AG, Montabaur, reached an agreement with Teleperformance SA, Paris, concerning the sale to Teleperformance of the United Internet Group member twenty4help Knowledge Service AG, Montabaur. Teleperformance paid the full purchase price in cash. The business combination was approved by the respective antitrust authorities on February 22, 2007. The business transfer of the shares was closed on March 13, 2007.

Due to the sale of twenty4help, the prior-year figures of the income statement are adjusted in accordance with IFRS 5. Revenues and expenses of the discontinued business segment are no longer included in the respective items and the business segment is disclosed separately with its result after taxes. In the previous year, the financial figures were included in the Outsourcing segment.

In accordance with IFRS 5, there was no scheduled depreciation or amortization of intangible assets or property, plant and equipment in the fiscal year 2007. The result from discontinued operations of € 68,098k (prior year: € 8,547k) comprises earnings of the current period (fiscal year 2007 until the time of disposal) of € 2,352k (prior year: € 8,547k) and net income from disposal amounting to € 65,746k.

The result from discontinued operations consisted of the following items:

	2007 €k	**2006** €k
Current result from discontinued operation		
Sales revenue	25,855	100,156
Cost of sales	-21,245	-87,215
Gross profit	4,610	12,941
Other operatin expenditure	-792	-2,682
Result before taxes	3,818	10,259
Income taxes	-1,445	-1,711
Net profit before minority interests	2,373	8,548
Minority interests	-21	-1
Net profit	2,352	8,547
Result from disposal		
Purchase price (after transaction costs)	79,619	
Less net assets	-13,210	
Result from disposal before taxes	66,409	
Income taxes	-663	
Result from disposal after taxes	65,746	
Total result of the discontinued operation	68,098	8,547

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

The net assets disposed of during the sale of discontinued operations consisted of the following:

	€k
Cash and cash equivalents	3,414
Trade accounts receivables	19,359
Accounts receivables from affiliated companies	1,711
Other current assets	2,964
Property, plant and equipment	6,474
Intangibel assets	1,707
Goodwill	628
Other non-current assets	696
	36,953
Trade accounts payable	1,058
Liabilities due to affiliated companies	3,146
Financial liabilities	7,000
Income tax debts	2,299
Other current liabilities	8,484
Other non-current liabilities	1,756
	23,743
Net assets	**13,210**

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

	2007 €k	**2006** €k
Cash flow from operating activities	4,161	9,845
Cash flow from investment activities	-339	-2,174
Cash flow from financial activities	-4,476	-8,132

17. Earnings per share

As of December 31, 2007, capital stock was divided up into 251,433,972 registered no-par shares each with a theoretical share in the capital stock of € 1. On December 31, 2007, the Company held 18,000,000 treasury shares (prior year: 8,226,072). These treasury shares do not entitle the Company to any rights or proportional dividends and are thus deducted from equity. The weighted average number of shares outstanding used for calculating was 235,759,855 for fiscal year 2007 (prior year: 245,976,157).

A dilutive effect must be taken into consideration for conversion rights resulting from the employee stock ownership program of United Internet AG which were contained in cash as of December 31, 2007. All conversion rights existing on December 31, 2007 were considered in the calculation of diluted earnings per share, using the treasury stock method, insofar as the conversion rights were in money and irrespective of whether the conversion rights were actually exercisable on the balance sheet date. The calculation of the dilutive effect from conversion is made by first determining the total of potential shares. On the basis of the average fair value, the number of shares is then calculated which could be acquired from the total amount of payments (par value of the convertible bond plus additional payment). If the difference between the two values is zero, the total payment is exactly equivalent to the fair value of the potential shares and no dilutive effect need be considered. If the difference is positive, it is assumed that these shares will be issued without consideration.

The calculation of diluted earnings per share was based on 2,196,756 (prior year: 2,702,292) potential shares (from the assumed use of conversion rights). Based on an average market price of € 14.47 (prior year: € 11.13), this would result in the issuance of 869,914 (prior year: 1,778,202) shares without consideration. The weighted average number of shares used to calculate diluted earnings per share was 236,629,769 in 2007 (prior year: 247,754,359).

In the period between the balance sheet date and the preparation of these annual financial statements, the Company purchased a further 4,000,000 treasury shares.

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

	2007 €k	**2006** €k
Net income attributable to shareholders of United Internet AG	**220,218**	**113,275**
Earnings per share (in €)		
- basic	0.93	0.46
- diluted	0.93	0.46
Thereof result from continued operations	**152,120**	**104,728**
Earnings per share (in €)		
- basic	0.64	0.42
- diluted	0.64	0.42
Thereof result from discontinued operations	**68,098**	**8,547**
Earnings per share (in €)		
- basic	0.29	0.04
- diluted	0.29	0.04
Weighted average share (in million units)		
- basic	235.76	245.98
- diluted	236.63	247.75

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

18. Dividend per share

The Management Board and Supervisory Board will discuss their dividend proposal for the fiscal year 2007 at the Supervisory Board of April 2, 2008. A dividend of € 0.18 per share was paid for the fiscal year 2006. This represented a total dividend payment in the period under review of € 42,516k. Treasury shares reduce equity and have no dividend entitlement. The Annual Shareholders' Meeting of May 27, 2008 will vote on the proposal of the Management Board and Supervisory Board.

19. Cash and cash equivalents

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

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

20. Trade accounts receivable

	2007 €k	**2006** €k
Trade accounts receivable	133,677	129,143
Less		
Bad debt allowances	-9,889	-8,223
Trade accounts receivable, net	123,788	120,920

As of December 31, 2007 trade accounts receivable amounting to € 9,889k were impaired (prior year: € 8,223k). The development of the bad debt allowances can be seen below:

	2007 €k	**2006** €k
As of January 1	8,223	7,305
Additions charged to the income statement	7,765	7,222
Utilization	-4,057	-4,411
Reversals	-1,720	-1,777
Exchange rate differences	-297	-116
Disposal from deconsolidation	-25	0
As of December 31	9,889	8,223

As of the balance sheet date there is no recognizable indication that payment obligations for receivables not adjusted cannot be met.

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

Trade accounts receivable are always stated at nominal value. Overdue receivable will be checked for the need of allowances. Individual allowances are formed basically by classifying receivables according to their age profile, please refer to Note 42.

All overdue receivables without individual allowance are subjected to lump-sum individual allowances.

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

	2007 €k	2006 €k
Trade receivables, net		
< 30 days	111,468	115,251
30 - 60 days	4,067	3,039
60 - 90 days	6,759	1,073
90 - 120 days	1,045	846
> 120 days	449	711
	123,788	120,920

21. Inventories

Inventories consist of the following items:

	2007 €k	2006 €k
Merchandise		
DSL hardware	7,975	5,680
Mobile internet hardware	4,611	7,886
Video on Demand hardware	2,162	2,418
Mobile hardware	1,503	0
Webhosting hardware	990	1,245
PCs, printer and accessories	0	467
Other	566	52
Domain stock held for sale		
Domain stock	3,624	2,000
	21,431	**19,748**
Less		
Allowances	-4,646	-2,951
Inventories, net	**16,785**	**16,797**

Allowances refer exclusively to merchandise. Impairment of inventories expensed in the period under review amounts to € 3,352k. This expense is disclosed in cost of sales.

22. Prepaid expenses

Prepaid expenses of € 23,020k (prior year: € 19,522k) consist mainly of prepayments for domain fees, which were deferred and charged to the income statement on the basis of the underlying contractual period of customers in the Product segment.

23. Other current assets

	2007 €k	2006 €k
Payments on account	4,282	3,377
Outstanding purchase price installment	3,621	0
Premium claim	2,883	2,276
Accounts receivable from the tax office	2,880	7,175
Other	2,705	4,877
Other assets, net	**16,371**	**17,705**

Payments on account consist mainly of down payments for domains.

Outstanding purchase price instalment refers to a payment due at the end of 2008 from the sale of shares in NT plus AG, to be settled fully in cash.

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

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

24. Shares in associated companies / joint ventures

	2007 €k	2006 €k
Carrying amount at the beginning of the fiscal year	11,006	9,492
Additions	309,299	5
Adjustments		
- Dividends	-950	-859
- Shares in result	2,284	2,368
Disposals	-12,616	0
	309,023	**11,006**

The addition to shares in associated companies results mainly from the acquisition of shares in Versatel (€ 126,382k) and from the investment in EFF No. 1 (€ 10,037k). Further additions of € 6,296k result from the purchase of shares in Bigpoint and the further acquisition of shares in fun (€ 593k) and AdLINK Switzerland (€ 563k).

The addition to shares in joint ventures amounts to € 165,428k and results from the investment in MSP Holding.

The disposal results from the sale of shares in NT plus amounting to € 9,534k and an amount of € 3,082k from the contribution of shares in AdLINK Austria and AdLINK Switzerland to Goldbach.

The following table provides an overview of shareholdings in fiscal year 2007 as well as the results of associated companies:

	Stake	At-equity results	
	United Internet	2007 €k	2006 €k
EFF Nr. 1	66.67%	2,000	---
AdLINK Switzerland	50.00%	167	1,209
MSP Holding	50.00%	-40	---
gatrixx	48.44%	---	---
fun	49.00%	230	196
NT plus	40.23%	1,862	922
AdLINK Austria	30.00%	7	41
Versatel	19.50%	-818	---
Bigpoint	12.51%	-1,124	---
		2,284	**2,368**

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

Despite holding 12.51% of Bigpoint shares, United Internet Beteiligungen GmbH was assigned 25.02% of voting rights. As a result, the company was included in the consolidated financial statements as an associated company.

Despite being slightly under than the 20% threshold, the Company has a significant influence on the business policy of Versatel AG.

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

	2007 €k	**2006** €k
Current assets	21,792	25
Non-current assets	317,176	0
Current liabilities	8,248	0
Non-current liabilities	0	0
Equity	330,720	25
Sales	0	0
Net profit	-80	0

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

	2007 €k	2006 €k
Current assets	220,937	173,460
Non-current assets	963,155	973,340
Current liabilities	197,128	198,005
Non-current liabilities	616,211	892,985
Equity	370,753	55,810
Sales	514,100	666,152
Net profit	-81,904	-51,648

The financial information for 2007 of Versatel AG is based on published figures as of September 30, 2007. On the basis of preliminary figures of Versatel AG for the fiscal year 2007, sales revenue is expected to reach € 700,646k and earnings € -89,005k.

Based on the stock exchange price as of the balance sheet date, the shares held by United Internet AG in Versatel AG have a fair value of € 227,198k.

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

	2007 €k	2006 €k
	Headquarter / Investments	
Current assets	17,016	3,590
Non-current assets	16,341	1,250
Current liabilities	3,942	2,754
Non-current liabilities	15,002	0
Equity	14,413	2,086
Sales revenue	15,177	9,449
Net profit	-338	-1,071

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

25. Other financial assets

The increase in other financial assets to € 67,867k results mainly from the purchase of shares in Goldbach and Drillisch. These shares acquired in fiscal 2007, as well as the shares in Afilias, are classified as available-for-sale financial assets in accordance with IAS 39.

The development of these shares was as follows:

	1/1/2007 €k	Addition €k	Subsequent valuation €k	Disposal €k	12/31/2007 €k
- Shares Goldbach	0	19,941	8,853	0	28,794
- Shares Drillisch	0	31,415	-3,090	0	28,325
- Shares Afilias	1,842	0	3,511	0	5,353
- Others	1,853	3,621	0	79	5,395
	3,695	**54,977**	**9,274**	**79**	**67,867**

	1/1/2006 €k	Addition €k	Subsequent valuation €k	Disposal €k	12/31/2006 €k
- Shares Afilias	1,361	0	481	0	1,842
- Others	79	1,774	0	0	1,853
	1,440	**1,774**	**481**	**0**	**3,695**

The addition to “Others” amounting € 3,621k results from a purchase price instalment in connection with the sale of shares in NT plus AG, which is to be fully settled in cash by the end of 2009.

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

26. Property, plant and equipment

	2007 €k	2006 €k
Acquisition cost		
- Land and buildings	13,757	13,757
- Furniture and fixtures	162,018	155,975
- Payments on account	10,227	8,256
Less subsidies	-11,884	-12,964
	174,118	**165,024**
Less		
Accumulated depreciation	-97,013	-98,728
Property, plant and equipment, net	**77,105**	**66,296**

An alternative presentation of the development of property, plant and equipment in the fiscal years 2006 and 2007 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

The disclosed subsidies relate to construction work completed in fiscal year 1999 at the Multimedia Internet Park in Zweibrücken (€ 6,771k). In addition, subsidies of € 5,113k were received in fiscal year 2002 relating to the construction of a new data center in Karlsruhe of 1&1 Internet. Further € 1,080k in the previous year relate to subsidies for the acquisition of fixed assets for twenty4help AG.

27. Intangible assets

	2007 €k	2006 €k
Acquisition costs		
- Licenses	27,462	33,781
- Order backlog	2,141	2,141
- Software	34,367	31,585
- Trademark	21,904	22,282
- Customer base	45,525	47,098
- Portal	72,240	72,240
	203,639	**209,127**
Less		
Accumulated amortization	-83,608	-61,757
Intangible assets, net	**120,031**	**147,370**

An alternative presentation of the development of intangible assets in the fiscal years 2006 and 2007 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

Intangible assets with unlimited useful lives (trademarks) are mainly allocated to the Product segment. The carrying values amount to € 21,904k. Intangible assets with unlimited useful lives were subjected to an impairment test on the balance sheet date. As in the previous year, no impairment was ascertained.

Due to signs of impairment, an impairment test was conducted on software in the Product segment as of the balance sheet date. This resulted in an impairment charge of € 3,536k (prior year: € 0k).

28. Goodwill

	2007 €k		2006 €k	
	gross	net	gross	net
Produkt segment	297,670	297,670	305,968	305,968
Outsourcing segment	0	0	628	628
Online Marketing segment	102,204	91,152	68,770	67,091
	399,874	**388,822**	**375,366**	**373,687**

An alternative presentation of the development of goodwill in the fiscal years 2006 and 2007 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

The increase in goodwill of € 33,927k results from the purchase of further shares in AdLINK (€ 33,434k) and InterNetX (€ 493k). The decline in goodwill of € 3,623 results mainly from a subsequent adjustment to the purchase price of shares in Fasthosts. There was a extraordinary write-down in the goodwill of AdLINK of € 9,373k. We refer to the following section. The disposal of € 628k refers to the deconsolidation of twenty4help.

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

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

Due to signs of a deterioration in earnings of CibleClick France and AdLINK UK and subsequent restructuring, the goodwill of these cash-generating units was subjected to an impairment test on June 30, 2007. The recoverable amounts of the cash-generating units concerned were measured using cash flow forecasts. The assumptions used were the same as those for the annual impairment test of cash-generating units in the Online Marketing segment, as described below. The test resulted in an impairment charge of € 7,662k for CibleClick France and of € 1,711k for AdLINK UK. These impairment charges are disclosed separately in the income statement.

The scheduled impairment test made in the 4th quarter of 2007 did not reveal any further amortization needs (prior year: € 0k).

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

Cash-generating units in the Product segment

The Product segment consists of three cash-generating units to which goodwill totaling € 297,670k (prior year: € 305,968k) has been allocated. The recoverable amounts of the cash-generating units in the Product segment are calculated on the basis of a value-in-use calculation using cash flow forecasts. The cash flow forecasts are based on the Company's budgets for fiscal 2008. These budgets were prepared by management on the basis of external market studies and internal assumptions, extrapolated for a period of five years. Following this period, management assumes an annual increase in cash flow of 1.5% to 2.0%, corresponding to long-term average growth of the sector in which the respective cash-generating unit operates. The discounted pre-tax interest rates used for the cash flow forecasts remain at between 11% and 13%.

The Product segment also has trademarks with a total carrying value of € 21,795k (prior year: € 22,173k). In the course of business combinations, these were valued at their fair values using the so-called "royalty relief" method and tested again for impairment on the balance sheet date. The trademark-relevant cash flows were multiplied with the trademark-relevant royalty rates. As in the previous year, these remained unchanged at between 1% and 2%. The forecast of trademark-relevant cash flows was based on the same assumptions regarding market development and discount rates as used for the calculation of value-in-use of the cash-generating units.

Cash-generating units in the Online Marketing segment

The Online Marketing segment consists of thirteen cash-generating units to which goodwill totaling € 91,152k (prior year: € 67,091k) has been allocated. The recoverable amounts of the cash-generating units in the Online Marketing segment are also calculated on the basis of a value-in-use calculation using cash flow forecasts. The cash flow forecasts for the Online Marketing segment are based on the budget for fiscal 2008 approved by the Supervisory Board. An expected estimate made by the Management Board was used for the years 2009 and 2010. For 2011 and 2012, sales expectations were extrapolated according to external market studies. Annual cash flow increases after this five-year period are based on an expected inflation rate of 2% (prior year: 1%). The discounted pre-tax interest rates used for the cash flow forecasts are between 12% and 14% (prior year: 15% and 19%), depending on the cash-generating unit.

The Online Marketing segment also includes trademarks with a total carrying value of € 109k (prior year: € 109k). In the course of business combinations, these were also valued at their fair values using the royalty relief method.

In the previous year, the **Outsourcing segment** comprised two cash-generating units to which goodwill of € 5,167k was allocated. Following the sale of twenty4help, the cash-generating unit of InterNetX, and the goodwill of € 4,539k allocated to it, was reassigned to the Product segment.

Basic assumptions for the calculation of value-in-use

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

- Sales revenue

  The management of the respective cash-generating unit expects a further increase in sales within its planning horizon. For the cash-generating units of the Product segment, an increase of between 6% and 19% is expected for the fiscal years 2008 to 2012 (prior year: 7% to 40%). For the cash-generating units of the Online Marketing segment, management expects sales to grow by between 2% and 39% (prior year: 4% and 50%).

- Growth rates

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

- Gross margin

  The planned gross margins are based on market assumptions made by the management of the respective cash-generating unit. In the Online Marketing segment, a reduction of between 0.5% and 2% per annum was assumed within the planning horizon, in order to account for growing competition. Management expects constant gross margins in the Product segment.

- Discount rates

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

Sensitivity of assumptions

Management believes that, on the basis of reasonable judgment, no generally possible change in one of the basic assumptions used to determine the value-in-use of a cash-generating unit could cause the carrying value to significantly exceed its recoverable value. The effects of changes to the basic assumptions is explained below:

- Discount rates

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

- Growth rates

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

30. Trade accounts payable

Trade accounts payable amounting to € 232,421k (prior year: € 163,330k) are owed to independent third parties with terms of less than one year.

31. Liabilities due to banks

a) Liabilities due to banks

	2007 €k	2006 €k
Bank loans	369,223	102,861
Less		
Current portion of liabilities to banks	-174	-282
Non-current portion of liabilities to banks	**369,049**	**102,579**
Current portion of non-current liabilities to banks	174	282
Short-term loans/overdrafts	1,882	15,858
Current portion of liabilities to banks	**2,056**	**16,140**
Total	**371,105**	**118,719**

In September 1997 the Company raised two long-term loans of € 2,045k and € 2,250k to finance the Multimedia Internet Park in Zweibrücken. The first loan was repaid in full on expiry of the fixed-interest period on July 30, 2007. The fixed-interest period of the second loan (3.45% p.a.) ends on July 30, 2008. In fiscal year 2007, repayments amounted to € 174k (prior year: € 282k). In addition, a special repayment of € 1,593k was made in fiscal year 2007. The loans are secured by first-priority mortgages of € 1,235k and the silent assignment of rent and lease receivables accruing from the lease of real estate belonging to MIP Multimedia Internet Park GmbH.

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

As of the balance sheet date, € 270.0 million have been used from Tranche A and € 100.0 million from Tranche B.

Tranche A is a bullet loan with a term of five years. Repayment is made from March 14, 2010 in half-yearly payments in the amount of six equal installments of the loan amount taken. Tranche B is a revolving syndicated loan, which is also used to refinance the syndicated loan of October 13, 2005 amounting to € 125.0 million. The syndicated loan expires on September 13, 2012.

The loans have variable interest rates. The effective interest rates for the interest periods of one, two, three, six or twelve months are tied to the EURIBOR rate plus a margin p.a.. This margin depends on key performance indicators of the United Internet Group. As of the balance sheet date, the interest rates range between 5.05% and 5.18% (prior year: 3.99% and 4.05%). No collateral was provided for these syndicated loans.

Current bank liabilities of € 15.0 million in the previous year resulted from a credit line used by AdLINK. The interest rate was 4.33%. The credit lines of AdLINK Internet Media AG amount to € 60.0

million. The maturity date for € 30.0 million is May 2008, for € 15.0 million in November 2009 and a further € 15.0 million are available at further notice.

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

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

b) Credit lines

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

	2007 €m	**2006** €m
Available credit lines	55.0	65.0
Utilization (guarantees only)	7.1	22.3
Average interest rate (in %)	n.a.	n.a.
Unutilized credit facilities	47.9	42.7

The credit facilities have been granted by the banks for limited periods. € 15.0 million expire in June 2008, € 25.0 million expire in September 2008 and a further € 15.0 million are available at further notice.

A further amount of € 130 million is also available until September 13, 2012 from the unutilized proportion of the syndicated loan.

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

32. Accrued taxes

Accrued taxes consist of the following items:

	2007 €k	**2006** €k
Germany	27,333	20,573
United Kingdom	2,049	3,865
USA	598	123
Belgium	135	0
France	57	491
Netherlands	0	546
Sweden	0	95
Italy	0	50
	30,172	**25,743**

33. Deferred revenue

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

The prepaid charges are allocated and recognized as revenues over the underlying contractual period.

34. Other accrued liabilities

The development of accruals in fiscal year 2007 was as follows:

	Litigation risks	Rest	Total
	€k	€k	€k
January 1, 2007	1,589	110	1,699
Utilization	519	0	519
Reversal	0	0	0
Addition	1,503	5,000	6,503
December 31, 2007	**2,573**	**5,110**	**7,683**

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

Other accruals refer mainly to an indemnity commitment for a joint venture.

35. Other liabilities

	2007	**2006**
	€k	€k
Other liabilities		
- Liabilities to the tax office	19,222	19,507
- Salary and social security liabilities	11,764	11,680
- Marketing and selling expenses / sales commissions	7,387	8,281
- Indemnity commitment	5,000	0
- Legal and consulting fees, auditing fees	3,125	1,880
- Loans received from associated companies	2,983	0
- Option valuation	2,663	0
- Transaction costs for sale of shares	2,153	0
- Purchase price for acquisition of shares	1,836	627
- Others	4,110	8,535
Total	**60,243**	**50,510**

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

For further details on the indemnity commitment for a joint venture and the loan received from an associated company, please refer to Note 41.

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

The purchase price for the acquisition of shares refers to a forward purchase agreement in connection with the purchase of further shares in InterNetX GmbH.

36. Employee stock ownership program

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

United Internet AG

Convertible bonds

In accordance with the resolution passed by the shareholders' meeting on May 16, 2001, convertible bonds may be issued to members of the Management Board and other executives of the Company and of subsidiaries of the Company and to executive body members of subsidiaries of the Company, with the exception of Supervisory Board members of subsidiaries with their seat in Germany. Conditional capital of € 10,000k was created for this purpose. On the basis of this resolution, up to € 3,000k may be issued to Management Board members of the Company.

The convertible bonds, which bear interest of 4.5% or 4.0% per annum, may be exchanged as a whole or in part for shares in United Internet AG. Each € 1 nominal amount of the convertible bonds can be exchanged for four registered shares (following the 1:3 share split). The authorized subscribers are entitled, after specified periods, to convert the convertible bonds in full or part to shares in the Company. In the event that this conversion option is exercised, an additional payment in cash is to be made to acquire each share; this is the amount by which the conversion price exceeds one quarter of the nominal amount of the convertible bond (following the share split).

Up to 20% may be converted at the earliest 12 months after the date of issue of the convertible bonds; up to 40% (i.e. including the previously exercised conversion options) at the earliest 24 months after the date of issue of the convertible bonds. A total of up 70% may be exercised at the earliest 36 months after the date of issue of the convertible bonds; the full amount may be exercised at the earliest 48 months after the date of issue of the convertible bonds.

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

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

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

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

Using an option pricing model in accordance with IFRS 2, the personnel income for convertible bonds amounted to € 48k (prior year personnel expense: € 899k). The compensation income or expense for this employee stock ownership plan is included in administrative expenses.

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

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

AdLINK Internet Media AG

Convertible bonds

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

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

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

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

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

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

Using an option pricing model in accordance with IFRS 2, the personnel expense for convertible bonds amounted to € 180k (prior year: € 227k). The compensation expense for this employee stock ownership plan is included in administrative expenses.

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

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

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

	United Internet AG		AdLINK Internet Media AG	
	Convertible bond	Average strike price (€)	**Convertible bond**	Average strike price (€)
Outstanding as of December 31, 2005	3,877,984	3.35	959,005	3.04
Exercised	-424,000	0.72	-28,955	1.28
Exercised	-111,000	1.49	-34,000	1.71
Exercised	-240,000	2.13	---	---
Exercised	-319,372	4.35	---	---
Exercised	-40,000	3.82	---	---
Expired	-3,000	1.49	-1,050	1.28
Expired	-38,320	4.35	-117,000	3.60
Outstanding as of December 31, 2006	2,702,292	4.35	778,000	3.08
Exercised	-278,796	4.35	-85,000	1.71
Exercised	-880,000	2.13	-100,000	3.24
Exercised	-40,000	3.82	-54,740	3.60
Expired	-26,740	4.35	-51,000	1.71
Expired	-80,000	3.82	-25,630	3.60
Expired	-600,000	5.26	---	---
Outstanding as of December 31, 2007	796,756	4.35	461,630	3.37
Exercisable as of December 31, 2006	587,452		34,000	
Exercisable as of December 31, 2007	352,508		750	
Weighted average remaining term (in months)	21		52	

The exercise price for outstanding convertible bonds of United Internet AG at the end of the reporting period was € 4.35. In the previous year, the exercise prices were between € 2.13 and € 4.35.

The weighted average share price for convertible bonds of United Internet AG exercised in the period under review amounted to € 14.93.

The exercise price for outstanding convertible bonds of AdLINK Internet Media AG at the end of the reporting period was between € 1.71 and € 3.60 (prior year: € 1.28 and € 1.71).

The weighted average share price for convertible bonds of AdLINK Internet Media AG exercised in the period under review amounted to € 17.94.

United Internet AG

Option agreement

In 2004, an option agreement was concluded between Mr. Stéphane Cordier and United Internet AG. Under the provisions of this agreement, Mr. Cordier has the right to acquire 400,000 shares of AdLINK Internet Media AG from the United Internet AG, divided into four options of 100,000 shares. The strike price amounts to € 1.50 per share, whereby 25% of shares cannot be acquired before July 1, 2004, 50% not before March 30, 2005, 75% not before March 30, 2006 and 100% not before March 30, 2007. The options may only be exercised in full. Partial exercise is not possible. No options had been exercised as of the balance sheet date.

Using an option pricing model in accordance with IFRS 2, the personnel expense for options issued amounted to € 14k (prior year: € 76k). The compensation expense is included in administrative expenses.

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

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

United Internet AG

Virtual stock options

The employee stock ownership plans 2006 and 2007 employ virtual stock options (so-called Stock Appreciation Rights - SARs). SARs refer to the commitment of United Internet AG (or a subsidiary) to pay the beneficiary a cash amount equivalent to the difference between the share price on the date of granting the option (strike price) and the share price on exercising the option. The exercise hurdle is 120% of the share price, which is calculated as the average closing price in electronic trading (Xetra) of the Frankfurt Stock Exchange over the ten days preceding issuance of the option. Payment of value growth to the entitled person is limited to 100% of the calculated share price.

An SAR corresponds to a virtual subscription right for one share of United Internet AG. However, it is not a share right and thus not a (genuine) option to acquire shares of United Internet AG. United Internet AG retains the right, however, to fulfill its commitment (or the commitment of a subsidiary) to pay the SAR in cash by also transferring one United Internet AG share per SAR from its stock of treasury shares to the beneficiary, at its own discretion.

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

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

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

Using an option pricing model in accordance with IFRS 2, the personnel expense for options issued amounted to € 1,342k (prior year: € 412k).

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

	Valuation parameter			
Issue date	5/30/2006	8/14/2006	3/14/2007	11/12/2007
Time value	1,000 €k	1,790 €k	1,200 €k	1,394 €k
Average market value per option	2.50 €	2.24 €	3.00 €	3.49 €
Dividend yield	1.0 %	1.0 %	1.4 %	1.6 %
Volatility of United Internet share	36 %	39 %	44 %	46 %
Expected term (years)	5	5	5	5
Risk-free interest rate	3.65 %	3.84 %	3.83 %	3.91 %

AdLINK Internet Media AG

Virtual stock options

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

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

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

Using an option pricing model in accordance with IFRS 2, the personnel expense for options issued amounted to € 117k (prior year: € 0k).

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

	Valuation parameter	
Issue date	9/3/2007	11/28/2007
Time value	863 €k	723 €k
Average market value per option	3.75 €	3.61 €
Dividend yield	0.0 %	0.0 %
Volatility of AdLINK share	52 %	55 %
Expected term (years)	5	5
Risk-free interest rate	4.00 %	3.86 %

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

	United Internet AG		AdLINK Internet Media AG	
	Stock Appreciation Rights	Average strike price (€)	**Stock Appreciation Rights**	Average strike price (€)
Outstanding as of December 31, 2005	0		0	
Issued	400,000	11.30		
Issued	800,000	9.89		
Outstanding as of December 31, 2006	1,200,000	10.36	0	
Issued	400,000	13.74	230,000	15.51
Issued	400,000	15.77	200,000	17.41
Outstanding as of December 31, 2007	2,000,000	12.21	430,000	16.39
Exercisable as of December 31, 2006	0		0	
Exercisable as of December 31, 2007	0		0	
Weighted average remaining term (in months)	58		70	

Assumptions used in evaluating options

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

37. Deferred tax liabilities

Please refer to Note 15 for details on deferred tax liabilities.

38. Capital stock

On the balance sheet date, fully paid capital stock amounted to € 251,433,972, divided into 251,433,972 registered shares each having a theoretical share in the capital stock of € 1.

Through partial use of conditional capital, the capital stock of the Company was increased in December 2007 by € 1,198,796, from € 250,235,176 to € 251.433.972, by issuing 1,198,796 new, no-par registered shares for cash contribution. The cash contribution represented the conversion of convertible bonds in fiscal year 2007 issued under the Company's employee stock ownership plan.

In fiscal year 2007, United Internet AG acquired 18,000,000 treasury shares (prior year: 8,226,072), or 7.16% of current capital stock (prior year: 3.29%). Treasury shares reduce equity capital are bear no dividend rights.

Authorized capital

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

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

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

Conditional capital

There are the following lots of conditional capital:

- The capital stock has been conditionally increased by up to a further € 2,840,000, divided into 2,840,000 no-par shares. The conditional capital increase is earmarked for conversion options to be granted to bearers of convertible bonds, the issue of which was decided by the shareholders' meeting on May 16, 2001. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercising the conversion rights.

- The capital stock has been conditionally increased by up to a further € 4,903,576, divided into 4,903,576 no-par registered shares. The conditional capital increase is earmarked for conversion options to be granted to bearers of convertible bonds, which the shareholders' meeting on May 16, 2003 authorized the Management Board to issue. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercising the conversion rights.

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

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

- In accordance with Sec. 71 (1) No. 8 AktG, the Company is authorized until November 29, 2008 to acquire treasury shares of up to ten percent of its capital stock. The price for the acquisition of these shares may not be more than 10% lower or higher than the stock market price. As of the balance sheet date, the Company held 18,000,000 treasury shares. Treasury shares can be used for all purposes named in the authorization of the Annual Shareholders' Meeting of May 30, 2007.

39. Reserves

As of December 31, 2007, capital reserves amounted to € 160,095k (prior year: € 156,447k). The increase results in part from the exercise of conversion rights from the employee stock ownership plan amounting to € 2,043k (prior year: € 1,391k), as well as from the corresponding booking of personnel expenses from the employee stock ownership plan totaling € 1,605k (prior year: € 1,614k).

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

	2007 €k	**2006** €k
- Goldbach shares	7,650	0
- affilias shares	4,805	1,373
- Drillisch shares	-3,044	0
Total	**9,411**	**1,373**

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

40. Additional details on financial instruments

The following table shows the carrying values for each category of financial assets and liabilities for fiscal year 2007:

in €k	Valuation categories acc. to IAS 39	Carrying value on 31.12.2007	Valuation acc. to IAS 39 Continued acquisition costs	Fair value not through profit or loss	Fair value through profit or loss	Fair value on 31.12.2007
Financial assets						
Cash ans cash equivalents	lar	59,770	59,770			59,770
Trade accounts receivable	lar	123,788	123,788			123,788
Loans to joint ventures	lar	4,007	4,007			4,007
Other assets	lar	16,371	16,371			16,371
Other financial assets	lar/afs					
Others	lar	5,395	5,395			5,395
Investments	afs	62,472		62,472		62,472
Financial liabilities						
Trade accounts payable	flac	232,421	232,421			232,421
Liabilities due to banks	flac	371,105	371,105			371,105
Other liabilities	flac/hft	61,129	57,580		3,549	61,129
Convertible bonds	flac	245	245			245
Thereof aggregate acc. to valuation categories:						
Loans and Receivables (lar)	lar	209,331	209,331	0	0	209,331
Available-for-sale (afs)	afs	62,472	0	62,472	0	62,472
Financial liabilities Measured at amortised Cost (flac)	flac	662,237	661,351	0	886	662,237
Held-for-Trading (hft)	hft	2,663			2,663	2,663

Cash and cash equivalents, trade accounts receivable and trade accounts payable mostly have short remaining terms. Their carrying values on the balance sheet date are thus similar to fair value.

Trade accounts payable generally have short remaining terms. Their carrying values on the balance sheet date are thus similar to fair value.

Financial liabilities carried at fair value through profit or loss mainly refer to a derivative financial instrument resulting from an obligation to acquire shares in listed companies.

The following table shows the carrying values for each category of financial assets and liabilities for fiscal year 2006:

in €k	Carrying amount on 31.12.2006	Continued acquisition costs	Fair value not through profit or loss	Fair value through profit or loss	Fair value on 31.12.2006
Financial assets					
Cash ans cash equivalents	32,723	32,723			32,723
Trade accounts receivable	120,920	120,920			120,920
Loans to joint ventures	---				
Other assets	17,705	17,705			17,705
Other financial assets					
Others	1,853	1,853			1,853
Investments	1,842		1,842		1,842
Financial liabilities					
Trade accounts payable	163,330	163,330			163,330
Liabilities due to banks	118,719	118,719			118,719
Other liabilities	52,665	51,583		1,082	52,665
Convertible bonds	876	876			876
Thereof aggregate acc. to valuation categories:					
Loans and Receivables (lar)	173,201	173,201	0	0	173,201
Available-for-sale (afs)	1,842	0	1,842	0	1,842
Financial liabilities Measured at amortised Cost (flac)	335,590	334,508	0	1,082	335,590
Held-for-Trading (hft)	0			0	0

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

Net income acc. to valuation categories 2007 (in €k)	Valuation categories acc. to IAS 39	From interest and dividends	Net income and loss from following valuation			From disposal	Net income
			To the fair value	Currency translation	Revaluation		
Loans and receivables (lar)	lar	1,426	--	--	-13,690	--	-12,264
Available-for-sale (afs)	afs	--	--	--	--	--	0
- not affecting			9,274	--	--	--	9,274
- affecting		623	--	--	--	--	623
Financial liabilities measured at amortised Cost (flac)	flac	-6,674	--	-371	--	--	-7,045
Held-for-trading (hft)	hft	--	-2,663	--	--	--	-2,663
		-4,625	6,611	-371	-13,690	0	-12,075

Net income acc. to valuation categories 2006 (in €k)	Valuation categories acc. to IAS 39	From interest and dividends	Net income and loss from following valuation			From reduction	Net income
			To the fair value	Currency translation	Revaluation		
Loans and receivables (lar)	lar	2,113	--	--	-11,409	--	-9,296
Available-for-sale (afs)	afs	--	--	--	--	--	0
- not affecting			481	--	--	--	481
- affecting		--	--	--	--	1,151	1,151
Financial liabilities measured at amortised Cost (flac)	flac	-4,258	--	-39	--	--	-4,297
Held-for-trading (hft)	hft	--	--	--	--	--	0
		-2,145	481	-39	-11,409	1,151	-11,961

41. Transactions with related parties

IAS 24 defines related parties as those persons and companies that control or can exert a significant influence over the other party. Accordingly, United Internet AG is subject to significant influence from Mr. Ralph Dommermuth, the major shareholder, as well as from the members of the Management Board and Supervisory Board.

United Internet's premises in Montabaur are leased from Mr. Ralph Dommermuth, the Chief Executive Officer and a major shareholder of the Company. The corresponding lease agreements run until June 2009, February 2015 and December 2016. The resulting rent expenses are customary and amounted to € 1,561k in fiscal year 2007 (prior-year: € 1,406k).

There was a sponsoring contract between United Internet AG and Deutsche Challenge GmbH & Co. Management KG, Munich, through which United Internet AG supported the "United Internet Team Germany" in the America's Cup as its main sponsor. The sole proprietor of Deutsche Challenge GmbH & Co. Management KG is Mr. Ralph Dommermuth. The sponsoring contract expired on December 31, 2007. The sponsoring expenses amounted to € 7.0 million in the period under review (prior year: € 6.0 million).

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

Mr. Bernhard Dorn † died on February 10, 2008. He had been a member of the Supervisory Board since May 2000. Effective February 20, 2008, Mr. Kai-Uwe Ricke (Managing Partner of German Private Equity Partners), Bonn, was officially appointed to the Supervisory Board by the district court of Montabaur.

In addition to his seat on the Supervisory Board of United Internet AG, Mr. Kurt Dobitsch is also a member of the supervisory boards of 1&1 Internet AG, Montabaur, Nemetschek AG (chairman), Munich, Bechtle AG, Gaildorf, Hybris AG, Zürich, PSB AG, Ober-Mörlen, docuware AG, Munich and Graphisoft S.E., Budapest (Hungary).

Mr. Bernhard Dorn † was also a member of the supervisory boards of 1&1 Internet AG, Montabaur, AXA Service AG, Cologne, INVERTO AG, Cologne and ATOSS Software AG, Munich.

In addition to his seat on the Supervisory Board of United Internet AG, Mr. Kai-Uwe Ricke is also a member of the supervisory board of 1&1 Internet AG. Moreover, Mr. Kai-Uwe Ricke holds seats on comparable boards of AP Investment Europe Limited, Guernsey (Chairman of the Advisory Committee), Assicuarazioni Generali S.p.A, Trieste / Italy (Member of the Administrative Committee), easy cash GmbH, Eschborn (Member of the Advisory Committee) and Kabel Baden-Württemberg GmbH & Co. KG, Heidelberg (Member of the Advisory Committee).

Mr. Michael Scheeren is also a member of the supervisory boards of AdLINK Internet Media AG (Chairman), Montabaur, 1&1 Internet AG (Chairman), Montabaur, United Internet Media AG, Montabaur and Goldbach media AG, Küsnacht-Zürich (Switzerland).

The members of the Supervisory Board receive compensation consisting of a fixed element and a variable element which depends on the Company's success. The fixed remuneration for an ordinary member of the Supervisory Board amounts to € 20k per full fiscal year. The chairman of the Supervisory Board receives the double amount. The variable element for each member of the Supervisory Board, including the chairman, amounts to € 2k for every cent which exceeds the consolidated earnings per share value of € 0.10 for United Internet AG, calculated according to IFRS. On this basis each member of the Supervisory Board could expect variable remuneration of € 108k. The Supervisory Board made an internal decision, however, to limit the variable remuneration element for fiscal year 2007 to the prior-year amount of € 72k.

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

2007	Fixed	Variable	Total
Kurt Dobitsch	40	72	112
Bernhard Dorn †	20	72	92
Michael Scheeren	20	72	92
	80	**216**	**296**

2006	Fixed	Variable	Total
Kurt Dobitsch	40	72	112
Bernhard Dorn †	20	72	92
Michael Scheeren	20	72	92
	80	**216**	**296**

Other liabilities for compensation owed to members of the Supervisory Board for the fiscal year 2007 amounted to a total of € 296k (prior year: € 216k).

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

The Supervisory Board is responsible for determining the remuneration of the Management Board. The members of the Management Board are compensated according to performance. This compensation consists of a fixed and a variable element (bonus). A target remuneration figure is agreed for the fixed component and the bonus, which is regularly reviewed. The last review was made in fiscal year 2007. The fixed remuneration component is paid monthly as a salary. The size of the bonus depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on sales and earnings figures. The target attainment corridor is generally between 80% to 120%. No bonus is paid below 80% of the agreed target and the bonus calculation ends at 120% of the agreed target. No subsequent amendment of the performance targets is allowed. There is no minimum guaranteed bonus. Payment is generally made after the annual financial statements have been adopted by the Supervisory Board. In fiscal year 2007, a preliminary remuneration of € 953k (prior-year: € 806k) was agreed for the Management Board. Of this total, € 400k or 43% was fixed and € 535k or 57% variable.

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

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

2006	Fixed	Variable	Total
Ralph Dommermuth	200	229	429
Norbert Lang	200	177	377
	400	**406**	**806**

The number of shares in United Internet AG held by members of the Management Board and the Supervisory Board is given in the following table:

Shareholding of the	**1. January 2006**		**1. January 2007**	**31. December 2006**		**31. December 2007**
Management Board	direct	indirect	total	direct	indirect	total
Ralph Dommermuth	17,600,000	70,400,000	88,000,000	17,600,000	70,400,000	88,000,000
Norbert Lang	---	576,128	576,128	---	576,128	576,128
	17,600,000	70,976,128	88,576,128	17,600,000	70,976,128	88,576,128
Supervisory Board	direct	indirect	total	direct	indirect	total
Kurt Dobitsch	---	---	---	---	---	---
Bernhard Dorn	---	---	---	---	---	---
Michael Scheeren	800,000	---	800,000	700,000	---	700,000
	800,000	---	800,000	700,000	---	700,000

The United Internet Group can also exert significant influence on its associated companies and joint ventures.

The loan granted to MSP Holding GmbH amounting to € 4,000k resulted in accrued interest income of € 7k in fiscal year 2007 (prior year: € 0k). Due to an indemnity commitment for MSP Beteiligungs GmbH, a wholly-owned subsidiary of MSP Holding GmbH, an amount of € 10,000k (prior year: € 0k) was recognized as a liability in fiscal year 2007. The loan received from European Founders Fund GmbH & Co. Beteiligungs KG No.1 amounting to € 2,800k as of the balance sheet date resulted in an interest expense of € 183k. (prior year: € 0k).

There were no other significant transactions in fiscal year 2007 or the previous year.

42. Objectives and methods of financial risk management

Principles of risk management

The risk management system introduced by the United Internet Group is based on the COSO-ERM framework and is described in detail in the Management Report.

The principles of finance policy are set by the Management Board and monitored by the Supervisory Board. Certain transactions require the prior approval of the Supervisory Board.

The main financial liabilities used by the Group include bank loans and overdraft facilities, convertible bonds, trade accounts payable and other financial liabilities.

The Group holds various financial assets which result directly from its business activities. They consist mainly of trade accounts receivable, available-for-sale financial investments and short-term deposits. As of the balance sheet date, the Group mainly held primary financial instruments. In addition, there are derivative financial instruments, which result mainly from an obligation to acquire shares in listed companies.

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

Liquidity risk

As in the previous year, the general liquidity risk of United Internet consists of the possibility that the Company may not be able to meet its financial obligations, such as the redemption of financial debts. The Company's objective is to maintain a suitable balance between continual coverage of its financial needs and securing flexibility by using overdraft facilities and loans.

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

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

The following table shows all contractually fixed payments for redemption, repayments and interest for financial liabilities carried in the balance sheet as of December 31, 2007 and 2006:

	12/31/2007	**2008**	**2009**	**> 2010**	**Total**
	€k	€k	€k	€k	€k
Liabilities due to banks	371,105	19,124	19,071	405,472	443,667
Convertible bonds	245		245		245
Trade accounts payable	232,421	232,421			232,421
Other liabilities	61,129	60,083	250	796	61,129

	12/31/2006	**2007**	**2008**	**> 2009**	**Total**
	€k	€k	€k	€k	€k
Liabilities due to banks	118,719	20,160	103,626		123,786
Convertible bonds	876		631	245	876
Trade accounts payable	163,330	163,330			163,330
Other liabilities	52,665	51,215	250	1,200	52,665

Please refer to Note 31 for details on interest and redemption payments for liabilities to banks. It is assumed that the revolving syndicated loan will be repaid by the end of its term in 2012 (prior year: 2008).

The Company has no significant concentration of liquidity risks.

Market risks

The activities of United Internet are mainly exposed to financial risks from changes in interest rates, exchange rates, stock exchange prices, and credit or contingency risks.

Interest risk

The Group is exposed to interest risks as the major share of its borrowing as of the balance sheet date bears variable interest rates with varying terms. As part of liquidity planning we constantly monitor the various investment and borrowing possibilities. Borrowing requirements are met by using suitable instruments to manage liquidity, while surplus cash is invested on the money market to achieve the best possible return. Due to developments on the global finance markets, the interest risk has increased since the previous year.

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.

The balance sheet as of December 31, 2007 includes bank liabilities of € 371,105k. As of the balance sheet date, the interest rates of these bank liabilities were in a corridor of 5.05% to 5.18%. If these bank liabilities were to remain on average at € 371,105k in 2008, this would result in interest expenses of € 18,963k for fiscal year 2008 at an assumed interest rate of 5.11% (based on average interest as of the balance sheet date). A market interest rate which was 1 percentage point higher or lower, would cause pre-tax earnings to increase or decrease by € 3,712k. On the basis of sound business judgment, the market interest rate is not expected to fluctuate by more than one percentage point.

The balance sheet as of December 31, 2006 discloses bank liabilities of € 118,719k. As of the balance sheet date, the interest rates of these bank liabilities were in a corridor of 3.99% to 4.33%. If these bank liabilities had remained on average at € 118,709k in 2007, this would have resulted in interest expenses of € 4,820k for fiscal year 2007 at an assumed interest rate of 4.06% (based on average interest as of the balance sheet date).

The interest risk is negligible for other interest-bearing liabilities.

Currency risk

The currency risk of United Internet results from investments, financing activities and operations. Foreign exchange risks are hedged against if they have a significant impact on the Company’s cash flows. Currency risks which do not affect cash flows (i.e. risks from translating the assets and liabilities of foreign operations into the Group’s reporting currency) are not hedged against. In the period under review, there were no foreign exchange risks with a significant impact on the cash flows.

With regard to operating activities, individual Group companies perform their business mainly in their respective functional currencies. As in the previous year, the Company therefore regards the currency risk from operations as low. Certain Group companies are exposed to foreign exchange risks in connection with planned payments outside their functional currency.

Foreign exchange risks arise from financial instruments which are denominated in a different currency to the functional currency and are of a monetary nature; exchange rate differences from the translation of annual financial statements into the Group’s reporting currency are not considered. The relevant risk variables include all non-functional currencies in which the Company holds financial instruments.

A 10-percent change in the US dollar exchange rate against the euro upwards (downwards) would result in a decrease (increase) in pre-tax earnings of € 1,327k based on the balance sheet of December 31, 2007. A 10-percent change in the English pound against the euro upwards (downwards) would result in an increase (decrease) in pre-tax earnings of € 3,107k.

A 10-percent change in the US dollar exchange rate against the euro upwards (downwards) would have resulted in a decrease (increase) in pre-tax earnings of € 1,135k based on the balance sheet of December 31, 2006. A 10-percent change in the English pound against the euro upwards (downwards) would have resulted in an increase (de-crease) in pre-tax earnings of € 956k.

Stock exchange risk (valuation risk)

The Company classifies certain (quoted) assets as available-for-sale and records changes in their fair value in equity without an effect on profit or loss. Should there be a permanent fall in their fair value, management makes assumptions about the loss in value in order to determine whether there is an impairment which would need to be expensed in the income statement.

The Company has no significant concentration of market risks.

Credit and contingency risk

In the course of its operating activities, the Company is exposed to a contingency risk. Outstanding amounts are therefore monitored locally and on a continual basis. Individual and lump-sum allowances are made to account for such contingency risks. The Group does not see any significant increase in the contingency risk over the previous year.

With regard to trade accounts receivable, the maximum risk in the gross amount stated in the balance sheet is before allowances but after netting. Trade accounts receivable which are not impaired as of the balance sheet date, are classified according to periods in which they become overdue (see Note 20).

Internal rating system

In the Product segment, a pre-contractual fraud check is conducted and collection agencies are also used for the management of receivables. In the Online Marketing segment, a pre-contractual check of creditworthiness is made in the media sales business and collection agencies are also used for the management of receivables.

In the Product segment, individual allowances for receivables overdue are generally made on the basis of the respective age profile. These allowances are mainly derived from success rates of the agencies used for collecting such debts. 100% individual allowances are made for all receivables overdue more than 365 days. In the Online Marketing segment, individual allowances are made for each customer according to various criteria (e.g. dunning level, insolvency, fraud cases etc.).

The Company has no significant concentration of credit risks.

Capital management

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

In order to maintain and adapt its capital structure, the Company can adjust dividend payments or pay capital back to its shareholders, can issue new shares or purchase treasury shares. As of December 31, 2007 and 31, 2006, no changes were made to the Company’s targets, methods and processes.

43. Specific contingencies and commitments

Litigation

Litigation risks mainly relate to various legal disputes of 1&1 Internet and AdLINK.

An accrual for litigation was formed for any commitments arising from these disputes (see Note 34).

Guarantees

As of the balance sheet date, the Company has issued no guarantees.

44. Other financial commitments and contingencies

Operating lease commitments

At the end of the fiscal year, there were fixed-term obligations from the renting of buildings, offices and movables.

Most leases have options to prolong the contractual relationship. The terms of these prolongation options are negotiable or identical with the current terms.

As of December 31, the future minimum lease obligations were as follows:

	2007 €k	**2006 €k**
Up to 1 year	10,362	13,760
1 to 5 years	25,644	33,563
Over 5 years	3,155	9,555
	39,161	**56,878**

In the period under review, these operating leases incurred expenses of € 9,965k (prior year: € 8,025k).

Contingent liabilities and other obligations

The Company is jointly and severally liable for credit lines granted to companies of the United Internet Group by a bank. The credit facilities had only been utilized with regard to guarantees as of the balance sheet date.

Other financial commitments for the following two fiscal years total € 6,539k (prior year: € 10,355k).

There were also short-term commitments of € 3,524k (prior year: € 0k) resulting from a pending purchase contract for the acquisition of shares in a listed company.

The Management Board has no knowledge of any other facts which could have a significant, adverse effect on the business activities, the financial situation or the operating result of the Company.

45. Cash flow account

In fiscal year 2007, cash flow from operating activities includes interest payments of € 7,246k (prior year: € 3,386k) and interest income of € 1,206k (prior year: € 1,594k). Income tax payments in fiscal year 2007 amounted to € 71,389k (prior year: € 45,224k). Proceeds from dividends paid by associated companies totaled € 950k (prior year: € 859k). Proceeds from dividends of other investments amounted to € 623k (prior year: € 0k) in fiscal year 2007.

A total of € 309,229k was paid in cash for the purchase of shares in associated companies and joint ventures in fiscal year 2007. Further details are provided in Note 24.

An amount of € 37,949k was paid in cash for the purchase of additional shares of AdLINK and € 31,415k in cash for shares in Drillisch in fiscal year 2007.

The sale of shares in twenty4help and NTplus resulted in total cash proceeds of € 92,129k in fiscal year 2007.

46. Changes in the reporting unit

In addition to the business combinations and investments described in Note 3, the following companies were founded by the Company or its subsidiaries in fiscal year 2007:

- 1&1 Internet Espana S.L.U., Madrid / Spain
- Fasthosts Internet Inc., Chesterbrook / USA
- GMX Inc., Chesterbrook / USA
- European Founders Fund Verwaltungs GmbH, Munich (66.67%)
- European Founders Fund Management GmbH, Munich (66.67%)
- European Founders Fund No. 2 Verwaltungs GmbH, Munich (90.0%)
- European Founders Fund No. 2 Management GmbH, Munich (90.0%)
- European Founders Fund GmbH & Co. Beteiligungs KG No.2, Munich (90.0%)

During the course of fiscal year 2007, the following companies were liquidated:

- CibleClick Ltd., London / UK
- AdLINK Internet Media APS, Copenhagen / Denmark

CibleClick SAS, Paris / France was renamed as affilinet SAS, Levallois-Perret, France during the course of 2007.

Effective January 1, 2007, Schlund + Partner AG, Karlsruhe, and Alturo GmbH, Zweibrücken, were merged into 1&1 Internet AG, Montabaur.

The consolidated group remained otherwise unchanged compared with the consolidated financial statements as of December 31, 2006.

47. Exemption pursuant to Sec. 264 (3) HGB

The following companies of United Internet make use of the exempting provisions of Sec. 264 (3) HGB:

- 1&1 Internet AG, Montabaur
- 1&1 Internet Service GmbH, Montabaur
- 1&1 Internet Service GmbH, Zweibrücken
- A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur
- GMX Internet Services GmbH, Munich
- GMX GmbH, Munich
- United Internet Beteiligungen GmbH, Montabaur
- United Internet Media AG, Montabaur
- WEB.DE GmbH, Montabaur

48. Subsequent events

Effective January 1, 2008, Sedo GmbH, Cologne / Germany, acquired a shareholding of 40% in DomainsBot S.r.l., Rome / Italy. A call option was also agreed for the purchase of a further 20% of shares by the end of 2010.

At the beginning of fiscal year 2008, the shareholding in Versatel AG, Berlin, was increased from 19.5% to 25.05%. The acquisition of the additional shares was dependent on the approval of the anti-trust authorities. This approval was granted on December 20, 2007.

On January 23, 2008, United Internet AG and Drillisch AG increased their shareholding in freenet AG to 24.52% via the jointly held company MSP Holding GmbH.

In a contract dated February 8, 2008, United Internet Beteiligungen GmbH acquired a shareholding of 48.65% in virtual minds AG, Freiburg im Breisgau. The acquisition was made in part in the course of a capital increase.

Subject to approval by the European anti-trust authorities, ProSiebenSat.1 Media AG (P7S1) and 1&1 Internet AG are to place their current cooperation in the field of video-on-demand on a new basis. To this end, the jointly controlled company Maxdome GmbH & Co. KG, Unterföhring, has been founded. The respective contracts were signed on February 22, 2008.

In an agreement dated March 5, 2008, United Internet Beteiligungen GmbH acquired a shareholding of 80% in European Founders Fund GmbH & Co. Beteiligungs KG Nr. 3.

On March 7, 2008, United Internet Beteiligungen GmbH acquired 33.36% of shares in BW2 Group AG, Lachen (Switzerland), in the course of a capital increase.

49. Auditing fees

In fiscal year 2007, auditing fees totaling € 1,273k (prior year: € 1,177k) were expensed in the consolidated financial statements. These include auditing fees of € 620k (prior year: € 683k), tax consultancy services of € 243k (prior year: € 387k), other certification and valuation services of € 0k (prior year: € 6k) and other services of € 410k (prior year: € 100k).

In addition, auditing fees for tax consultancy services and other services amounting to € 46k (prior year: € 227k) were carried in the consolidated financial statements without effect on income and capitalized as transaction costs in connection with company acquisitions.

50. Corporate Governance Code

The declaration pursuant to Sec. 161 AktG on observance of the German Corporate Governance Code has been made by the Management Board and Supervisory Board and has made available to shareholders via the internet portal of United Internet AG (www.united-internet.de) and AdLINK Internet Media AG (www.adlink.net).

Montabaur, March 13, 2008

Ralph Dommermuth Norbert Lang

Auditors' Report

We have audited the consolidated financial statements prepared by United Internet AG, Montabaur, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1, 2007 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) German Commercial Code (HGB) are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, March 17, 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Bösser	Grote
Wirtschaftsprüfer	Wirtschaftsprüfer

RESPONSIBILITY STATEMENT

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

Montabaur, March 13, 2008

Board of Management

Ralph Dommermuth Norbert Lang

United Internet AG,
Montabaur

Parent Company`s Financial Statements
according to HGB
(German Commercial Code)

as of
December 31, 2007

United Internet AG - Balance Sheet acc. to HGB

as of December 31, 2007 in €k

ASSETS	31/ December 2007	31/ December 2006
FIXED ASSETS		
Intangible assets		
Concessions, industrial and similar rights and assets as well as licenses in such rights and assets	9	1
	9	1
Property, plant and equipment		
Other equipment, operational and office equipment	225	317
	225	317
Financial assets		
Shares in affiliated companies	393,561	286,536
Investments	291,810	7,906
Loans to companies in which an investment is held	4,000	0
	689,371	294,442
	689,605	294,760
CURRENT ASSETS		
Accounts receivable and other assets		
Trade accounts receivable	109	0
Receivables due from affiliated companies	81,513	155,052
Receivables due from companies in which an investment is held	7	3
Other assets	7,275	2,141
	88,904	157,196
Securities		
Treasury stock	213,338	79,561
	213,338	79,561
Cash in hand and bank balances	29,360	7,846
	331,602	244,603
	1,021,207	539,363

EQUITY AND LIABILITIES	31/ December 2007	31/ December 2006
EQUITY		
Capital stock	251,434	250,235
Capital reserves	58,708	56,665
Revenue reserves		
Reserves for treasury stock	213,338	79,561
Retained earnings	73,323	67,643
	596,803	454,104
ACCRUALS		
Accrued taxes	21,975	15,805
Other accrued liabilities	9,985	2,027
	31,960	17,832
LIABILITIES		
Bonds	199	676
Liabilities due to banks	370,000	50,000
Trade accounts payable	766	748
Liabilities due to affiliated companies	8,393	4,484
Liabilities due to companies in which an investment is held	5,000	0
Other liabilities	8,086	11,519
	392,444	67,427
	1,021,207	539,363

United Internet AG - Income Statement acc. to HGB

from January 1, 2007 to December 31, 2007 in €k

	2007 January - December	2006 January - December
Sales	9,209	9,384
Other operating income	77,168	8,316
Cost of materials		
Cost of purchased services	-8,408	-8,699
Personnel expenses		
a. Wages and salaries	-1,929	-1,636
b. Social security contributions	-170	-158
Amortization and depreciation of intangible assets and property, plant and equipment	-97	-96
Other operating expenses	-16,270	-5,373
Income from profit transfer agreements	196,154	120,714
Income from investments	0	830
Other interest and similar income	2,713	3,358
Interest and similar expenses	-8,662	-2,762
Result before taxes	249,708	123,878
Taxes on income	-67,841	-48,434
Other taxes	105	-4
Net profit for the year	181,972	75,440
Accumulated profits	25,127	71,764
Transfer to reserves for treasury stock	-133,776	-79,561
Balance sheet profit	73,323	67,643

United Internet AG

Development of Fixed Assets from January 1, 2006 to December 31, 2007

Exhibit 1

	ACQUISITION AND PRODUCTION COSTS (€)				ACCUMULATED DEPRECIATION (€)				NET BOOK VALUE (€)	
	1/1/2007	Additions	Disposals	12/31/2007	1/1/2007	Additions	Disposals	12/31/2007	1/1/2007	12/31/2007
Intangible assets										
Licenses	136	12		148	135	4		139	1	9
Software	613			613	613			613	0	0
Total (I)	**749**	**12**	**0**	**761**	**748**	**4**	**0**	**752**	**1**	**9**
Property, plant and equipment										
Operational equipment	912	5		917	882	9		891	30	26
Office equipment	579	5		584	560	17		577	19	7
Improvements	106			106	101	2		103	5	3
Vehicles	473	35	72	436	210	62	25	247	263	189
Low-cost assets	0	3		3	0	3		3	0	0
Total (II)	**2,070**	**48**	**72**	**2,046**	**1,753**	**93**	**25**	**1,821**	**317**	**225**
Financial assets										
Shares in affiliated companies	286,536	112,757	5,732	393,561	0			0	286,536	393,561
Investments	33,886	291,811	7,907	317,790	25,980			25,980	7,906	291,810
Loans to companies in which an investment is held	16,064	4,000	16,064	4,000	16,064		16,064	0	0	4,000
Other loans	1,634		1,634	0	1,634		1,634	0	0	0
Total (III)	**338,120**	**408,568**	**31,337**	**715,351**	**43,678**	**0**	**17,698**	**25,980**	**294,442**	**689,371**
Total	**340,939**	**408,628**	**31,409**	**718,158**	**46,179**	**97**	**17,723**	**28,553**	**294,760**	**689,605**

UNITED INTERNET AG, MONTABAUR

Notes to the Financial Statements for Fiscal Year 2007

GENERAL PROVISIONS

The annual financial statements for fiscal year 2007 were prepared in accordance with Sections 242 ff. and Sections 264 ff. German Commercial Code (HGB), as well as with the respective provisions of the German Stock Corporation Law (AktG) and Company articles.

United Internet AG, Montabaur, classifies as a large corporation pursuant to Sec. 267 (3) HGB.

The annual financial statements are based on the provisions of the German Commercial Code and Stock Corporation Act, as amended.

The income statement is prepared according to the cost summary method.

We make reference to the fact that consolidated financial statements have been prepared according to International Financial Reporting Standards (IFRS) to comply with the listing requirements for the Prime Standard segment of the Frankfurt Stock Exchange and have been disclosed in accordance with Sec. 325 HGB. We refer to Sec. 315 a HGB.

INFORMATION ABOUT THE COMPANY

The business activities of United Internet AG go back to "Eins & Eins EDV Marketing GmbH", which was founded by Mr. Ralph Dommermuth and two other shareholders in 1988. The name of this marketing company was changed to "1&1 EDV Marketing GmbH", before being finally renamed as "1&1 Holding GmbH" in 1993.

United Internet AG was founded on January 29, 1998 as a new holding company for the 1&1 Group, with the name 1&1 Aktiengesellschaft & Co. Kommanditgesellschaft auf Aktien, a partnership limited by shares. The Company was entered into the commercial register at the Local Court of Montabaur against HRB 5762 on February 16, 1998; 1&1 Holding GmbH was then merged into the company with effect from January 1, 1998.

On March 20, 1998 the Company's shares were admitted to the regulated market with listing in the Neuer Markt on the Frankfurt Stock Exchange. The shares were traded for the first time on March 23, 1998.

The extraordinary shareholders' meeting on February 22, 2000 adopted a resolution to change the name of the Company to United Internet Aktiengesellschaft & Co. KGaA. The new name was entered in the commercial register on February 23, 2000.

The change of legal form to a stock corporation by the name of United Internet AG, also decided on February 22, 2000, was entered in the commercial register on March 23, 2000.

PURPOSE OF THE COMPANY

The purpose of the Company is to provide marketing, selling and other services, especially in the fields of telecommunications, information technology, including the Internet, and data processing or related areas. The Company's purpose also includes the acquisition, holding and management of investments in other companies, especially those operative in the aforementioned business segments. The Company is entitled to bring companies in which it holds an investment under its common control and may restrict itself to the management or administration of its investments.

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

MANAGEMENT AND REPRESENTATION OF THE COMPANY

The Company's Management board manages and represents the Company. According to its by-laws, the Management Board has one or more members, the number of which is determined by the Supervisory Board. If the Management Board has only one member, the Company is represented by this person. If it has more than one member, the Company is represented by two members of the Management Board or by one member of the Management Board collectively with a person holding power of attorney; however, the Supervisory Board may authorize particular members of the Management Board to represent the Company on their own.

NOTES TO BALANCE SHEET ITEMS

All figures are in euro (€), thousand euro (€k) or million euro (€m).

ACCOUNTING AND VALUATION METHODS

The following (mostly) unchanged accounting and valuation methods were used in the preparation of the annual financial statements.

Additions of assets are capitalized at acquisition or production costs.

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

Property, plant and equipment are valued at acquisition or production cost less scheduled depreciation over their normal useful lives. Property, plant and equipment are depreciated over their expected useful lives at the highest rates permitted under tax laws. Wherever permitted by tax law, the declining balance method is applied for movable assets. The straight-line method is then applied as soon as it leads to higher annual depreciation rates. Other fixed assets are depreciated using the straight-line method. Low-value items (acquisition costs of no more than € 410) are fully expensed in the year of acquisition; it is assumed that they are disposed of immediately. Depreciation of additions to property, plant and equipment are always made pro rata temporis.

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

Shares in affiliated companies, investments and other financial assets are recorded at the lower of the acquisition cost or realizable value on the balance sheet date.

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

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

Liabilities are stated at the amount repayable.

FIXED ASSETS

Reference is made to the fixed asset movement schedule (exhibit 1 of the notes) for the classification and development of fixed assets.

Intangible assets and property, plant and equipment

Investments in this area mainly concern vehicles.

Financial assets

Information on the equity situation and results of operations of the affiliated companies and associated companies, stating the share held, has been filed with the electronic Commercial Register.

The additions to shares in affiliated companies amounted to € 112,757k. Of this amount, € 75,435k results from the contribution of shares in AdLINK Internet Media AG at going-concern values to United Internet Beteiligungen GmbH, a wholly-owned subsidiary of United Internet AG. Further additions of € 37,322k result from the purchase of shares in AdLINK Internet Media AG via the stock exchange.

Disposals of shares in affiliated companies amounted to € 5,732k and result from the contribution of shares in AdLINK Internet Media AG to United Internet Beteiligungen GmbH.

The additions to investments amounted to € 291,811k. Of this total, an amount € 165,429k results from the 50% shareholding in MSP Holding GmbH and € 126,382k from the purchase of a 19.50% shareholding in Versatel AG.

Disposals of investments amounting to € 7,907k result from the sale of shares in NTplus AG.

The addition to "Loans to companies in which an investment is held" results from the provision of finance at normal market terms to MSP Holding GmbH.

As the Company assumes only temporary impairment, the shares in MSP Holding GmbH were not subjected to non-scheduled amortization as of the balance sheet date. The carrying value of our investment in MSP Holding GmbH is above fair value at around € 4,600k. Due to the short period of time between purchase of the investment in mid December 2007 and the balance sheet date, the Company does not expect any permanent impairment.

CURRENT ASSETS

Receivables and other assets

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

	Dec. 31, 2007	Dec. 31, 2007			Dec. 31, 2006
		Remaining term			
	Total	Up to 1 year	1 to 5 years	Over 5 years	Total
Trade accounts receivable	109	109			0
Accounts receivable from affiliated companies	81,513	81,513			155,052
Accounts receivable from companies in which an investment is held	7	7			3
Other assets	7,275	3,654	3,621		2,141
	88,904	**85,283**	**3,621**	**0**	**157,196**

No specific bad debt allowances nor lump-sum bad debt allowance to cover the general credit risk had to be made for trade receivables.

Receivables from affiliated companies mainly comprise receivables due from AdLINK Internet Media AG (€ 51,533k) and 1&1 Internet AG (€ 26,227k). Receivables result mainly from the profit and loss transfer agreement concluded with 1&1 Internet AG, as well as from balances of the United Internet Group's internal cash management system and receivables from these companies for services rendered.

Receivables from companies in which an investment is held result from accrued interest.

Other assets mainly comprise two purchase price installments due in 2008 and 2009 from the sale of shares in NT plus AG, to be settled fully in cash.

Treasury shares

As of December 31, 2007 the Company held 18,000,000 treasury shares. The average purchase price per share was € 11.85. An accrual for treasury stock was formed in fiscal year 2007 for treasury shares acquired pursuant to Sec. 71 (1) No. 8 AktG, in combination with Sec. 272 (4) HGB. Up to March 13, 2008 the Company acquired a further 4,000,000 treasury shares. As of the date of signing the annual financial statements, therefore, the Company holds 22,000,000 treasury shares, or 8.75% of current capital stock. Treasury shares can be used for all purposes approved by the Annual Shareholders' Meeting of May 30, 2007.

EQUITY

The Company has the legal form of a stock corporation (“Aktiengesellschaft”).

Capital stock and shares

As at the balance sheet date, the fully paid-in capital stock amounts to € 251,433,972.00 divided into 251,433,972 registered no-par shares having a theoretical share in the capital stock of € 1.00 each.

On the basis of the conditional increase of the Company’s capital stock by up to € 3,720,000.00, as agreed at the general meeting of shareholders on May 16, 2001, a total of 880,000 registered, no-par shares with a theoretical share in the capital stock of € 880,000.00 were issued in exchange for convertible bonds in fiscal year 2007, as part of the Company’s employee stock ownership plan.

On the basis of the conditional increase of the Company’s capital stock by up to € 5,222,372.00, as agreed at the general meeting of shareholders on May 16, 2003, a total of 318,796 registered, no-par shares with a theoretical share in the capital stock of € 318,796.00 were issued in exchange for convertible bonds in fiscal year 2007, as part of the Company’s employee stock ownership plan.

Approved capital

The Company’s Management Board is authorized, subject to the approval of the Supervisory Board, to increase the capital stock by June 12, 2011 by a maximum of € 124,550,402.00 by issuing on one or more occasions new no-par common shares in return for cash and/or non-cash contributions.

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

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

Conditional capital

The following conditional capital exists:

The capital stock has been conditionally increased by up to a further € 2,840,000.00, divided into 2,840,000 no-par shares. The conditional capital increase is earmarked for conversion options to be granted to bearers of convertible bonds, the issue of which was decided by the shareholders' meeting on May 16, 2001. The conditional capital increase will only be executed to the extent that the bearers exercise their conversion rights. The shares will participate in profits from the beginning of the fiscal year in which they are created by exercising the conversion rights. With regard to the Company's Management Board members, the Supervisory Board is entitled to determine further details of the conditional capital increase and its execution. With regard to all other persons entitled to the convertible bonds, the Management Board is entitled to determine the above-mentioned details and execution. As of the balance sheet date there were no convertible bonds outstanding from this conditional capital increase.

The capital stock has been conditionally increased by up to a further € 4,903,576.00, divided into 4,903,576 no-par registered shares. The conditional capital increase is earmarked for conversion options to be granted to bearers of convertible bonds, which the shareholders' meeting on May 16, 2003 authorized the Management Board to issue. The conditional capital increase will only be executed to the extent that the bearers exercise their conversion rights and the Company does not fulfill the conversion rights by transfer of treasury shares. As of the balance sheet date 796,756 convertible bonds can be converted.

The capital stock has been conditionally increased by up to a further € 3,000,000.00, divided into 3,000,000 no-par registered shares. The conditional capital increase is earmarked for conversion options to be granted to bearers of convertible bonds, which the shareholders' meeting on May 18, 2005 authorized the Supervisory Board to issue. The conditional capital increase will only be executed to the extent that the bearers exercise their conversion rights and the Company does not fulfill the conversion rights by transfer of treasury shares. As of the balance sheet date no convertible bonds have been issued.

The capital stock has been conditionally increased by up to a further € 92,000,000.00, divided into 92,000,000 no-par registered shares. The conditional capital increase is earmarked for shares to be granted to bearers or holders of warrant or convertible bonds, which the shareholders' meeting on May 18, 2005 authorized the Company or a subordinated Group company to issue, providing the issue is in return for cash and the warrant or convertible bonds are not serviced from the stock of treasury shares or approved capital. The conditional capital increase will only be executed to the extent that the bearers exercise their warrant or conversion rights from the aforementioned bonds or to the extent that conversion obligations from such bonds are fulfilled and the Company does not service warrant or conversion rights from its stock of treasury shares or from approved capital. No bonds were issued during the period under review.

Pursuant to Sec. 71 (1) No. 8 AktG, the Company is entitled to acquire treasury shares until November 29, 2008 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 18,000,000 treasury shares were held.

The Company's Management Board is authorized, subject to the approval of the Supervisory Board, to sell treasury stock it has acquired in other ways than through the stock exchange or by offering to all shareholders, if the acquired treasury stock is sold for cash contribution at a price not significantly below the market price for such shares at the time of sale, or for reasonable non-cash consideration.

Subject to approval by the Supervisory Board, the Management Board is authorized to use the own shares acquired on the basis of this authorization to grant shares to members of the Management Board, to other Company employees as well as to the management and employees of affiliated companies acc. to Sec. 15 ff. AktG, who are entitled to them on the basis of employee stock ownership plans. The Company's Supervisory Board shall decide in all cases where own shares are to be transferred to members of the Management Board.

The Management Board is further permitted, subject to the approval of the Supervisory Board, to call in shares without a further resolution of the general meeting of shareholders.

The shareholders‘ subscription rights to treasury shares are excluded insofar as these shares are used according to the above authorizations. The authorization to purchase, sell or withdraw treasury shares can be exercised once or severally and either in total or in parts.

Total shareholders' equity developed as follows (€):

Capital stock	
- Balance as of December 31, 2006	250,235,176.00
- Capital increase for cash contribution Employee stock ownership plan	1,198,796.00
- Balance as of December 31, 2006	**251,433,972.00**
Capital reserves	
- Balance as of December 31, 2006	56,664,537.54
- Capital increase for cash contribution Employee stock ownership plan	2,043,863.59
- Balance as of December 31, 2007	**58,708,401.13**
Reserves for treasury stock	
- Balance as of December 31, 2006	79,561,169.89
- Reserve acc. to Sec. 272 (4) HGB	133,776,412.60
- Balance as of December 31, 2007	**213,337,582.49**
Balance sheet profit	
- Balance as of December 31, 2006	67,643,248.75
- Dividend payment	-42,515,928.18
- Net profit for the year	181,972,413.39
- Transfer to reserves for treasury stock	-133,776,412.60
- Balance as of December 31, 2007	**73,323,321.36**
Total shareholders' equity	**596,803,276.98**

According to section 21 of the by-laws of United Internet AG, the general meeting of shareholders decides on the appropriation of retained earnings. The balance sheet profit amounts to € 73,323,321.36. The balance sheet profit contains a profit carry forward from the previous year (after dividend payment) amounting to € 25,127,320.57 and the transfer to reserves for treasury stock amounting to € 133,776,412.60.

The Management Board and Supervisory Board shall discuss their dividend proposal for fiscal year 2007 on April 2, 2008.

According to Sec. 71 b AktG, treasury stock does not entitle the Company to any rights and thus any proportionate dividend payment. As of the date of signing the annual financial statements, United Internet AG held 22,000,000 treasury shares. For the calculation of the dividend payment, capital stock divided into 251,433,972 no-par shares was thus not reduced by treasury shares. Should further treasury shares be acquired, the number of shares used in the dividend calculation will be reduced accordingly.

ACCRUALS

Accrued taxes mainly include corporation tax, the solidarity surcharge and trade tax for fiscal 2007.

Other accrued liabilities contain appropriate accrued liabilities which have been set up for all foreseeable liabilities whose amount and nature are uncertain. They were formed mainly for an indemnity obligation to a company in which an investment is held (€ 5,000k), for legal, auditing and consulting fees (€ 2,084k) and interest expenses (€ 1,705k). They also include provisions for personnel expenses (€ 535k) and outstanding invoices (€ 217k).

LIABILITIES

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

	Dec. 31, 2007		Dec. 31, 2007		Dec. 31, 2006
			Remaining term		
	Total	Up to 1 year	1 to 5 years	Over 5 years	Total
Bonds thereof convertible € 199k (prior year: € 676k)	199	199			676
Bank liabilities	370,000		370,000		50,000
Trade payables	766	766			748
Liabilities due to affiliated companies	8,393	8,393			4,484
Liabilities due to companies in which an investment is held	5,000	5,000			0
Other liabilities thereof for social security € 0k (prior year: € 0k)	8,086	8,086			11,519
	392,444	22,444	370,000	0	67,427

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

The Company's general meeting of May 16, 2001 resolved that convertible bonds may be granted to members of the Management Board and other executives of the Company and its subsidiaries, as well as to members of executive bodies of Company subsidiaries, with the exception of members of supervisory boards of subsidiaries headquartered in Germany. Conditional capital of € 10,000k was originally created for this purpose, of which € 2,840k was available as of the balance sheet date.

The convertible bonds, which bear 4.5% interest p.a. or 4.0% interest p.a., may be exchanged as a whole or in parts for shares in United Internet AG. Following the capital increase for non-cash contribution, each € 1 par value of the convertible bonds can be exchanged for four registered shares.

If the conversion option is exercised, an additional payment has to be made for the purchase of one share. In the case of those convertible bonds issued on August 20, 2001, this additional payment amounts to € 0.47, for those issued on May 24, 2002, the additional payment amounts to € 1.24 and for those issued on March 25, 2003, the additional payment amounts to € 1.88. Bonds may be converted no sooner than one year after issuance.

In the period under review, no convertible bonds from the authorization of May 16, 2001 were issued. Conversion rights totaling € 220k were exercised. Hence as of the balance sheet date, no convertible bonds are shown under bonds.

Furthermore, the general meeting of May 16, 2003 resolved that convertible bonds may be granted to employees of the Company and its subsidiaries, as well as to executives of Company subsidiaries. Conditional capital of € 6,000k was originally created for this purpose, of which € 4,904k was available as of the balance sheet date.

The convertible bonds, which bear 3.5% interest p.a., may be exchanged as a whole or in parts for shares in United Internet AG. Following the capital increase for non-cash contribution, each € 1 par value of the convertible bonds can be exchanged for four registered shares.

If the conversion option is exercised, an additional payment has to be made for the purchase of one share. In the case of those convertible bonds issued on September 1, 2003, this additional payment amounts to € 4.10, for the convertible bonds issued on August 15, 2004 the additional payment amounts to € 3.57 and for the convertible bonds issued on May 27, 2005 the additional payment amounts to € 5.01. Bonds may be converted no sooner than two years after issuance.

In the period under review, no convertible bonds from the authorization of May 16, 2003 were issued. € 177k was repaid when employees left the Company. Conversion rights totaling € 80k were exercised. Hence as of the balance sheet date, convertible bonds amounting to € 199k are shown under bonds. This is equivalent to a total of 796,756 registered shares.

Bank liabilities result from a revolving syndicated loan, which was granted by 9 banks with a maturity until September 13, 2012.

The liabilities to affiliated companies consist of liabilities for services received and balances from the United Internet Group's internal cash management.

Liabilities due to companies in which an investment is held result from an indemnity obligation to an investment company.

Other liabilities consist mainly of sales tax liabilities.

NOTES TO THE INCOME STATEMENT

SALES

The Company's sales were generated exclusively in Germany and mainly comprise charges to subsidiaries for services rendered and rent.

OTHER OPERATING INCOME

Other operating income results mainly from the contribution of shares in AdLINK to United Internet Beteiligungen GmbH (€ 69,703k) as well as from the sale of shares in NTplus (€ 6,217k). Income not relating to the period amounted to € 1,184k.

OTHER OPERATING EXPENSES

In addition to expenses for an indemnity obligation to a company in which an investment is held (€ 10,000k), other operating expenses mainly contain legal, consulting and audit fees (€ 2,745k), expenses for investor relations, marketing and press PR (€ 1,577k) and rent expenses.

INCOME FROM PROFIT AND LOSS TRANSFER AGREEMENTS

This item comprises the profits and losses transferred by 1&1 Internet AG (€ 159,166k) and United Internet Beteiligungen GmbH (€ 36,988k).

INCOME TAXES

Income taxes mainly concern tax payments and accrued taxes for the fiscal year 2007.

OTHER DISCLOSURES

Average number of employees

An average of 16 (prior year: 15) permanent salaried staff were employed in the past fiscal year (including apprentices, but without Management Board members, employees on maternity leave and part-time staff).

Executive bodies of United Internet AG

The Management Board consists of the following members:

Ralph Dommermuth, (CEO), Montabaur

Norbert Lang, (CFO), Waldbrunn

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

Ralph Dommermuth

- United Internet Media AG, Montabaur (chair)

Norbert Lang

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

The Supervisory Board is responsible for determining the remuneration of the Management Board. The members of the Management Board are compensated according to performance. This compensation consists of a fixed and a variable element (bonus). A target remuneration figure is agreed for the fixed component and the bonus, which is regularly reviewed. The last review was made in fiscal year 2007. The fixed remuneration component is paid monthly as a salary. The size of the bonus depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on the sales and earnings figures. The target attainment corridor is generally between 80% to 120%. No bonus is paid below 80% of the agreed target and the bonus calculation ends at 120% of the agreed target. No subsequent amendment of the performance targets is allowed. There is no minimum guaranteed bonus. Payment is made after the annual financial statements have been adopted by the Supervisory Board. In fiscal year 2007, preliminary remuneration of € 935k (prior-year: € 806k) was agreed for the Management Board. Of this total, € 400k or 43% was fixed and € 535k or 57% variable.

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

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

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

2006	Fixed	Variable	Total
Ralph Dommermuth	200	229	429
Norbert Lang	200	177	377
	400	**406**	**806**

The accrual formed for variable compensation due to members of the Management Board for fiscal year 2007 amounts to € 535k.

As of December 31, 2007, the Supervisory Board of United Internet AG consisted of the following members:

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

Bernhard Dorn †, deputy chair
self-employed business consultant, Leonberg

Mr. Bernhard Dorn † died on February 10, 2008. He had been a member of the Supervisory Board since May 2000. Effective February 20, 2008, Mr. Kai-Uwe Ricke (Managing Partner of German Private Equity Partners), Bonn, was officially appointed to the Supervisory Board by the district court of Montabaur. In addition to his seat on the Supervisory Board of United Internet AG, Mr. Kai-Uwe Ricke is also a member of a statutory supervisory board

- 1&1 Internet AG, Montabaur.

Moreover, Mr. Kai-Uwe Ricke holds seats on comparable boards:

- AP Investment Europe Limited, Guernsey (Chairman of the Advisory Committee)
- Assicuarazioni Generali S.p.A, Trieste / Italy (Member of the Administrative Committee)
- easy cash GmbH, Eschborn (Member of the Advisory Committee)
- Kabel Baden-Württemberg GmbH & Co. KG, Heidelberg (Member of the Advisory Committee)

Michael Scheeren,
qualified banker, Wallmerod

The members of the Supervisory Board also belonged to the supervisory boards of the following companies in fiscal year 2007:

Kurt Dobitsch

- 1&1 Internet AG, Montabaur
- Nemetschek AG, Munich (chair)
- Bechtle AG, Gaildorf
- docuware AG, Munich
- PSB AG, Ober-Mörlen
- Hybris AG, Zürich
- Graphisoft S.E., Budapest / Hungary

Bernhard Dorn †

- 1&1 Internet AG, Montabaur
- AXA Service AG, Cologne
- ATOSS Software AG, Munich (deputy chair)
- INVERTO AG, Cologne
- TDS AG, Neckarsulm (deputy chair until March 31, 2007))

Michael Scheeren

- 1&1 Internet AG, Montabaur (chair)
- AdLINK Internet Media AG, Montabaur (chair)
- United Internet Media AG, Montabaur (deputy chair)
- Goldbach Media AG, Küsnacht-Zürich (Switzerland)
- NT plus AG, Osnabrück (chair until December2 7, 2007)

The members of the Supervisory Board receive compensation consisting of a fixed element and a variable element which depends on the Company's success. The fixed remuneration for an ordinary member of the Supervisory Board amounts to € 20k per full fiscal year. The chairman of the Supervisory Board receives the double amount. The variable element for each member of the Supervisory Board, including the chairman, amounts to € 2k for every cent which exceeds the consolidated earnings from continued operations per share value of € 0.10 for United Internet AG, calculated according to IFRS. On this basis each member of the Supervisory Board could expect variable remuneration of € 108k. The Supervisory Board made an internal decision, however, to limit the variable remuneration element for fiscal year 2007 to the prior-year amount of € 72k.

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

2007	Fixed	Variable	Total
Kurt Dobitsch	40	72	112
Bernhard Dorn †	20	72	92
Michael Scheeren	20	72	92
	80	**216**	**296**

2006	Fixed	Variable	Total
Kurt Dobitsch	40	72	112
Bernhard Dorn †	20	72	92
Michael Scheeren	20	72	92
	80	**216**	**296**

The accrual formed for compensation due to members of the Supervisory Board for fiscal year 2007 amounts to € 296k.

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

Share ownership and subscription rights as of December 31, 2007

	Shares (units)	Subscription rights (units)
Management Board		
Ralph Dommermuth	88,000,000	-
Norbert Lang	576,128	-
Supervisory Board		
Kurt Dobitsch	-	-
Bernhard Dorn †	-	-
Michael Scheeren	700,000	-

Contingent Liabilities

The Company is jointly and severally liable for a credit line granted by banks to companies of the United Internet Group. As of the balance sheet date, the credit line was used for guaranties amounting to € 7,062k. With regard to other bank liabilities, we refer to the explanations under “Liabilities”.

Disclosures to derivative financial instruments

As of the balance sheet date, the Company was committed to purchase securities of certain listed companies as part of three option agreements. The nominal value of the option agreements amounted to € 37,900k as of the balance sheet date. The options have maturities ending March 31, 2008.

As the prices for the base values were above the respective exercise prices as of the balance sheet date, it was not necessary to form accruals. The negative fair value of the options amounted to € 2,664k. The fair value was measured with the aid of theoretical financial modeling parameters.

Effective January 15, 2008, the option agreements were annulled. There were no compensation payments.

Miscellaneous

From the comparison of the last stock exchange price before the balance sheet date and the carrying value of AdLINK and Versatel shares as disclosed under financial assets, there is a valuation reserve pursuant to Sec. 284 (2) No. 4 HGB of € 309,948k as of the balance sheet date.

Auditing fees expensed in fiscal year 2007 pursuant to Sec. 285 No. 17 HGB amounted to € 116k for the auditing of the annual financial statements, € 184k for tax consultancy services and € 309k for other services.

Other financial commitments

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

	2007 €k
Liabilities from long-term financial obligations	1,169
of which due within one year	664
of which due between one and five years	505
of which due in more than five years	0

There were also short-term obligations from a pending purchase agreement regarding financial investments amounting to € 3,524k.

Publication of voting right announcements acc. to § 26 WpHG

Publication on May 16, 2007

Fidelity Investments International of Tadworth, United Kingdom, informed our company on May 15, 2007 of the following:

“In accordance with Section 21 (1) WpHG, we hereby inform you on behalf of Fidelity International Limited, P.O. Box HM 670, Hamilton HMCX, Bermuda that, as of May 9, 2007, the shareholding of Fidelity International Limited in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany, fell below the threshold of 5% and now amounts to 4.76% (11,922,152 shares). The voting rights are attributed to Fidelity International Limited in accordance with Section 22 (1) 1 N0.6 WpHG.”

ComBOTS AG of Karlsruhe, Germany, informed our company on May 16, 2007 of the following:

“In accordance with Section 21 (1), 22 (1) p. 1 no. 1 WpHG, we hereby inform you that the voting rights of ComBOTS AG in United Internet AG are no longer held directly by ComBOTS AG, but are now attributed to ComBOTS AG according to Sections 21, 22 (1) p. 1 no. 1 WpHG. The shares were transferred from ComBOTS AG to ComBOTS Product GmbH on the basis of a share loan agreement, whereby the share loan is to be paid back to ComBOTS AG by transfer of the same number of shares in United Internet AG as of July 3, 2007. The share in voting rights currently amounts to 9.27% of total voting rights (23,200,000 voting rights).”

ComBOTS Product GmbH of Karlsruhe, Germany, informed our company on May 16, 2007 of the following:

“In accordance with Section 21 (1) WpHG, we hereby inform you that, as of May 16, 2007, the share in voting rights held by ComBOTS Product GmbH in United Internet AG exceeded the thresholds of 3% and 5% and on this day amounts to 9.27% of voting rights (23,200,000 voting rights). These voting rights were formerly held directly by ComBOTS AG and were transferred from ComBOTS AG to ComBOTS Product GmbH on the basis of a share loan agreement. In accordance with Sections 21, 22 (1) p. 1 no. 1 WpHG, the voting rights are attributable to ComBOTS AG. The share loan is to be paid back by transfer of the same number of shares in United Internet AG as of July 3, 2007 from ComBOTS Product GmbH to ComBOTS AG.”

Publication on May 31, 2007

Fidelity Investments International of Tadworth, United Kingdom, informed our company on May 29, 2007 of the following:

“In accordance with Section 21 (1) WpHG, we hereby inform you on behalf of Fidelity International Limited, P.O. Box HM 670, Hamilton HMCX, Bermuda that, as of May 25, 2007, the shareholding of Fidelity International Limited in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany, fell below the threshold of 3% and now amounts to 2.64% (6,607,956 shares). The voting rights are attributed to Fidelity International Limited in accordance with Section 22 (1) 1 N0.6 WpHG.”

Publication on June 14, 2007

Fidelity Investments International of Tadworth, United Kingdom, informed our company on June 12, 2007 of the following:

“In accordance with Section 21 (1) WpHG, we hereby inform you on behalf of Fidelity International Limited, P.O. Box HM 670, Hamilton HMCX, Bermuda that, as of May 9, 2007, the shareholding of Fidelity International Limited in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany, exceeded the threshold of 3% and now amounts to 3.82% (9,569,656 shares). The voting rights are attributed to Fidelity International Limited in accordance with Section 22 (1) 1 N0.6 WpHG.”

Publication on July 4, 2007

ComBOTS AG of Karlsruhe, Germany, informed our company on July 3, 2007 of the following:

“In accordance with Section 21 (1), 22 (1) p. 1 no. 1 WpHG, we hereby inform you that the voting rights of ComBOTS AG in United Internet AG are now held again directly by ComBOTS AG. The shares were transferred from ComBOTS AG to ComBOTS Product GmbH on the basis of a share loan agreement dated May 16, 2007, the share loan is paid back by transfer of the same number of shares in United Internet AG to ComBOTS AG.

The share in voting rights currently held by ComBOTS AG amounts to 9.27% of total voting rights (23,200,000 voting rights).”

Publication on July 30, 2007

Fidelity Investments International of Tadworth, United Kingdom, informed our company on July 27, 2007 of the following:

“In accordance with Section 21 (1) WpHG, we hereby inform you on behalf of Fidelity International Limited, P.O. Box HM 670, Hamilton HMCX, Bermuda that, as of July 26, 2007, the shareholding of Fidelity International Limited in United Internet AG, Elgendorfer Strasse 57, 56410 Montabaur, Germany, fell below the threshold of 3% and now amounts to 2.98% (7,455,826 shares). The voting rights are attributed to Fidelity International Limited in accordance with Section 22 (1) 1 N0.6 WpHG.”

Publication on December 28, 2007

1. ComBOTS International GmbH of Karlsruhe, Germany, informed our company on December 28, 2007 in accordance with Section 21 (1) WpHG that the shareholding of ComBOTS International GmbH in United Internet AG exceeded the thresholds of 3% and 5% as of December 27, 2007 and amounted to 6.76% as of this day (17,000,000 voting rights).

2. ComBOTS Product GmbH of Karlsruhe, Germany, informed our company on December 28, 2007 in accordance with Section 21 (1) WpHG that the shareholding of ComBOTS Product GmbH in United Internet AG exceeded the thresholds of 3% and 5% as of December 27, 2007 and amounted to 6.76% as of this day (17,000,000 voting rights). In accordance with Section 22 (1) Sentence 1 No. 1 WpHG, 6.76% (17,000.,000 voting rights) are attributable to it via ComBOTS International GmbH.

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 13, 2008

The Management Board

Ralph Dommermuth Norbert Lang

Auditors' Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of United Internet AG, Montabaur, for the fiscal year from January 1 to December 31, 2007. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, March 13, 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Bösser
Wirtschaftsprüfer

Grote
Wirtschaftsprüfer

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of AdLINK Internet Media AG give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the 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 13, 2008

Board of Management

Ralph Dommermuth Norbert Lang