









Annual Report 2006

Segments and Brands

	Brand	Products / Services	Target Group	2006 in Figures
Products		Portal Information management	Consumers	<p>General Customer contracts: 6.39 million contracts, thereof 1.09 million in Information Management, 2.86 million in Webhosting and 2.44 million in Internet Access. Portal: 18.7 million unique visitors per month, thus no. 1 in Germany Webhosting: 2.86 million contracts, thereof 1.26 million abroad, thus global market leader DSL: With 2.27 million contracts no. 2 in Germany</p> <p>Brands GMX: With 8 million unique visitors no. 5 of German portals WEB.DE: 11.1 million unique visitors, thus second highest reach of all German websites 1&1: No. 9 of all German portals, second largest DSL provider in Germany and world's largest hosting company InterNetX: Over 16,000 resellers and thus no. 1 in white label business in Germany Fasthosts: Market leader in UK white label business with over 5,000 resellers</p>
		Portal Information management		
		Portal Information management Webhosting, Internet access	Discerning private users and small offices/home offices (SoHos)	
		Webhosting products as white label	Internet service provider in Germany	
		Webhosting products as white label	Internet service provider in the United Kingdom	
Online Marketing		Display marketing	Advertisers	<p>General Sales and marketing solutions for advertisers Display marketing via AdLINK Affiliate marketing via affilinet Domain marketing via Sedo</p> <p>Brands AdLINK Media: online advertising network with 6.8 billion page impressions per month, thus Europe's leading supplier of digital communication solutions affilinet: Over 400,000 registered affiliate websites and 1,240 affiliate programs, thus generating over 4.9 billion ad impressions per month Sedo: administers 6.6 million domains for sale and markets 2.66 million parked domains</p>
		Affiliate marketing		
		Domain marketing		



United Internet at a glance

		2006	2005
Income Statement			
Sales	€ million	1,267.6	801.5
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	236.8	128.9
Earnings before taxes (EBT)	€ million	181.5	101.0
Balance Sheet			
Current assets	€ million	207.7	175.8
Non-current assets	€ million	611.9	468.0
Shareholder's equity	€ million	335.0	295.2
Balance sheet total	€ million	819.5	643.8
Employees			
Germany	quantity	3,983	3,709
Abroad	quantity	2,364	1,831
Total	quantity	6,347	5,540
Personnel expenses	€ million	192.0	146.1
Stock			
Share price at year end (XETRA)	€	12.53	8.06
Earnings per share	€	0.46	0.25

Quarterly development	Q1/2006 € million	Q2/2006 € million	Q3/2006 € million	Q4/2006 € million	Q4/2005 € million
Sales	285.6	311.5	316.9	353.6	258.2
EBITDA	54.5	63.6	69.4	49.3	41.2
EBT	41.5	50.1	55.3	34.6	27.8

United Internet comprises a family of strong and attractive internet brands. Each one stands for added value and success. These brands are tailored to our relevant target groups and fully utilize available market potential.

With 6.4 million customer contracts, United Internet is a leading Internet Service Provider. Drawing on over 10 years' experience in the online business, we are well positioned on the market with eight brands in two business segments: Products and Online Marketing. We set new company records again in 2006 with sales of € 1.27 billion and earnings of €182 million. We employ over 6,300 people around the world.

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Dear shareholders, employees and friends of United Internet!

2006 was an extremely successful year for United Internet. We achieved strong organic growth in all our business fields, strengthened the Group with selected acquisitions and established ourselves as the new No. 1 in the German portal and advertising market following the integration of the WEB.DE portal acquired in late 2005.

The main growth drivers in 2006 were our DSL business, our international expansion in webhosting and our flourishing online advertising business.

With the launch of innovative products like ADSL 2+, our pioneering plug&play DSL technology and the “triple play” offering 3DSL launched in early September (consisting of a high-speed DSL connection with up to 16,000 kBit/s, including flat rates for internet, telephony and video-on-demand), we once again posted strong growth and strengthened our position as Germany’s second largest DSL provider with 2.27 million customer contracts. In addition to this growth in our customer base, we also focused on intensifying relations with existing customers in 2006. For example, the number of customers using our telephony flat rate grew from 800,000 to 1.1 million over the year and the number of phone calls completed increased from 300 million minutes per month to over 690 million in December 2006. There was also rapid growth in the number of our own DSL connection customers, from 850,000 to 1.81 million.

The international expansion of our webhosting business continued to make good progress. We now enjoy strong positions in all our target markets. In the USA, we reached break-even just three years after starting operations. In the UK, we extended our lead with the acquisition of the country’s No. 2 hoster, Fasthosts. At year-end 2006 we had a total of 1.26 million customer contracts in our foreign markets. With over 2.86 million contracts world-wide and 40,000 hosted servers, we are also the world’s leading webhosting company.

2006 was an outstanding year for our online advertising business. We operate two business models in this market. While United Internet Media markets our own portals GMX, WEB.DE, Smartshopping.de and 1&1, our online marketing brands AdLINK, affilinet and Sedo specialize in marketing the domains and websites of

third parties. Both businesses enjoyed strong growth in their overall reach in 2006, as well as in revenues and earnings. Following the integration of the WEB.DE portal, acquired in late 2005, we are now the clear No. 1 in the marketing of our own portals on the domestic German market. With a reach of almost 50 % of all German internet users and 2.8 billion contacts per month we are well ahead of our nearest rivals.



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We are already No. 1 in some of our target markets. In Germany, the rest of Europe and world-wide in some cases. In 2007 we aim to use the expected increase in market volume to achieve further growth and extend our lead.

Ralph Dommermuth
CEO

Ralph Dommermuth (43) laid the foundation for today’s United Internet AG with the formation in 1988 of 1&1 Marketing GmbH in Montabaur, Germany. He originally offered systemized marketing services for smaller software suppliers. This was followed by additional marketing services for major clients, such as IBM, Compaq and Deutsche Telekom. In 1998 the qualified banker took 1&1 to the stock exchange. It was the first IPO of an internet company in Germany. In 2000, Dommermuth restructured 1&1 as United Internet.

All in all, we can look back on a very satisfactory business year. All our key performance indicators broke new records in the year under review: sales were up 58.2 % to € 1,267.6 million and earnings before taxes improved by 79.7 % to € 181.5 million. The number of paid customer contracts rose by 27 % to 6.39 million. Earnings per share reached 46 cents, of which we plan to distribute 18 cents to our shareholders.

2007 offers further great opportunities for us. The lights are set to green in all our relevant target markets. The strong growth in our German DSL market, our global webhosting business and our national and international online advertising activities is expected to continue. We aim to grasp these opportunities in order to generate further strong growth in customer figures for our product lines and in the reach of our online marketing brands, thus establishing the basis for further record sales and earnings.

With the sale of the CRM service provider twenty4help, which was no longer part of our core business, we completed the final step toward becoming a pure Internet Service Provider (ISP) in the first quarter of 2007. The Outsourcing segment, of which twenty4help accounted for around 90%, will no longer be separately disclosed in future. The remaining Outsourcing brand InterNetX will be integrated into the Product segment. We can therefore concentrate fully on our Product and Online Marketing businesses in future.

We trust you will continue to accompany us along this path.

2006 was an extremely successful year for United Internet. Once again, we set new records in all relevant performance indicators. We aim to continue this success story in 2007.

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Norbert Lang

Norbert Lang
CFO

Norbert Lang (45) has been a member of the Management Board of United Internet AG since 2000 and responsible for Finance, Controlling, Press/Investor Relations and Human Resources since 2002. He joined 1&1 in 1994. With the foundation of 1&1 Beteiligungen GmbH, Norbert Lang was appointed as Managing Director. In his role as Head of Finance at 1&1 Internet AG, he accompanied the transformation and realignment of United Internet as a management holding company for all Group investments.

CEO interview

The German DSL market is fiercely competitive. What do you expect for 2007?

◆◆◆➔ **Dommermuth:**

In general, I expect further market consolidation in 2007. AOL already went to Telecom Italia in 2006 and Tiscali sold its access customers in early 2007. There will be more acquisitions of smaller providers in the coming year. At the end of the day, I think just four or five companies will dominate the market. We also expect tough competition in 2007, but believe we are well prepared for it. In the past, we often succeeded in being the first to bring new innovations to the market and set new standards. I'm thinking here of our very successful DSL telephony package and our triple play offering 3DSL with flat rates for internet, telephony and video-on-demand. And there are more innovations in the pipeline for 2007.

At the end of 2005 United Internet bought the portal business of WEB.DE at a cost of several hundred million euros. Has the acquisition been worth all that money?

◆◆◆➔ **Dommermuth:**

Yes, definitely! Apart from the strong increase in paid customer contracts and the exclusive sales channel for our products, WEB.DE has given us a much better standing on the German online advertising market. United Internet Media, the company which markets our GMX, WEB.DE, Smartshopping.de and 1&1 portals, has leapt from virtually nowhere to become No. 1 in Germany, reaching almost 50 % of all German internet users. United Internet Media is also the clear leader in user intensity with 2.8 billion contacts per month, well ahead of InteractiveMedia or T-Online with 2.0 billion. Thanks to our outstanding positioning, no major advertiser can afford to ignore us.

How is the international business going?

Dommermuth:

Our international expansion plans are still making good progress. In 2006, foreign markets accounted for some € 211.8 million or 17 % of total Group sales. We more than doubled the number of international customer contracts in our Product business, from 600,000 to 1.26 million. And in the USA we reached break-even just 3 years after entering the market and are already one of the top providers. That is a huge success, which nobody expected a German internet company to achieve. And we still have plenty of plans for the huge US market. We plan to be even more active on the market once we've set up our own local data center.

In view of this strong organic growth outside Germany, why then did you decide to buy the UK webhoster Fasthosts?

Dommermuth:

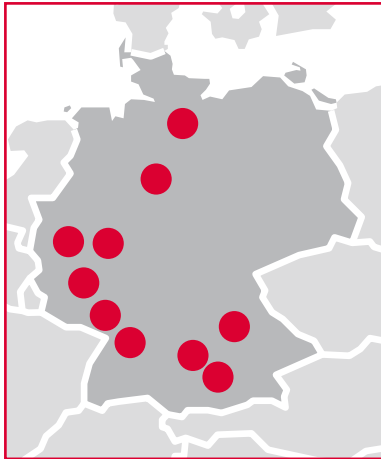
United Internet has been operating in the UK under the 1&1 brand since June 2000. 1&1 Internet Ltd. reached break-even in late 2003 and is now the country's leading hoster with over 360,000 customer contracts. After this purely organic growth in the past, we decided to accelerate the process by acquiring Fasthosts. As a result, we have consolidated our position on the UK market and extended our lead considerably. In addition to some 250,000 customer contracts and 750,000 domains, Fasthosts provided us with one of the best developed reseller networks in the UK, with over 5,000 active resellers.

United Internet sold twenty4help in early 2007. Why?

Dommermuth:

Following a steady shift in the focus of United Internet's core activities toward internet-based products, portals and online marketing over the past few years, it was a logical step to part company with the CRM service provider twenty4help. We can now concentrate fully on our Product and Online Marketing segments. However, it was also the right decision with regard to twenty4help's future development. twenty4help and its new owner Teleperformance are an ideal fit – in both their geographical and product positioning. This opens up a wealth of new growth opportunities, which will benefit both its customers and employees.

Locations



Germany
 Montabaur
 Cologne
 Duesseldorf
 Ebersberg
 Hamburg
 Hannover
 Karlsruhe
 Munich
 Regensburg
 Zweibruecken



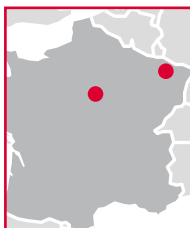
Belgium
 Zellik



United Kingdom
 Gloucester
 London
 Slough



Netherlands
 Haarlem



France
 Paris
 Saargemuend



Italy
 Mailand



Philippines
 Cebu City



Romania
Bukarest



Switzerland
Zürich



Sweden
Stockholm



Spain
Madrid



USA
Chesterbrook
Boston

Report of the Supervisory Board for Fiscal Year 2006

The members of the Supervisory Board (elected until 2010) are:

- **Kurt Dobitsch**,
self-employed entrepreneur, 52 (chair)
- **Bernhard Dorn**,
self-employed business consultant, 66
- **Michael Scheeren**,
qualified banker, 49

The Supervisory Board of United Internet AG fulfilled its statutory consultation and control duties during the period under review. We regularly advised the Management Board and monitored their management of the Company. We were directly involved in all decisions of fundamental significance for the Company. The Management Board provided us with regular and comprehensive reports, both written and oral, about all relevant questions concerning corporate planning and strategic development, as well as the progress of business, the status of the Company, the exposure to risks and the Company's risk management system. Moreover, the Management Board presented the Supervisory Board with a comprehensive report every quarter about the state of business, the development of sales and earnings, and the position of the Company and its business policy. The reports were made available to all members of the Supervisory Board. On the basis of these reports on United Internet AG, the Supervisory Board was able to monitor all important business transactions and to provide advice where necessary. The chairman of the Supervisory Board was also kept regularly informed by the Management Board on all business activities and gave advice on questions of business policy.

The Supervisory Board held five meetings during fiscal year 2006, which were each attended by all members. In addition, further resolutions were adopted by means of circular written consent. For example, on April 26, 2006, the 1:3 share split was approved, on May 9, 2006 the acquisition of the UK webhoster Fasthosts and on December 21, 2006 the purchase of a 12.5 % equity interest in the gaming company e-sport. The Supervisory Board — consisting of three members — did not form any committees. The Supervisory Board is not aware of any conflict of interest of one of its members.

■ Meeting on March 23, 2006:

This Supervisory Board meeting was mainly concerned with the presentation and discussion of the annual financial statements and the consolidated financial statements for fiscal 2005 of United Internet AG, as well as the joint management report for fiscal 2005 and the audit reports and explanations of the chief auditor. In the presence of the appointed chief auditor, Ernst & Young AG Wirtschaftsprüfungsgesellschaft, the audited annual financial statements for 2005 of United Internet AG and audited consolidated financial accounts according to IFRS were approved. At the same meeting, the Supervisory Board and Management Board adopted a resolution to recommend to the annual shareholders' meeting the payment of a dividend of € 0.25 per share (prior to the share split). The invitation and agenda for the Annual Shareholders' Meeting in June and the remuneration report of the chairman of the Supervisory Board was discussed with the Management Board and adopted. The Management Board was instructed to examine the possibility of a capital increase for noncash contribution in connection with a share split and to prepare the respective decision. A new employee stock ownership plan based on virtual share options (so-called Stock Appreciation Rights) was discussed with the Management Board. The new plan is to replace the current programs based on convertible bonds. The annual declaration of conformity with the German Corporate Governance Code was also adopted. After cooperation talks in the Outsourcing segment had been ended until further notice, the Supervisory Board discussed the future strategy of this segment with the Management Board. The target achievement of the Management Board in the past year was adopted and the payment of the variable remuneration elements approved.

■ Meeting on May 14, 2006:

The main focus of the meeting was a detailed discussion of the future strategy of the United Internet Group, and in particular the Product segment. The Management Board presented an extensive report on the progress of the acquisition of the UK webhosting company Fasthosts. A fundamental agreement was reached with the owners of Fasthosts on May 9, 2006 with regard to an acquisition by United Internet, and an ad-hoc announcement was published immediately. The acquisition will enable the United Internet Group — which has already been active for some years on the UK hosting market via its English subsidiary — to significantly boost its activities in this market. An employee stock ownership plan based on virtual share

options was also adopted at this meeting. Moreover, a code of behavior for the Management Board was discussed and implemented regarding invitations to matches and events in connection with the FIFA World Cup in summer 2006.

■ Meeting on June 13, 2006:

Following the Annual Shareholders' Meeting in Frankfurt am Main, we discussed the quarterly report as of March 31, 2006, as well as the business situation of the Group's most important subsidiaries. The development of operations at 1&1 Internet AG was discussed and strategic options for the United Internet Group evaluated. The Management Board reported on the current status of our sports sponsoring activities for the America's Cup and presented the campaign's advertising efforts for the United Internet Group.

■ Meeting on August 10, 2006:

The main topic of this meeting was the Company's interim report as of June 30, 2006. The Management Board also reported on the state of negotiations with Deutsche Telekom AG concerning the purchase of services in our DSL business. Strategic projects in the DSL market were discussed and options for the United Internet Group evaluated. Personnel decisions were also made with regard to general managers and board members at our subsidiaries. The members of the Supervisory Board received guidelines concerning an efficiency examination of the Supervisory Board.

■ Meeting on November 9, 2006:

In addition to the Management Board's presentation of the quarterly report as of September 30, 2006, and the current business situation, the further strategy of the United Internet Group and in particular the development of twenty4help and AdLINK was discussed. In accordance with our corporate governance guidelines, we discussed the evaluation of the Supervisory Board efficiency report without the Management Board. The schedule for 2007 was adopted. It was further decided to hold a special strategy meeting in January 2007, and to discuss and adopt the annual budget for 2007 following further these discussions. In connection with the Group's risk management system, the audit plan for 2007 was presented and adopted. The Management Board also reported on the further development of the sports sponsoring activities in the America's Cup.

The Annual Shareholders' Meeting of United Internet AG in June 2006 elected Ernst & Young AG Wirtschaftsprüfungsgesellschaft, based in Eschborn/

Frankfurt am Main, as auditors for the fiscal year 2006. Ernst & Young audited the accounting system, the annual financial statements of United Internet AG, the consolidated financial statements according to IFRS and the combined management report for United Internet AG and the Group for the fiscal year 2006. As part of its audit of the annual financial statements, Ernst & Young also audited and analyzed key aspects of the Company's risk management system. The auditor awarded an unqualified certificate in each case.

The Supervisory Board satisfied itself as to the independence of the auditors and received a written declaration to this end.

The aforementioned annual financial statement documents and the auditor's report were presented to all members of the Supervisory Board in due time. The chief auditor attended the relevant meeting of the Supervisory Board on March 29, 2007, where he answered the Supervisory Board's questions and gave further explanations where necessary. Following its own inspection, the Supervisory Board came to the conclusion that the annual financial statements, the combined management report, the consolidated financial statements and the auditor's report gave no cause for objections. With a resolution on March 29, 2007, the Supervisory Board approved the annual financial statements of United Internet AG, as prepared by the Company on March 5, 2007 and the consolidated annual financial statements according to IFRS for fiscal 2006, as prepared by the Company on March 9, 2007. The annual financial statements are therefore adopted pursuant to Sec. 172 AktG. The Supervisory Board supports the proposal of the Management Board concerning the allocation of retained earnings. The disclosures acc. to Secs. 289 (4), 315 (4) German Commercial Code (HGB) are included in the management report. We have examined and approved these disclosures and explanations, which we believe to be complete.

The Supervisory Board would like to thank the Management Board and all employees for their high level of commitment and successful efforts in fiscal 2006.

Montabaur, March 29, 2007

For the Supervisory Board
Kurt Dobitsch

Corporate Governance Report

United Internet's corporate governance is based on internationally and nationally recognized standards of sound and responsible management. We regard corporate governance as a key responsibility, which applies to all divisions of our company. In accordance with Sec. 3.10 of the German Corporate Governance Code, the Management Board and Supervisory Board have prepared the following joint report concerning the corporate governance of United Internet:

Management and Corporate Structure

In accordance with its legal status, United Internet AG operates a dual management and monitoring structure comprising two corporate bodies: the Management Board and the Supervisory Board. The third body is the Shareholders' Meeting. All three bodies are committed to serving the company's interests. The Supervisory Board is elected by the Shareholders' Meeting and currently consists of three members. The Supervisory Board is elected for a period of five years. Members of the Supervisory Board and Management Board should generally not be older than 70. The Supervisory Board monitors and advises the Management Board in the management of the company. The Supervisory Board regularly discusses business development, planning, strategy and its implementation. It examines the quarterly reports and approves annual budgets as well as the annual financial statements of the parent company and the group. In doing so, it also takes the reports of the company's external auditors into account. Its responsibilities also include appointing members of the Management Board and determining their remuneration.

The Management Board is the body charged with managing the group's operations and consists of two persons. It manages operations in accordance with its legal and statutory obligations as well as the rules of procedure approved by the Supervisory Board. It is responsible for preparing the quarterly and annual financial statements as well as for appointing key managers within the company. Decisions of fundamental importance require the approval of the Supervisory Board.

The Annual Shareholders' Meeting is the body which formulates and expresses the interests of the company's shareholders. It involves our shareholders in the company's fundamental decision-making processes. Each share entitles the owner to one vote. All shareholders who register in time and are listed in

the Share Register on the day of the Annual Shareholders' Meeting are entitled to attend. Shareholders may also exercise their rights at the Annual Shareholders' Meeting by means of a proxy vote.

Financial Disclosures

United Internet provides its shareholders with four reports each fiscal year on the company's business development and its financial and earnings position. The publication dates of these reports are stated in a binding financial calendar, which the company posts on its website in accordance with legal obligations. The Management Board regularly informs investors, analysts and the press about current financial results. In addition, any information which might affect the share price is published in the form of ad-hoc announcements.

As part of our investor relations activities, the company's management regularly meets with analysts and institutional investors. We also hold analyst and press conferences following the publication of our semi-annual and annual figures. Our website offers access to financial information and further economically relevant information about the United Internet Group.

Risk Management

The Management Board is responsible for the internal monitoring and risk management system as well as for the evaluation of its effectiveness. Principles, guidelines, processes and responsibilities are defined and established in such a way that they guarantee correct and prompt accounting of all business transactions, facilitate early identification of risks and supply a constant flow of reliable information about the company's financial situation for internal and external purposes. The various components of our established risk management culture are designed to recognize business risks at an early stage, to control such risks and to secure the company's business objectives; they cannot, however, prevent such risks completely and do not therefore offer absolute protection against loss or fraudulent actions.

Accounting and Auditing

The group's accounts are drawn up according to the principles of the International Financial Reporting Standards (IFRS), whereas the annual financial statements of the parent company — relevant for all dividend and tax matters — are drawn up according to the rules of the German Commercial Code (HGB). The annual financial statements for the parent company and the group are audited by independent auditors. The respective auditing company is selected by the Annual Shareholders' Meeting. Ernst & Young AG Wirtschaftsprüfungsgesellschaft was elected to audit the annual financial statements for the fiscal year 2006. The Supervisory Board issues the auditing mandate, determines auditing focal points, approves the auditing fee and examines the independence of the auditors.

Remuneration Report

The Supervisory Board is responsible for determining the remuneration of Management Board members. The remuneration received by the members of the Management Board of United Internet AG is performance-oriented and consists of fixed and variable elements. There is no component providing long-term incentives at present.

The size of the remuneration components is regularly reviewed. The fixed remuneration component is paid monthly as a salary. The size of the variable remuneration component depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on sales and earnings figures. The target attainment corridor is generally between 80 % to 120 %. No bonus is paid below 80 % of the agreed target and the bonus calculation ends at 120 % of the agreed target. No subsequent amendment of the performance targets is allowed. There is no minimum guaranteed bonus.

In fiscal year 2006, remuneration of the two members of the Management Board amounted to € 755k (prior year: € 757k). Of this total, € 400k was fixed and € 355k variable remuneration.

The Chief Executive Officer, Mr. Ralph Dommermuth, received total remuneration of € 395k (prior year: € 407k). Of this total, € 200k (prior year: € 200k) was fixed and € 195k (prior year: € 207k) variable. The Chief Financial Officer, Mr. Norbert Lang, received total

remuneration of € 360k (prior year: € 350k). Of this total, € 200k (prior year: € 200k) was fixed and € 160k (prior year: € 150k) variable.

The members of the Supervisory Board receive compensation consisting of a fixed element and a variable element which depends on the Company's success. The fixed remuneration for an ordinary member of the Supervisory Board amounts to € 20k per full fiscal year. The chairman of the Supervisory Board receives the double amount. The variable element for each member of the Supervisory Board, including the chairman, amounts to € 2k for every cent which exceeds the consolidated earnings per share value of € 0.10 for United Internet AG, calculated according to IFRS.

The chairman of the Supervisory Board, Mr. Kurt Dobitsch, received total remuneration of € 112k (prior year: € 73k). Of this total, € 40k (prior year: € 40k) was fixed and € 72k (prior year: € 50k) variable. The other two members of the Supervisory Board, Mr. Bernhard Dorn and Mr. Michael Scheeren, each received total remuneration of € 92k (prior year: € 70k). Of this total, € 20k (prior year: € 20k) was fixed and € 72k (prior year: € 50k) variable. The accrual formed for remuneration of members of the Supervisory Board for fiscal year 2006 amounts to € 216k.

Shareholdings and Subscription Rights

	Shareholding (units)	Subscription rights (units)
Management Board		
Ralph Dommermuth	88,000,000	-
Norbert Lang	576,128	-
Supervisory Board		
Kurt Dobitsch (Chair)	-	-
Bernhard Dorn	-	-
Michael Scheeren	800,000	-

Stock-Based Compensation

United Internet AG operates various stock-based compensation programs which aim to enhance the loyalty of its managers and enable them to participate in the company's success. These programs are based on convertible bonds which can be exchanged for shares and which are covered in capital stock by the respective amounts of conditional capital. One convertible bond can be exchanged for one share, following the share split in 1:3 into 4 shares. On issuance of the convertible bond, the respective employee pays the company the nominal value of the convertible bond. This amount accrues interest during the period of the program. The strike price is the share price at the time of issuance. After expiry of certain minimum retention periods, employees can exchange their convertible bonds for company shares. Should they decide to buy the share, they must pay the difference between the strike price and nominal value of the convertible bond. The difference between the strike price and the share's prevailing market price represents a taxable gain for employees. The convertible bonds have a maturity of no more than six years.

Detailed information on the company's various stock-based compensation programs is provided in the notes to the consolidated financial statements in this annual report.

Virtual Stock Options

The employee stock ownership plan 2006 employs 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.

Employees may exercise their option rights after expiry of certain minimum retention periods. The SARs have a maturity of no more than six years. The increase in value represents a taxable gain for employees.

Annual Declaration of Conformity acc. to Sec. 161 AktG

On June 12, 2006 the fifth version of the German Corporate Governance Code was completed and published by the government's electronic Federal Gazette on July 24, 2006. In March 2007, the Management Board and Supervisory Board of United Internet AG submitted their current, annual declaration of conformity according to Sec. 161 of the German Stock Corporation Act (AktG). The declaration of conformity was published under www.united-internet.de – Investor Relations – Corporate Governance.

The corporate governance principles of United Internet AG anchored in the company's statutes (including its articles and rules of procedure), and thus our current and expected future behavior, differ in certain aspects from the recommendations of the German Corporate Governance Code, in the version dated June 12, 2006:

D&O Deductibles

Should a company take out a so-called D&O insurance policy (directors and officers' liability insurance) for its Management Board and Supervisory Board, the German Corporate Governance Code recommends that a suitable deductible be agreed. The D&O insurance policy of United Internet AG does not have any arrangement for deductibles. United Internet does not plan to change its current D&O policies.

Audit Committee

The German Corporate Governance Code recommends that the Supervisory Board set up an Audit Committee which, in particular, should handle issues of accounting and risk management, the necessary independence required of the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement. The Supervisory Board of United Internet AG currently consists of three members: in addition to their other duties, the

members also deal as a group with the above-mentioned topics. The Supervisory Board's rules of procedure state that such a (separate) Audit Committee should only be formed if there are more than three members of the Supervisory Board.

Supervisory Board Compensation

The German Corporate Governance Code recommends that the compensation of Supervisory Board members should also take into account the exercising of the Chair and Deputy Chair positions in the Supervisory Board as well as the chair and membership in committees. In the case of United Internet only the Chair position in the Supervisory Board is considered — as long as the Supervisory Board consists of no more than three members and no committees are formed.

Directors' Dealings

According to Sec. 15a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), United Internet AG is obligated to immediately publish all security transactions made by members of the Company's Executive Board and Supervisory Board, as well as by other managers and certain closely related persons —

after corresponding notification by the persons mentioned — if the total value of the purchase or sale transactions exceeds € 5,000 within one year. Moreover, the German Corporate Governance Code recommends that the respective details are included in the Corporate Governance Report. In accordance with Sec. 15a WpHG, United Internet AG immediately publishes all security transactions made by members of the Company's Executive and Supervisory Boards, as well as by other managers and certain closely related persons — after corresponding notification — according to legal obligations. No additional publication is made in the Corporate Governance Report.

Montabaur, February 2007

For the Management Board	For the Supervisory Board
Ralph Dommermuth	Kurt Dobitsch



United Internet Team Germany

Competitive sailing is characterized by four attributes: speed, high-tech, tactics and team spirit. These are also characteristics of United Internet. When these four attributes are in perfect harmony, success is guaranteed. Thinking ahead and sensing which way the wind — or market — is turning. Implementing ideas quickly and forcefully with the aid of perfect technology and a highly motivated team. This is how United Internet has been working for many years now.

With its involvement in the America's Cup, the pinnacle of competitive sailing, United Internet has clearly pinned its colors to the mast. Following some failed attempts in the past, the United Internet Team Germany is the first German yacht to compete in the world's most prestigious sailing event since 1851. Together with the Tour de France, the America's Cup will be the world's most important and most widely covered sporting event of 2007. Competitive sailing fits perfectly to the internet business. Sports sponsoring is now an integral part of our marketing strategy. Also with regard to the company's growing international alignment, the America's Cup could not have come at a better time. Our company is well positioned on the global market with activities in 9 European nations and the USA.

Our mass-market brands, GMX, WEB.DE and 1&1, will feature in particular on the advertising surfaces of the America's Cup yacht. Companies and private users throughout the world will gain awareness of United Internet and its brands through coverage of the America's Cup, the qualifying regattas and the Louis Vuitton Cup. Our internet brands will not only appear in special-interest magazines, but also in daily newspapers, general-interest publications and the sports media. Germany's two major public broadcasters, ARD and ZDF, have already secured extensive coverage rights and will be reporting on the America's Cup for over 20 hours in 2007. The participation of the United Internet Team Germany yacht has already generated a record level of coverage for sports sailing in Germany. This has resulted in a similar increase in awareness of our brands, helping us to reach new target groups. United Internet's sports sponsorship activities underline the company's central message: innovative high-tech products for the mass market.

Our strategy

The internet has firmly established itself as a universal medium for information, electronic communication, entertainment and e-business. Broadband access is the motor driving the information and knowledge society. The popularity of DSL telephony and the growing integration of varying services into a multi-functional, triple-play package including moving images (internet TV) are clear signs of this development.

The internet is developing into a universal infrastructure which can satisfy all information, entertainment and communication needs through a single household connection — and at the same time act as an effective sales channel. Portals pool services and content according to specific target group profiles and represent a universal home base within the internet.

This is exactly our vision: to supply private and commercial users with market-oriented information, entertainment and communication products from our “Internet Factory” via increasingly powerful broadband connections and to bundle them together with high-quality content in our portals.

United Internet is active in exciting markets offering tremendous growth rates. With over 6.4 million customer contracts, we are a leading domestic and global player. We can quickly launch innovative internet products at reasonable prices. Fast and flexible.

With a total of 8 brands, United Internet currently operates in two different business segments. In the **Product Segment** our information management, webhosting and internet access products are directed at private users, self-employed people with small offices (SoHos) and small to mid-size enterprises (SMEs). These groups are served directly by the brands GMX, WEB.DE and 1&1. In addition, we also market our webhosting products as white-label packages to other ISPs, which in turn market them under their own name and for their own account. This business is operated under the brands InterNetX in Germany and Fasthosts in the UK.

We are represented in the **Online Marketing** segment by the brands AdLINK, affilinet and Sedo. We market third-party domains and websites, offering them to advertisers as online platforms for their sales and marketing activities: the product portfolio ranges from Display Marketing (AdLINK) to Affiliate Marketing (affilinet) and Domain Marketing (Sedo).

United Internet's growth opportunities are clearly apparent: more and more broadband connections will enable new and more sophisticated value-added services. United Internet has these services. Due to almost complete automation of our business processes, costs and customer growth have been effectively separated. In other words, every new customer incurs proportionately lower costs. Providing we can acquire new customers at reasonable costs, we will be able to utilize these economies of scale and make our company even more efficient – also on an international basis.

The growing spread of broadband connections and flat rate tariffs also means more business for our Online Marketing segment. As users are now online more frequently and for longer periods, the medium is becoming increasingly attractive for advertisers. It also means our brands can use increasingly data-intensive advertising formats, such as high-resolution video clips, for internet campaigns.

Products

Innovative products in growing markets

Broad spectrum of products

United Internet offers a wide range of innovative internet products. Our customers sign subscription contracts with us based on fixed monthly fees. This business model deliberately differentiates us from those suppliers which focus on internet-by-call or customized solutions.

We offer three product lines: 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; as well as Internet Access with DSL (including internet telephony, video-on-demand and mobile phone calls) and narrowband access. These products are marketed under the brand names GMX, WEB.DE and 1&1. This enables us to cover most mass market needs. In addition, we also market our webhosting products — via the InterNetX and Fasthosts brands — as white-label packages to other ISPs, which in turn market them under their own name and for their own account.

Internet Factory for tailored solutions



At the heart of our business model is our “Internet Factory”, where we apply the mechanisms of rationalized production. Our highly efficient development departments design products which represent the backbone of the online business. Our “Internet Factory” enables us to extend our product lines almost at will, as well as to bundle them, scale them – and export them. One success factor for our strong international growth.

A further recipe for success is our depth of production. Wherever it makes good business sense, we cover the entire value chain — from the technological base to self-developed software products, effective sales and marketing and active customer support.

United Internet’s business model offers tremendous benefits: the contractual basis of our subscriptions secures the long-term stability of sales and earnings. And our own in-house product development and marketing help us launch innovations faster than most competitors. As a result, we have become a byword throughout the world for high-performance and innovative webhosting products.

Economies of scale represent a further key concept for us. Every new customer enhances the profitability of our “Internet Factory”. Investments in our factory have been made and products developed in the form of software-based, value-added internet services. Now it is a question of utilizing them as fully as possible. The greater the number of customers using products manufactured at our “Internet Factory”, the greater our profit will be. A further advantage is our target-group-guided marketing. Every United Internet customer gets the exact product he needs. This is made possible by our established brands and, in some cases, exclusive sales channels. And finally, exportability is a further trump card for us. Our products can often be used anywhere in the world and work on the same principle in Frankfurt as they do in London or New York.



GMX targets the mass market with e-mail and messaging products. 8 million active users per month make GMX one of Germany's leading portals. In addition to its free e-mail accounts, GMX also offers fee-based, value-added services.



With over 11 million active internet users per month, **WEB.DE** is the No. 2 on the German portal market. WEB.DE also offers free basic services as well as fee-based products and services, including the popular WEB.DE Club.



1&1 is the right address for discerning private users, SoHos and SMEs looking for Information Management, Webhosting and Access solutions. 1&1 is No. 2 in Germany's DSL sector and the world's leading hosting company, active in 5 countries.



InterNetX and **Fasthosts** represent the reselling business of the United Internet Group. The brands market our webhosting products as white-label packages to other ISPs, which in turn market them under their own name and for their own account. InterNetX operates in Germany and Fasthosts in the UK.

Our brands not only generate revenues from subscriptions; an increasing proportion of income also results from our online advertising and e-commerce activities. United Internet Media, the marketing company for our GMX, WEB.DE and 1&1 portals and our new shopping portal SmartShopping.de, provides advertisers and agencies in Germany with everything they desire. This includes a reach of around 50 % among German internet users, as well as high-quality, targeted marketing and innovative advertising instruments. Our family of brands ensures wide-scale market coverage.

Excellent growth opportunities for United Internet

According to the survey “Deutschland Online 4”, published in 2006, the trend toward broadband connections is expected to continue in future. It is forecast that the number of broadband connections will rise to over 21 million in 2010 and over 27 million by 2015. The market researchers also predict sustained growth for the webhosting sector. Tier 1 Research expects 10 % growth in 2007, while Gartner and IDC regard annual growth rates of 15 to 16 % until 2010 as perfectly feasible. Last but not least, the online advertising market is now also blossoming into a dynamic growth market. JupiterResearch forecasts European growth of 18 % to € 5.9 billion in 2007. Despite a leap in sales of 59 % to € 1.65 billion in 2006, there is also no end in sight for online advertising in Germany. The tremendous potential is further highlighted when one compares online advertising’s relatively small share of the total advertising pie (7.8 %) with the comparatively high share of online usage in daily media consumption (14.6 %).

United Internet benefits from these market trends in several ways. Firstly, as the second-largest DSL provider in Germany, secondly as the leading provider of online advertising in Germany, and finally as the world’s leading supplier of complex and data-intensive hosting applications.

Online Marketing

Great prospects for our Online Marketing segment

Digital marketing and sales solutions for advertisers

The growing popularity of the internet has provided many advertisers with a new and highly effective platform to display their wares. Online marketing is becoming an increasingly important market. Business has now long recovered from the slump which followed the end of the New Economy boom. United Internet offers a variety of online marketing and sales solutions in its Online Marketing segment: Display Marketing via AdLINK, Affiliate Marketing via affilinet and Domain Marketing via Sedo. In contrast to the marketing of our own websites in the Product segment, this segment focuses on the marketing of third-party domains and websites — in 9 European nations and the USA.

AdLINK Media is one of Europe's largest Display Marketing providers. The backbone of this business segment is an online advertising network, consisting of selected and highly frequented websites. With this network, AdLINK reaches over 68 million users in all the relevant European markets. Around 6.8 billion page impressions are marketed per month. Advertising space is booked by domestic and international clients, who use it for branding purposes or direct product sales.

Under the motto "Successful Together", **affilinet** operates an affiliate marketing platform on which suppliers of affiliate programs and website owners (=affiliates) can meet. The website operators currently offer some 4.9 billion page impressions per month. The 1,200 affiliate program operators include numerous major-name companies, such as ebay, DocMorris, Debitel, Sixt, mobile.de and Neckermann. affilinet handles the marketing, administration and billing of the programs and profits from the contacts initiated via the network on a purely success-oriented basis. affilinet is represented on Europe's three most important markets: Germany, France and the UK.

Sedo operates the global domain trading platform "sedo.com", which currently trades some 6.6 million domains. Sedo is thus the global market leader in the trading of "second-hand" internet domains. Sedo also offers the possibility to "park" unused domains, i. e. Sedo markets these addresses to advertisers on behalf of the domain owners. Sedo takes a share of the revenues generated from marketing. Domain parking is equally interesting for domain owners and advertisers as the automated process offers owners added value in the form of additional advertising revenue, while advertisers generally only pay for contacts actually generated. Sedo serves customers in over 200 countries from its offices in Germany and the USA.

Huge potential for online marketing

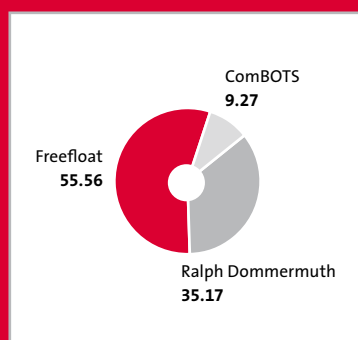
The marketing of third-party domains and websites is subject to the same conditions as the marketing of our own portals: the online advertising market has developed into a dynamic growth market with tremendous growth potential in the coming years.

The share

The United Internet AG share made very strong progress in fiscal 2006 and closed the year at € 12.53. This corresponds to year-on-year growth of 55 %. The share thus performed much better than the comparative DAX and TecDAX indices. The DAX grew by 21 % and the TecDAX by 25 %. The capital market once again honored our successful business development in 2006.

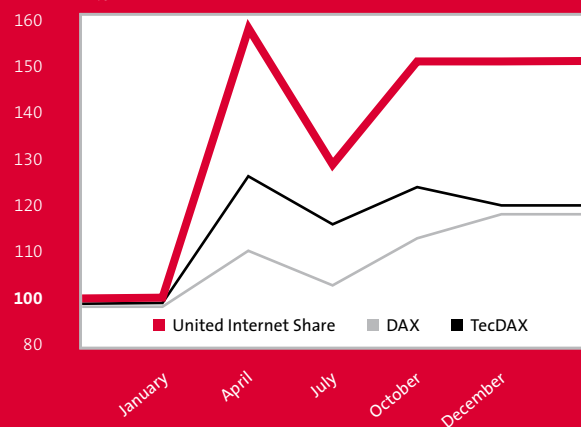
Shareholder structure

in %



Development 2006 indexed

in %



Share split

In June 2006 United Internet AG carried out a capital increase from company funds and issued bonus shares to its shareholders in a 1:3 ratio. The capital increase was adopted by the annual shareholders' meeting on June 13, 2006 by means of an issue of 186,825,603 new shares. This new division of capital stock increased the number of company shares from 62,275,201 to 249,100,804.

Dividend

The Annual Shareholders' Meeting of United Internet AG, held on June 13, 2006 adopted a resolution to pay a dividend of 6.25 cents per share (adjusted for share split) for the fiscal year 2005. The dividend payment totaling € 15.6 million was made on June 14, 2006. For the fiscal year 2006, the Management Board and Supervisory Board have proposed a dividend payment of 18 cents per share. This would correspond to a total dividend payment of € 42.7 million. The Annual Shareholders' Meeting will vote on this proposal on May 30, 2007.

Annual Shareholders' Meeting 2006

United Internet AG closed its fiscal year 2005 with the Annual Shareholders' Meeting on June 13, 2006. The shareholders adopted all resolutions on the agenda requiring voting. 67 % of capital stock was represented. All resolutions were adopted with majorities of over 90 %. The resolutions adopted by the Annual Shareholders' Meeting included resolutions concerning the purchase and sale of treasury shares, the dissolving of conditional capital, a capital increase from company funds, the creation of Authorized Capital 2006 and profit transfer agreements United Internet AG and certain subsidiaries.

Investor Relations

The Company's management team and Investor Relations department provided the capital market with regular and comprehensive information in 2006. Information was distributed via the quarterly and annual reports, as well as press and analyst conferences. Numerous personal discussions were held with investors at the Company's headquarters and during roadshows held in Germany and abroad.

Share	2006	2005
Year-high	€ 14.73	€ 8.19
Year-low	€ 8.08	€ 4.94
Year-end	€ 12.53	€ 8.06
Performance	55 %	61 %
Average daily turnover	€ 12,219,399	€ 3,705,526
Average daily turnover (units)	648,680	149,649
Number of shares	250.235 million	249.101 million
Market value	€ 3,135,444,550	€ 2,008,368,750
Earnings per share (EPS)	€ 0.46	€ 0.25
Dividend*	€ 42.7 million	€ 15.6 million
Dividend per share*	18 cent	6.25 cent

* Proposal for 2006

Share Data	
Share type	Registered common stock with a notional share of capital stock of € 1,00 each
ISIN	DE0005089031
Ticker symbol	Stock Exchange Frankfurt UTDI Reuters UTDI.DE Bloomberg UTDI:GR
Segment	Prime Standard
Index	TecDAX Stoxx-600 GEX

Shareholdings and Subscription Rights of Management Board and Supervisory Board as of December 31, 2006

	Shareholdings (units)	Subscription Rights (units)
Management Board		
Ralph Dommermuth	88,000,000	–
Norbert Lang	576,128	–
Supervisory Board		
Kurt Dobitsch (Chair)	0	–
Bernhard Dorn	0	–
Michael Scheeren	800,000	–

Management Report

Highlights 2006

Dynamic customer growth: the number of paid customer contracts grew strongly in all product categories, reaching a total of 6.39 million at year-end 2006 — an increase of 1.36 million over the previous year.

Boom in DSL and DSL telephony: our DSL access customers grew by 530,000 to 2.27 million in 2006. In our DSL telephony business, we completed over 690 million telephone minutes per month in December 2006 (prior year: 300 million).

Number 1 in German portal sector: our internet portals GMX, WEB.DE and 1&1 already reach some 50 % of the German online community. With this reach and over 2.8 billion contacts per month, we are well ahead of our closest competitors.

Successful international expansion: the number of customer contracts outside Germany more than doubled to 1.26 million. Our US hosting business is already profitable, just 3 years after launching. With the takeover of Fasthosts, we have also extended our market lead in the UK.

Strong growth in all key financials: year-on-year sales growth of 58 % to €1,268 million and 80 % rise in pre-tax earnings to €182 million.

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38	Subsequent events
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Economic environment

Global economic growth

2006 was a good year for the global economy, with growth in the USA, Europe and Germany. According to estimates of the International Monetary Fund (IMF), the global economy grew by 5.1 % in 2006. The IMF forecasts growth of over 2.5 % for the Euro zone. The Federal Statistics Office calculates that the German economy grew by 2.5 % in 2006 — the highest rate since 2000.

Despite double-digit growth in exports, the major growth impetus came from domestic demand in the past year. This growth was led by companies, which invested 7.3 % more in capital goods than in the previous year and thus reached levels not seen since German reunification. Consumer spending was also up, with growth of 0.6 %. According to calculations of the International Labor Organization, the number of unemployed fell by 460,000 to 3.4 million as a consequence of this economic upturn.

Growing ITC markets

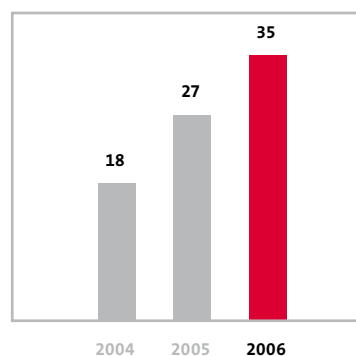
According to preliminary calculations of EITO (European Information Technology Observatory), the EU market for information technology and telecommunications (ITC) grew by 3.1 % in 2006 to € 644 billion.

This growth was driven above all by the information technology sector. According to EITO, growth in this segment was particularly strong — up 3.8 % to € 305 billion. Within this segment, software displayed the most dynamic development with growth of 6.3 %. Not far behind was the service sector with 5.3 %. The situation was not quite as favorable in the hardware segment. The server market shrank by 0.3 %, PC sales by 1.2 % in 2006.

The EU telecommunication market grew by 2.5 % to reach a volume of € 339 billion in 2006. Mobile phone services increased by 3.8 %, while landline services slumped by 4.3 %. The fact that EU telecommunications grew at all was thanks to the strong increase in

Broadband connections in Germany 2004-2006

per 100 households in %



demand for internet and landline data services. This segment recorded growth of 10.6 %.

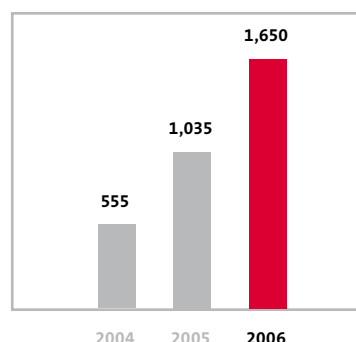
From the point of view of United Internet, the most important markets are the German DSL market, the German and European advertising market and the global market for hosting services. All of these segments displayed strong growth in 2006.

The Federal Network Agency expects the number of German DSL connections to have grown by some 36 % to 14.1 million in 2006.

The market research agency Jupiterresearch also forecasts sustained growth for the European online advertising market. The market is thought to have grown by 28 % to € 5 billion in 2006. Strong growth of 59 % to € 1.65 billion is also forecast by the German Digital Economy Association (Bundesverband Digitale Wirtschaft) for the German online advertising market in 2006.

Online advertising revenues in Germany 2004-2006

in € million

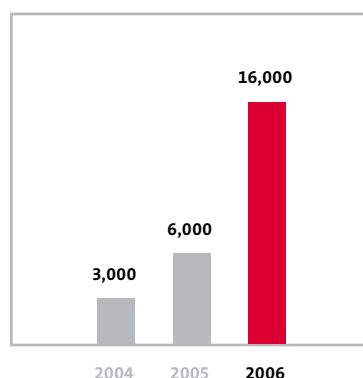


Sustained growth is also expected for the global hosting market. IDC forecasts annual growth rates of 16 % and expects the US market alone to have reached sales of over US\$ 8.8 billion in 2006.

This wide-scale market growth is driven primarily by the global demand for ever faster internet access. 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. In future, for example, advertisers will be able to use more data-intensive advertising formats, such as high-resolution video clips.

Maximum internet speeds 2004-2006

in kilobit per second



United Internet therefore 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 global supplier and hoster of complex and data-intensive, value-added applications at our data centers.

Business development

Excellent consolidated figures

With 6.39 million customer contracts, United Internet AG is a leading international ISP. The Group is represented in its three business segments by a total of nine brands:

- 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, 1&1 and Schlund + Partner.
- Our **Outsourcing** segment is a purely B-to-B business. Via InterNetX we market our value-added services as white label products to other ISPs, while under the twenty4help brand we offer top-class Customer Relationship Management (CRM) services.
- We are represented in the **Online Marketing** segment by the brands AdLINK, Sedo and affilinet. In this segment, we offer advertisers a wide variety of marketing and sales solutions: display marketing via AdLINK, domain marketing via Sedo and affiliate marketing via affilinet.

With the sale of twenty4help to Teleperformance in January 2007, the Outsourcing segment, of which twenty4help accounted for around 90 %, will no longer be separately disclosed in future. With the start of 2007, Schlund + Partner AG was also combined into 1&1 Internet AG — by means of an internal Group merger. The company's customers and target group will be supported by 1&1 in future.

Following this restructuring, United Internet will focus exclusively on its Product segment (with the brands GMX, WEB.DE, 1&1, Fasthosts and InterNetX) and Online Marketing segment (with AdLINK, affilinet and Sedo) in future.

Successful international expansion

We continue to make strong progress in our international expansion. In 2006, Group companies were

active in 13 different nations through their own local offices. In the period under review, non-German sales contributed € 211.8 million (prior year: € 144.0 million) to total consolidated revenues of € 1,267.6 million.

In our Product segment, we operate in Germany, the UK, France, Austria and the USA. In 2006 we more than doubled the number of non-German customer contracts from 600,000 (as of December 31, 2005) to over 1.26 million (as of December 31, 2006). In our Outsourcing segment, we operated 13 facilities in 7 European nations in 2006: Sweden, the UK, Poland, the Netherlands, Germany, Spain and the Czech Republic. The international presence we have achieved in the Online Marketing segment is a key element of our overall concept. In addition to the USA, our brands are represented in 9 European countries (Sweden, Ireland, the UK, the Netherlands, Belgium, Germany, France, Italy and Spain).

Fasthosts strengthens market position in UK

On May 15, 2006 we acquired a 100 % interest in the UK webhosting specialists Fasthosts Internet Ltd. The agreed purchase price amounted to £ 61.5 million in cash. The acquisition enabled us to extend our leading position on the UK market. The company brought over 250,000 customer contracts, 300,000 websites and 750,000 domains into the United Internet Group. At the same time, Fasthosts gave us access to a highly efficient reseller network. With over 5,000 active resellers, Fasthosts operates one of the best developed reseller networks in the UK. Founded in 1999, the company has already been posting profits for several years. Fasthosts will continue to operate as an independent brand in the UK — next to 1&1.

Firmly established in the USA

In the USA, we already reached break-even on a monthly basis for the first time in July 2006 — ahead of our original target of late 2006. We also posted a small profit for fiscal 2006 as a whole. After successfully establishing ourselves on the US market, we began the construction of our own data center in the USA in 2006. With a floor space of 5,400 sqm and room for 40,000 servers (in the final stage), it will become the United Internet Group's largest-ever data center.

Segment development

Product segment posts 63 % increase in sales

In 2006, the United Internet Group's dominant business remained its Product segment with the brands GMX, WEB.DE, 1&1 and Schlund + Partner, which together account for 78 % of total sales.

In fiscal year 2006, sales in this segment grew by 63.2 % to € 990.2 million (prior year: € 606.8 million). EBITDA improved by 75.1 % to € 197.3 million (prior year: € 112.7 million), while EBT reached € 147.9 million (prior year: € 92.9 million, growth of 59.2 %). The number of employees in this segment amounted to 2,802 (prior year: 2,313), corresponding to growth of 21 %. Despite high customer acquisition expenses for our DSL business, the EBT margin reached 14.9 %.

Our very healthy key financials are closely linked with the dynamic growth of our customer base. As of December 31, 2006 we had over 6.39 million fee-based customer contracts (year-end 2005: 5.03 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

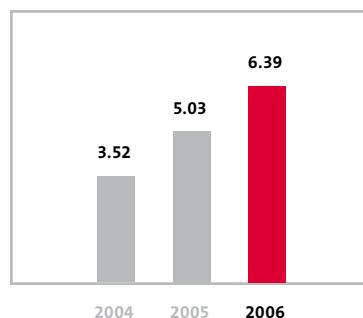
27 % growth in customer contracts in the Product segment

Divided according to product lines, the customer contract figures comprise 1.09 million contracts in the field of Information Management, 2.86 million in Webhosting (of which 1.26 million outside Germany) and 2.44 million in Internet Access (of which 2.27 million DSL). The marketing of our own DSL connections also made good progress: since launching on July 12, 2004 we have already sold 1.81 million DSL connections as of year-end 2006 (prior year: 0.96 million).

In addition to our strong organic growth, the acquisition of Fasthosts — with 250,000 — also contributed to our net growth in customer contracts of 1.36 million.

Customer contracts

in million



Leading supplier of internet advertising

With over 17.9 million active users, the United Internet AG portals (GMX, WEB.DE, 1&1) are used by 49 % of all Germans online. According to the current "Internet Facts 2006-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 9th (1&1) among all portals measured in Germany.

Global market leader in webhosting

With 2.86 million hosting contracts and around 40,000 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 market leader in webhosting in both Germany and the UK and have already reached sixth position in the USA (market entry January 2004) and have entered the top five in France (market entry May 2004). We are also market leader in Germany for the registration of .de domains. At year-end, we administered over 9.5 million domains, of which 3.88 million were with the German top-level domain .de.

Customer contracts in million

Customer contracts	31.12.2005	31.12.2006	Growth in %
Information Management*	0.96	1.09	+13.5
Webhosting	2.11	2.86	+35.5
of which abroad	0.60	1.26	+110.0
Internet Access**	1.96	2.44	+24.5
of which DSL**	1.74	2.27	+30.5
Total	5.03	6.39	+27.0

* Information Management: without test contracts

** Internet Access and DSL: without provider-independent VoIP flat rate contracts

No. 2 in German DSL market

With 2.27 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 530,000. Our DSL business model changed with the launch of resale activities in the second half of 2004. The acquisition of our own connection customers helps us achieve long-term additional revenues and stronger customer ties. Since launching, we have marketed a total of 1.81 million connections, of which 850,000 were in 2006.

We have also achieved a leading position in the German VoIP market, with over 690 million internet telephony minutes per month. We have thus already reached the level of smaller classic phone companies — just 30 months after roll-out.

With the launch of 3DSL in September 2006, United Internet presented its first "triple-play" product. The all-inclusive package for internet, telephony and TV consists of a high-speed DSL connection, DSL and telephony flat rates, as well as a "movie flat rate" for the video-on-demand portal "maxdome", operated together with the ProSiebenSat.1 Group.

GMX among Germany's leading portals

GMX targets private users with its e-mail and DSL products. With some 7.8 million users and 160 million visitors a month, GMX is one of Germany's leading portals. In addition to its free e-mail accounts, GMX also offers fee-based, added-value services.

Highlights 2006:

- **March 2006:** Following the launch of FreeMail in 1997 and FreeSMS in 2000, GMX now offers all users a genuine DSL flat rate for zero euros.
- **April 2006:** GMX equips its Shopping World with a new, sophisticated product and price comparison service. Internet users can now browse in over 500 online shops offering over five million products.
- **September 2006:** GMX expands editorial content by strengthening its GMX editorial team and launching cooperation with new partners, such as Sport 1, Sport-Informationen-Dienst (SID), Laut.de, IDG and AFP.
- **December 2006:** GMX adds a new service to its portal for all film fans. The GMX Entertainment Channel provides a wealth of cinema-related information and services (film trailers, database, theater search).

WEB.DE, Germany's No. 2 portal

WEB.DE is Germany's second largest portal with 11.1 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 2006:

- **February 2006:** WEB.DE launches local searching. Local searches combine the information from yellow pages with the benefits of the internet and lead the user to the desired results in his home town or region by linking various databases.
- **August 2006:** WEB.DE expands its editorial content by forging new cooperations with over 40 partners — from news agencies to specialist content providers. 20 online journalists ensure 24/7 coverage and high content quality.
- **October 2006:** WEB.DE launches its new homepage in Web 2.0 design. In a parallel survey, users who tested the new homepage during the beta phase gave very positive feedback regarding functionality, design and content.
- **December 2006:** As part of the expansion of its entertainment services, WEB.DE launches the new "WEB.DE Music" download service. WEB.DE Music is the first online shop in Germany to supply all songs in 192 kBit/s quality. With over 1.5 million songs on offer right from the start, WEB.DE boasts one of the most comprehensive music services on the market.

1&1: Germany's second largest DSL provider

1&1 is the right address for discerning private users, small offices and small to mid-size companies looking for information management, webhosting and access solutions. 1&1 is Germany's second-largest DSL supplier and the world's largest hosting company with operations in 5 countries.

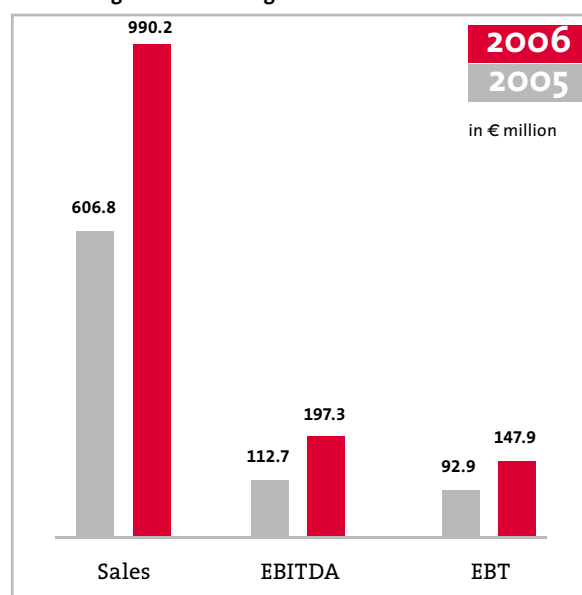
Highlights 2006:

- **January 2006:** Launch of ADSL2+. This new technology enables downstream speeds of up to 16 Mbit/s and an upstream speed of 1,024 Kbit/s.
- **February 2006:** 1&1 rolls out its new product line "1&1 Virtual Server". Virtual Servers are the optimum solution for those users who do not need a dedicated server, but do not want to do without the free configuration possibilities offered by a root server.
- **March 2006:** 1&1 launches two new products at the Cebit 2006 fair: the video-on-demand portal "maxdome" in cooperation with the ProSiebenSat.1 Group and 1&1's "Pocket Web" — a long awaited product which finally makes mobile internet access affordable.
- **May 2006:** 1&1 rolls out a new eShop generation. For the first time, the shop system is seamlessly integrated into 1&1's tried and tested webhosting range. Features for operating a successful website, such as the 1&1 Homepage Kit, the 1&1 Advertising Center and the 1&1 Content Modules can now also be used in the online shop.
- **June 2006:** 1&1 unveils a new kind of plug-and-play technology which enables almost completely automatic configuration of DSL internet access.

Quarterly development in € million.

	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q4 2005
Sales	217.6	242.1	254.6	275.9	200.4
EBITDA	46.3	56.3	63.6	31.1	35.0
EBT	34.8	43.8	50.8	18.5	25.2

Financial figures Product segment



- **September 2006:** 1&1 launches its first Triple Play offer: 3DSL. The all-inclusive package for internet, telephony and TV consists of a high-speed DSL connection, DSL and telephony flat rates, as well as a “movie flat rate” for the video-on-demand portal “maxdome”, operated together with the ProSieben-Sat.1 Group.

Schlund + Partner: specialist for SMEs

Schlund + Partner used to represent the high-end segment of the United Internet Group, serving small to mid-size companies. Products were sold directly and via a network of over 6,700 partner agencies.

On January 1, 2007 Schlund + Partner was integrated into 1&1 Internet AG by means of an internal merger within the Group. All existing product contracts will be continued by 1&1 Internet AG, which will also serve the target group of small to mid-size companies with business products and support.

Outsourcing segment no longer separately disclosed in 2007

On January 19, 2007 United Internet announced that it had reached a general agreement with Teleperformance SA regarding the sale of the United Internet Group subsidiary twenty4help AG to Teleperformance. With the sale of the company, which no longer belonged to the Group's core business, United Internet completed the final step toward becoming a pure Internet Service Provider (ISP). 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.

Thanks to measures already introduced in 2005 to raise productivity, the segment made strong progress in fiscal 2006. Despite fierce competition, sales grew by 18.2 % to € 104.7 million (prior year: € 88.6 million). The segment thus accounted for 8 % of total United Internet

sales. EBITDA rose by 53.3 %, from € 12.2 million to € 18.7 million, while EBT was up 116.9 %, from € 5.9 million to € 12.8 million. The Outsourcing segment employed 3,125 people (prior year: 2,912).

InterNetX – the provider's provider

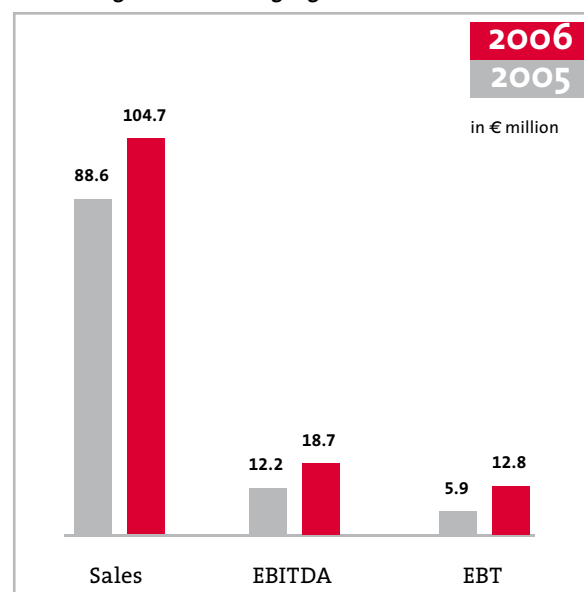
InterNetX markets our hosting products to ISPs and multimedia agencies (resellers), who in turn market them under their own name and for their own account.

- In fiscal 2006, InterNetX focused on gaining further sales partners. The company now serves some 16,300 resellers (prior year: 14,200), for which it hosts over 1.7 million domains and over 600 servers.
- In October 2006 InterNetX acquired the entire Domains business segment of network operator BCC Business Communication Company GmbH. The Domains segment comprises several hundred domain resellers, IT companies, web agencies and ISPs with over 100,000 domains.

twenty4help offers extensive CRM services

twenty4help offers major corporations an extensive range of CRM services. Our customers include international blue chip companies, such as HP, Sun Microsystems and Sharp Electronics. twenty4help operates 12 facilities in seven European nations. Over 3,000 employees answer technical enquiries in 22 languages by phone, e-mail or chat.

Financial figures Outsourcing segment



Quarterly development in € million

	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q4 2005
Sales	27.6	25.3	24.7	27.1	22.8
EBITDA	4.4	3.8	4.2	6.3	3.1
EBT	2.8	2.4	2.8	4.8	1.8

- In the period under review, twenty4help focused in particular on implementing various measures to raise profitability.
- In 2006 twenty4help also acquired an equity interest in SalesPlus Gesellschaft für Absatzförderung mbH, thus adding the field of “complex sales topics” to its service portfolio. SalesPlus specializes in taking on sales tasks and direct telephone sales, as well as providing strategic support for sales departments. The acquisition enables twenty4help to offer large and mid-size companies in all sectors tailored one-stop solutions in the field of sales, CRM, outsourcing and helpdesk services.

Online Marketing growing fast

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

In October 2006 we raised our interest in the affilinet subsidiary CibleClick from 75 % to 100 % via our subsidiary AdLINK. In November 2006 we also raised our shareholding in Sedo from 52.14 % to 75.94 % via AdLINK. The share purchase price amounting to around € 35 million was financed by AdLINK using external borrowing. Together with the acquisition contracts, AdLINK and Sedo also signed a profit transfer agreement with effect from January 1, 2007.

As a result of this integration of affilinet and Sedo, as well as the strong growth of online advertising, sales rose strongly in this segment by 62.8 % — from € 106.0 million to € 172.6 million. The Online Marketing segment accounted for 14 % of the United Internet Group's total sales. EBITDA grew by 172.0 %, from € 8.2 million to € 22.3 million, while EBT improved by 219.4 %, from € 6.2 million to € 19.8 million. As of December 31, 2006 the segment employed 400 people (prior year: 299).

Quarterly development in € million

	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q4 2005
Sales	40.4	44.1	37.6	50.5	34.9
EBITDA	5.3	5.6	4.1	7.3	3.6
EBT	4.8	5.0	4.0	6.0	1.9

AdLINK: 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 6.8 billion page 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 ad contacts) and/or performance-based pay-per-click basis.

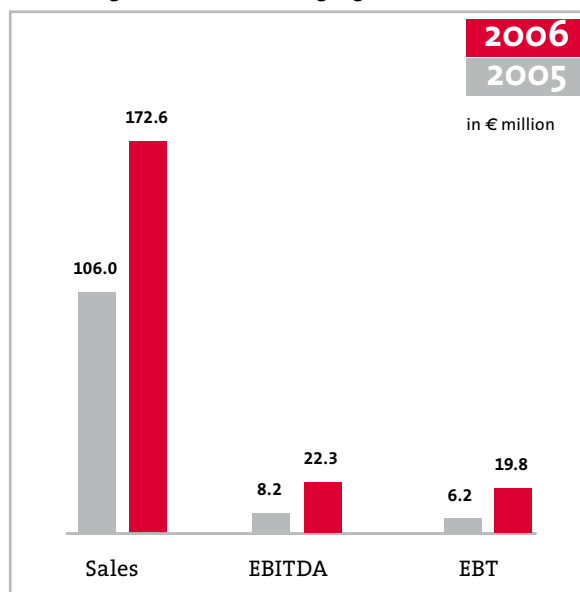
Highlights 2006

- With regard to products, the company presented its new strategy in the core Display Marketing segment: AdLINK SELECT and AdLINK TARGET.
- At year-end, monthly page impressions reached 6.8 billion, compared with 5.6 billion one year earlier.
- Major-name websites, such as Autoscout24, Universal Music, Lastminute.com and taz were added to the advertising platform.
- Numerous well-known advertising partners were also acquired, including Sony, Vodafone, Procter & Gamble, Samsung, IKEA and Intel.

Sedo drives international expansion

Sedo operates the global domain trading platform “sedo.com”, which currently trades 6.6 million domains. In its “domain parking” business, Sedo

Financial figures Online Marketing segment



markets some of these domains to advertisers on behalf of the domain owners for marketing activities. Sedo takes a share of the revenues generated from marketing on a pay-per-click basis.

Highlights 2006

- In the past fiscal year, Sedo focused on driving international expansion in the USA and the UK. The company's position in these highly competitive markets was also strengthened by means of cooperations with leading US registries, such as Bulk-Register.com, Dotster and Stargate.com, as well as the UK registry and webhoster Fasthosts. The number of marketable domains was raised to over 2.66 million around the world (prior year: 0.78 million).
- In addition to the usual bid and counter-bid process, Sedo also launched an auction system in October 2006 in order to make domain names simultaneously accessible to a wider circle of public bidders.
- The sale of the internet address vodka.com for US\$ 3 million was Sedo's biggest domain deal in its five-year history.

Further expansion of affilinet network

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

Highlights 2006

- The number of monthly page impressions grew from 3.3 billion to over 4.9 billion. This was mainly due to the scheduled expansion of the partner network to over 400,000 websites (prior year: 290,000).
- There was also an increase in the number of affiliate program operators, from 770 to 1,240. The new partners included major brands, such as Mobile.de, Tommy Hilfiger, MusicLoad.de, TheGuardian, Vodafone UK and many more.

Research and Development

R&D results quickly translated into marketable products

United Internet's success is rooted in an ability to quickly launch its innovative products and services 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 mainly develop ourselves or purchase from partners, such as Microsoft, and then modify and integrate into our systems.

Our expertise in product development and launching makes us independent of 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 250 IT specialists use mainly open source code (Linux). This not only provides considerable cost benefits, but also enables us to quickly adapt existing basic applications to changing customer needs. The modules of this system can be easily combined and provided with product-specific user interfaces in order to create a wide variety of powerful solutions.

In 2006 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.

Mobile internet and DSL with video-on-demand

In January 2006 United Internet began the roll-out of a new DSL product generation with transfer speeds of up to 16,000 kBit/s and was thus one of the first providers to offer all bandwidths at attractive prices. The launch of Pocket Web in March 2006 made mobile internet usage affordable for everyone, via an attractive flat rate. A new exclusive device was developed specifically to meet mobile internet needs. The handy Pocket Web features convenient message writing and is equipped with an e-mail push service. This enables users to check e-mails or surf wherever and whenever they like — all for a fixed monthly price.

In cooperation with the ProSieben-Sat1 Group, United Internet launched the video-on-demand portal “maxdome” in the second quarter of 2006. Users can access a wide range of films, comedy and series via their DSL connection and choose themselves what they want to watch and when. “maxdome” can be accessed either via PC or — using a set-top box — via TV. In July 2006 we once again demonstrated our pioneering role in the development of innovative solutions to raise user friendliness.

With the aid of the “1&1 Sofort-Start-Set” (plug-and-play kit), customers without prior experience can now install their DSL modem in four easy steps and start surfing straight away. Internet telephony is automatically set up after entering the start code. With the launch of 3DSL in September 2006, we offer the maximum available connection at a standard price, including internet, telephony and movie flat rates. Movie flat rate users can choose from a pool of 100 films and watch them as often as they like. There are also several packages, e. g. a series package flat rate with blockbusters like Desperate Housewives or Lost, and individual films on a pay-per-view basis. Ease of operation and user friendliness were enhanced by providing an external set-top box — users no longer need to keep their computers switched on to download films, which can also be transmitted wirelessly within the home.

More visitors for the websites of our webhosting customers

In the second quarter of 2006 we were the first web-hoster to enable our customers to conveniently book online advertising space with their hosting package and thus raise traffic on their sites. The 1&1 Advertising Center is an easy-to-use function in the customer’s control center, which automatically places customer advertising on major online portals. For the first time, small and mid-size companies are now able to advertise on websites which were previously restricted to major ad agencies. In addition to the major portals, such sites include daily newspapers and radio home-pages. Thanks to cooperations with AdLINK, Yahoo! and meine-stadt.de, the customer can choose from a large portfolio of varying advertising formats. From search engine marketing to classic banner ads to regional advertising, almost all areas of online advertising are covered. Once again, integration into the central web interface in the 1&1 Control Center underlines the application’s emphasis on ease-of-use

and user friendliness. In 2006, we also made the new top-level domains .eu, .mobi and .fr accessible for our customers and launched a new eShop generation with extended functionality.

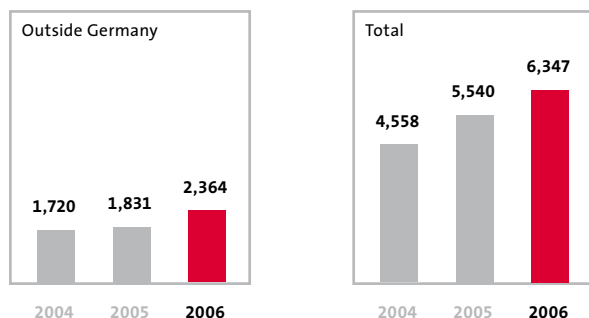
Portals strengthened

In addition to the integration of WEB.DE’s portal into the existing infrastructure of 1&1 and GMX, a number of innovative enhancements were launched in 2006. A game portal, for example, was implemented for 1&1, GMX and WEB.DE and the product and price comparison page smartshopping.de was integrated. As part of the expansion of its entertainment range, WEB.DE launched its new download service “WEB.DE Music” in December 2006. WEB.DE Music is the first online shop in Germany to supply all songs in 192 kBit/s quality. With over 1.5 million songs on offer right from the start, WEB.DE boasts one of the most comprehensive music services on the market. The SmartSurfer product, implemented on all portals, provides a tool for users with narrowband access which can automatically find the cheapest internet access rate for them. Users benefit from a TÜV-certified application featuring a high level of user friendliness. In the technical field, a uniform system landscape was established and put into operation for United Internet Media, the marketing company for our portals. Online advertising can not only be booked for all United Internet Media portals, but also automatically supplied, reported and invoiced. Our media targeting tool TGP®, which enables advertising clients to target their messages throughout the entire United Internet Media portfolio, was expanded and refined. With the aid of TGP®, target groups can be reached more precisely and efficiently, without the need for aids such as related topics and without restrictions in respect of advertising formats and targets.

Personnel

As of December 31 2006, the United Internet Group employed a total of 6,347 people — an increase of 15 % over the previous year (5,540). There were 2,802 employees in the Product segment, 3,125 in the Outsourcing segment, 400 in the Online Marketing segment and 20 employed at the Group’s headquarters. Our non-German subsidiaries employed 2,364 people (prior year: 1,831). Personnel expenses rose by 31.4 % to € 192.0 million.

Employees



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 2006. 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.

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.

Results of operations, financial position and net assets

Strong growth in consolidated sales and earnings figures

The United Internet Group can look back on a very encouraging fiscal year 2006. There was significant year-on-year growth in all key figures, both for the Group as a whole and for its three segments. Sales revenues grew by 58 % to € 1,267.6 million (prior year: € 801.5 million). This was due mainly to very strong organic growth in the Product and Online Marketing segments, where we benefited from growing customer figures and a booming advertising market. The Product segment made the largest contribution toward 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 web-hosting 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. Apart from net growth of 530,000 DSL customers in fiscal 2006, we also raised the number of our own DSL connections from 0.96 million at year-end 2005 to 1.81 million on December 31, 2006. In 2006, we therefore invested in deeper and more valuable customer relationships in our DSL business. The sale of connections and access tariffs from a single source promises to create a much stronger link with our customers, while enabling us to cross-sell additional products such as video-on-demand and internet TV. We have thus taken a major step toward our vision of offering one-stop shopping for all major communication, information and entertainment needs and can expect stable customer relationships and growing revenues for the future.

Consolidated gross margin fell from 41.5 % in the previous year to 38.6 % for the period under review. The main reason was the strong growth in new customers and the changed product mix: we achieved a net increase in new DSL customers of 530,000 in 2006, whereby DSL offers higher revenues but a lower gross margin in comparison to other products, such as webhosting or portal. Compared with pure data transfer tariffs — whose share of total sales fell in 2006 — additional sales with DSL connections, such as telephone and movie flat rates, also generate higher revenues but a lower margin. More decisive, however, is that the contribution margin per customer has improved in comparison to pure data transfer tariffs. The percentage gross margin remained generally stable in other areas, such as webhosting, e-mail services or portal business.

Due to our strong customer growth and the higher costs associated with stronger customer retention when acquiring new customers, sales and marketing expenses also grew from € 176.5 million to € 226.5 million. As a result of the strong increase in sales revenues, however, their proportion fell to 17.9 % (prior year: 22.0 %). As in previous years, customer acquisition costs are directly expensed. Administrative expenses grew more slowly than sales, from € 53.9 million (6.7 %) to € 73.7 million (5.8 %).

EBITDA grew by 84 % to € 236.8 million (prior year: € 128.9 million), while EBT improved by 80 %, from € 101.0 million to € 181.5 million. This increase in earnings was achieved against a backdrop of strong and mostly organic growth, with 530,000 new DSL customers (prior year: 710,000) and 750,000 new webhosting customers (prior year: 310,000; 2006 incl. 250,000 from Fasthosts acquisition). This growth involved considerably higher marketing expenses in certain areas. With the formation of United Internet Media, we also strengthened and greatly expanded our efforts in the portal segment. In 2006 our business model successfully demonstrated that growth does not need to be at the expense of profitability, and that we can achieve stable growth in earnings while at the same time integrating the occasional acquisition (such as Fasthosts and CibleClick) into our company.

Strong cash flow and investments in the future

Despite high expenses for DSL customer acquisition, the Group continued to improve its profitability in the period under review. Cash flow from operating

activities grew from € 91.0 million last year to € 170.3 million in fiscal 2006. Net cash flow from operating activities grew even faster to € 226.0 million (prior year: € 125.5 million). The main reason was an increase in trade payables resulting from the expansion of business as well as from the balance sheet date. At the same time, other liabilities fell by € 10.4 million.

In line with the strong growth of our Product business, this segment also accounted for the major share of investments. Net cash outflows for financing activities amounted to € 171.4 million (prior year: € 232.5 million). In addition to the planned expansion of our infrastructure and server capacities, the acquisition of UK webhoster Fasthosts Internet Ltd. totaling € 96.9 million played a major role. Investments in tangible and intangible assets grew to € 41.4 million (prior year: € 30.3 million) and thus reflect the steady organic growth in this item. In the Online Marketing segment, we invested primarily in the acquisition of further shares in Sedo and affilinet, as well as the French affilinet subsidiary CibleClick (total: € 38.3 million).

Cash flow from financing activities was dominated by disbursements for the purchase of treasury shares amounting to € 79.6 million (prior year: € 3.4 million) and proceeds from new loans totaling € 35.3 million (prior year: € 79.8 million). Dividend payments accounted for a total disbursement of € 15.6 million (prior year: € 11.2 million).

Assets and equity

In 2006, the Group's overall asset structure was influenced by largely debt-financed acquisitions and the strong earnings of the United Internet Group. The consolidated balance sheet total rose from € 657.0 million in the previous year to € 819.5 million, of which € 373.7 million was goodwill (prior year: € 266.8 million). As of the balance sheet date, intangible assets amounted to € 147.4 million (prior year: € 145.5 million) and resulted mainly from company acquisitions. These will be mostly amortized over the coming years and offset from tax, resulting in a reduction in both earnings and tax payments.

Due to the strong increase in cash flow from operations, net indebtedness of the United Internet Group only increased to € 86.0 million (prior year: € 47.0 million), despite acquisitions made in 2006, as well as the purchase of treasury shares and the dividend payment. As a result of the increase in total assets and treasury

shares to be deducted from equity, the Group's equity ratio fell to 40.9 % (prior year: 47.0 %).

Sales and earnings of the parent company

In the period under review, sales of the parent company amounted to € 9.4 million (prior year: € 12.9 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. Due to the positive development of our operating subsidiaries 1&1 Internet and twenty4help, income from profit transfer agreements increased from € 86.0 million in the previous year to € 120.7 million. EBT of the parent company amounted to € 123.9 million (prior year: € 141.7 million), while net income reached € 75.4 million in 2006 (prior year: € 106.5 million). Other operating income amounted to € 8.3 million in 2006 and resulted mainly from the sale of securities. In the previous year, other operating income totaled € 59.4 million and resulted from the sale (Sedo and affilinet) and the contribution (twenty4help) of subsidiaries.

The parent company's balance sheet is mainly influenced by investments in affiliated companies amounting to € 286.5 million (prior year: € 288.1 million) as well as receivables from affiliated companies totaling € 155.1 million (prior year: € 179.8 million) resulting from profit transfer agreements and cash pool liabilities. As of December 31, 2006, the parent company also held 8,226,072 treasury shares, for which an accrual for treasury shares was formed amounting to € 79.6 million (prior year: € 0). Bank liabilities of United Internet AG result from a revolving syndicated loan, € 50 million of which had been drawn as of December 31, 2006 (prior year: € 80 million). The equity ratio amounted to 84.2 % as of the balance sheet date (prior year: 78.0 %).

Dividend

At the Annual Shareholders' Meeting on June 13, 2006, 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 6.25 cents per share (adjusted for the share split). The payment of € 15.6 million in total was effected on June 14, 2006. A increased dividend payment is planned for the fiscal year 2006: the Management Board and Supervisory Board will propose a dividend of 18 cents per share at the Annual Shareholders' Meeting in May.

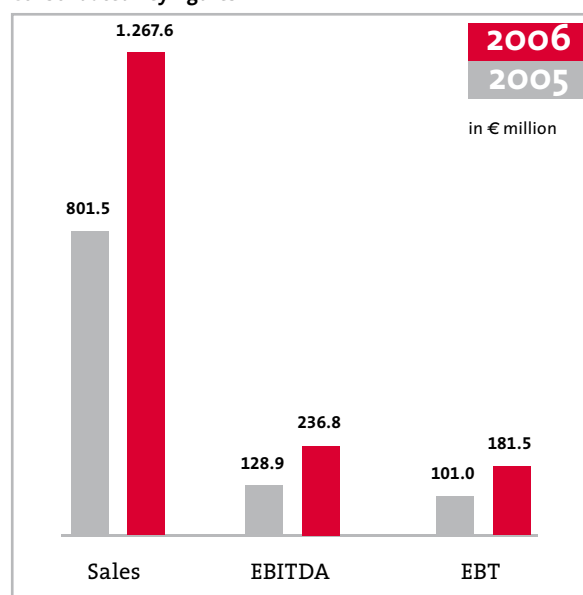
Investments

In addition to its core brands, United Internet also holds investments in three other companies. Both fun communications GmbH and NT plus AG posted positive operating results in the period under review. In late December 2006, United Internet agreed in principle with the owners of e-sport GmbH, Hamburg, concerning the purchase of a 12.51 % stake in e-sport. It was also agreed that United Internet could acquire a call option to acquire a further 12.52 % stake by the end of 2007 and would then hold 25.03 % of total share capital.

Quarterly development in € million

	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q4 2005
Sales	285.6	311.5	316.9	353.6	258.2
EBITDA	54.5	63.6	69.4	49.3	41.2
EBT	41.5	50.1	55.3	34.6	27.8

Consolidated key figures



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

The Company's capital stock amounts to € 250,235,176 divided into 250,235,176 no-par value, registered shares. Each share entitles the owner to one vote. There are no other share categories. As far as the Company is informed, Ralph Dommermuth, Montabaur, owns 88,000,000 shares or 35.17 % 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 affiliated companies 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 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 June 13, 2006, the Company's Management Board was authorized pursuant to Sec. 71 (1) No. 8 AktG, to acquire treasury shares not exceeding 10% of its capital stock up to December 12, 2007.

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

1. 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 (Authorized Capital 2006).
2. The capital stock has been conditionally increased by up to a further € 92,000,000.00, divided into 92,000,000 no-par shares (Conditional Capital 2005). 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
3. The capital stock has been increased conditionally by up to € 3,720,000.00, divided into 3,720,000 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.
4. The capital stock has been increased conditionally by up to € 5,222,372.00, divided into 5,222,372 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.
5. The capital stock has been increased conditionally by up to € 3,000,000.00, divided into 3,000,000 no-par shares (Conditional Capital Employee Stock Ownership Plan 2005). 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

The positive conditions and dynamic growth of those target markets of relevance to United Internet remain unchanged in 2007.

On January 19, 2007 United Internet AG issued an ad-hoc announcement that it had reached a general agreement with Teleperformance SA (Euronext: FR 0000051807), Paris, with regard to the sale of the United Internet Group subsidiary twenty4help AG, Montabaur, to Teleperformance. With the sale of the company, which no longer belonged to the Group's core business, United Internet has completed the final step toward becoming a pure Internet Service Provider (ISP). 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 will be integrated into the Product segment. In future, therefore, United Internet will focus entirely on its Product segment (with the brands GMX, WEB.DE, 1&1, Fasthosts and InterNetX) and Online Marketing segment (with AdLINK, affilinet and Sedo). In the course of the transaction, the value of twenty4help AG was determined to be around € 85 million. The final purchase price is based on the audited and certified consolidated financial statements of twenty4help AG for the fiscal year 2006. Teleperformance will pay the full purchase price in cash. The sale is expected to have a positive effect on earnings in 2007.

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

Risk report

Risk management based on seven principles

United Internet AG attaches high priority to its holistic risk management system, which goes above and beyond the statutory requirements. Our monitoring system identifies, classifies and evaluates risks using standard procedures and defining clear responsibilities throughout the Group. We not only regard efficient and forward-looking risk management as an important tool to anticipate dangerous developments, but as an important and value-adding responsibility.

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, enhancing the company's success and thus raising corporate value. In particular, the company's established risk culture aims to:

- promote risk awareness and transparency;
- identify, monitor and control all major risks in an appropriate way;
- show any build-up of risk and reliably assess the risk situation of subsidiaries and the Group as a whole.

The risk management culture of United Internet AG is characterized by the following seven principles:

- Risk management is mainly decentralized and carried out by sub-groups, associated companies and their operating units as part of their respective management duties;
- Risk management should not be limited to financial risks, but must apply to all risks involved in the company's activities;
- Risk management must be an integral part of business processes;
- The prerequisites for effective risk management are clear and unequivocal allocation of tasks and responsibilities as well as a systematic risk management process;
- The support and active involvement of management;
- The functioning and reliability of the risk management system should be regularly monitored and adapted where necessary;

- The risk management system and its processes are to be suitably documented; the principles and guidelines of risk management are to be held in written form and communicated to the respective positions.

Work processes are to be standardized and thus carried out in a uniform manner. A risk management system has the task of providing those responsible with suitable tools for analyzing and evaluating risks. The risk management manual is to be kept and continually updated by the risk manager. A central risk manager for United Internet AG is to be given the responsibility of determining the methods and guidelines of the risk management system. He should coordinate and manage reporting on significant risks. This includes a quarterly status check of the risk controlling and reporting lists. The Management Boards or General Managers of the subgroups and associated companies integrated into the risk management system are to nominate decentralized, or local, risk managers. These are responsible for identifying and evaluating risks, as well as for formulating and implementing suitable measures for dealing with such risks.

A complete risk inventory is to be carried out once per year, during which risks are assessed according to probability and extent of damage. Should the evaluation indicate the necessity for monitoring, appropriate measures to deal with the risk and monitor its development are to be undertaken, in coordination with management, and their status included in the quarterly report. If specified threshold levels are exceeded, the Management Board or General Manager of a subgroup or associated company has a duty to report to the Supervisory Board. The Management Board then informs the Supervisory Board about such risks at the respective Supervisory Board meeting. Risks of subsidiaries requiring close monitoring are also to be reported quarterly to the central risk manager.

As part of the Company's preventive risk management system, early-warning indicators with pre-determined threshold values have been defined, whose current values are continually monitored. If these threshold values are exceeded, the related circumstances and necessary countermeasures are documented.

In the case of circumstances relevant to ad-hoc reports, the person responsible for such ad-hoc reporting at the respective subgroup, associated company or United Internet itself, is to be informed by the local risk manager. Within the framework of the risk management

system, an „immediate information report“ serves to provide up-to-date reports on new risks and all events relevant to ad-hoc reporting.

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

We regard the following as the most significant risks and uncertainties which United Internet is exposed to.

External risks

Internet security

The success of United Internet depends mainly on demand for high-quality internet applications and technical value-added products. The processes involved depend on information and telecommunication technologies (data centers, transmission systems, connection nodes etc.), as well as software applications. These complex processes can be disturbed or interrupted by malfunctions, downtime, e. g. caused by hacker attacks, power cuts, natural catastrophes or other events. Such events may result in a loss of trust in United Internet and its subsidiaries and thus cause a decline in the use of our products.

Regulation

In the field of internet access, the decisions of the Federal Network Agency and Federal Cartel Office in Germany influence the pricing of internet access tariffs in our Product segment. Price increases by line operators, from whom United Internet purchases data transfer volumes for its own customers, could have a negative effect on the profitability of these tariffs. There is also the possibility that, under certain circumstances, a lack of regulation may worsen market conditions for United Internet. United Internet attempts to counter the risk of regulation by cooperating with several partners for the services required for our DSL business. Decisions of the Federal Network Agency also influence our business processes in the field of internet

telephony (VoIP). External requirements of existing processes and new regulatory conditions could incur high costs, which might negatively impact our profitability.

Operating risks

Competition

The German DSL market is currently experiencing a strong growth and market share allocation phase. 2007 will continue to be marked by takeovers and company mergers. 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 or that the cost of canvassing new customers may rise further. Increasing competition and/or falling prices could negatively impact our targeted market share of new customers, our growth opportunities 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.

Product development

A significant success factor of United Internet is the development of new products and services for its core brands GMX, WEB.DE and 1&1 in order to provide its new and existing customers with top-quality and innovative value-added internet services and thus raise the total number of customer contracts. The fast technological change in markets for internet applications means that new developments might be too late on the market or not have the desired success. United Internet attempts to minimize such risks by closely observing market trends and making long-term investments in extensive and efficient product development.

Technology and software systems

The services and internal business processes of United Internet are based on a complex technical infrastructure and a number of success-critical software systems, such as SAP servers, customer relationship databases and statistics systems. 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 PC viruses, which might affect the availability and security of data. 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 such 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. A wide variety of state-of-the-art safety precautions have therefore been taken to protect United Internet's infrastructure. By dividing responsibilities, we have made sure that activities or business transactions involving risks are not carried by single employees. Access restrictions also ensure that employees may only operate within their particular area. United Internet attempts to protect itself from external attacks with the aid of firewalls, the latest virus scanners and access controls. As a precautionary measure, all data are regularly backed up and hosted in separate data centers.

Dependence on suppliers

United Internet's internet access products are based to a large extent on third party services — mainly those of Deutsche Telekom AG at present. As such, United Internet is dependent to a large extent on the performance and resources of its technical service providers. United Internet works constantly with its suppliers on improving processes and attempts to source alternatives for the case of possible bottlenecks. As of early 2006, for example, we also source services from a second partner for our DSL business. Moreover, United Internet purchases product-specific, sophisticated hardware, such as DSL modems and set-top boxes, from selected external suppliers. Due to the high quality standards, the number of suppliers is limited to just a few. Should there be very high and unforeseen demand for these United Internet product packages, delivery bottlenecks cannot be ruled out. This might have negative consequences for business activities. United Internet counters such risks by extending its portfolio of suppliers, while focusing on maintaining quality.

Customer satisfaction

The satisfaction of our customers enjoys a high priority at United Internet. It is a key factor for stable customer growth and thus for our future business success. Due to constant customer growth, there may be a deterioration in service, e. g. long delivery times for hardware or interface problems with our suppliers. With the aid of questionnaires, United Internet attempts to discover the main areas of customer satisfaction and introduces suitable measures to minimize negative effects, such as raising headcount in the field of customer care.

Legal risks

Property rights

United Internet attempts to protect its property rights by means of copyrights, trademarks and patents. As these property rights are not always supported by the respective national authorities, an infringement of rights and self-developed technologies cannot be excluded. In the same way, United Internet may also face damage claims for infringing the rights or patents of third parties, e. g. should claims be made regarding intellectual property of technology used by us without knowledge of its protection.

Litigation

In the fiercely competitive internet markets, the acquisition of new customers by means of promotional activities is decisive. In this connection, it is often the case that competitors seek litigation as a result of disputed — especially comparative — advertising statements. Should United Internet lose such a case, this may negatively impact the efficiency of future advertising, make attracting new customers more difficult and/or reduce profitability.

Data protection

United Internet hosts the data of several million customers on its servers. Data protection therefore enjoys a particularly high priority and is guaranteed by the observance of all current legislation and the use of the latest technology. Should third parties succeed, however, in breaking through the various security measures and stealing personal data, United Internet might be made liable for such abuse of its responsibilities.

Other risks

Personnel

The performance of our employees is the key determinant for the success of United Internet. Due to the intense competition for skilled and motivated employees or managers, there is no guarantee that the company will be able to recruit, integrate and keep a sufficient number of skilled employees in future. The loss of key employees could also have a negative influence on United Internet. The company counters such personnel risks by offering various employee stock ownership plans and undertaking an active personnel development program.

International expansion

United Internet is currently active in 13 countries and plans further international expansion. It cannot be guaranteed that United Internet will be as successful in its international markets in the long term. Should we not attract sufficient customers, or should this prove too expensive or other such problems occur, United Internet may be forced to withdraw from such countries. The related expenses and management resources could result in a deterioration of our operating business. In order to minimize such risks, we operate within extremely short time frames in our international expansion planning. We set exact milestones and targets and only when these have been achieved, do we decide on further steps.

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 or expensive than planned, this may have a negative impact on the profitability and financial position of United Internet. We counter this risk by means of extensive due diligence audits prior to acquisitions, but cannot completely exclude such risks.

Qualitative and quantitative information concerning the overall risk

Following the successful integration of WEB.DE and takeover of the UK webhoster Fasthosts, with the resulting market consolidation in the UK, the overall risk situation has stabilized further. Despite the continuing intensity of competition on the German internet access market, the resulting risk was limited by implementing suitable measures. Due to the ongoing strict alignment of United Internet as an Internet Service Provider, the major risks for the Company's future net assets, financial situation and results of operations focus on the areas of supplier dependency, technology and software systems, and competition. The risk management culture we have introduced enables us to proactively counter such risks and limit them to a minimum. We judge the probability of such adverse

developments as very low to limited. There were no risks which directly jeopardized the continued existence of United Internet in the fiscal year 2006, neither from individual risks nor from the overall risk situation.

Annual inspection of the risk management system

In the course of their audit of the Company's annual financial statements, the auditors assess both the functionality and compliance of the risk management system installed by United Internet. The auditors confirmed that our risk management system complied with legal requirements in 2006.

Outlook

Good prospects for 2007

Economists expect slightly weaker growth for the global economy in 2007. The International Monetary Fund, for example, forecasts growth of 4.9 % for the global economy – compared with 5.1 % in 2006. Growth of around 2.0 % is predicted for the Euro zone this year. Research institutes are also upbeat about the German economy. According to the HWWI Institute, the German economy will continue to grow this year and the next. Researchers have lifted their growth forecasts from 1.1 % to 1.7 % for 2007. The Kiel Institute for the World Economy expects growth of 2.1 % and the German government has also raised its forecast from 1.4 % to 1.7 %.

The trade association BITKOM expects the European ITC market to continue its positive development in 2007. The association forecasts EU-wide growth of 2.9 % to € 663 billion. According to the association's latest mood indicator, almost three quarters of all small and mid-size high-tech companies in Germany also expect rising sales in 2007. Some 73.0 % of all companies questioned said they expected growth, while just 26.0 % expect sales to remain stable.

Boom in broadband connections continues

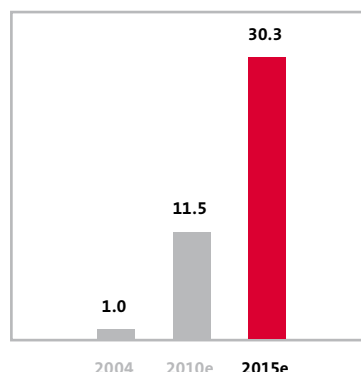
According to the study "Germany Online 4", the trend toward broadband connections is set to continue. The number of broadband connections will increase to 21 million by 2010 and to over 27 million connections by 2015 — so that almost 70 % of all German households will have a broadband connection by this time.

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 76 % of broadband users boasted internet connections of 1 Mbit/s in 2005, this proportion will fall to 34 % by 2010. However, by 2010 over 40 % of

Development of bandwidth

(in Mbit/s)



connections are expected to be between 6 and well over 50 Mbit/s. The trend is thus clear: the strong decline in lower-speed internet connections will go hand-in-hand with an increase in ultra-high bandwidth connections.

The ongoing boom in broadband connections will therefore 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. Tier 1 Research expects growth of 10 % in 2007, while Gartner and IDC predict as much as 15 and 16 % per year up to 2010, respectively.

The online advertising market has now also developed into a highly dynamic growth market. JupiterResearch forecast growth of 18 % to € 5.9 billion for the European advertising market in 2007. Despite a leap in sales of 59 % to € 1.65 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 2006 of 7.8 % of the

advertising market (without posters) is only about half the online share of daily media consumption of 14.6 %.

Thanks to our successful positioning in these growth markets, we expect good growth opportunities once again in 2007 for our business segments.

Sustained growth expected for Product segment

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. All lights are also set to green for the marketing of our portals GMX, WEB.DE and 1&1 in 2007. The online advertising market is experiencing dynamic growth and we are making strong progress in the development of content, thanks to cooperations, our own developments — such as music downloads on WEB.DE — and investments such as Bigpoint/e-sport.

Strong growth in sales and earnings expected for Online Marketing segment

The same applies to our Online Marketing business, in which — contrary to the Product segment — we market exclusively third-party websites and domains. In view of the segment's strong progress in 2006 and the ongoing positive development of the online advertising market, we expect further significant growth in sales and earnings in future.

Montabaur, March 5, 2007

Ralph Dommermuth, CEO
Norbert Lang, CFO

Consolidated Financial Statement according to IFRS

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Consolidated Balance Sheet

as of December 31, 2006 in €k

ASSETS	Note	December 31, 2006	December 31, 2005*
Current assets			
Cash and cash equivalents		32,723	36,177
Accounts receivable and other assets	6	120,920	99,841
Inventories	8	16,797	6,313
Prepaid expenses		19,522	12,526
Other assets	7	17,705	20,927
		207,667	175,784
Non-current assets			
Equity investments	9	11,006	9,492
Other financial assets		3,695	1,440
Property, plant and equipment	10	66,296	51,619
Intangible assets	11	147,370	145,503
Goodwill	11	373,687	266,757
Deferred tax asset	25	9,811	6,436
		611,865	481,247
Total assets		819,532	657,031
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Accounts payable, trade		163,330	91,932
Liabilities due to banks	12	16,140	344
Advance payments received		5,440	5,111
Accrued taxes	14	25,743	12,527
Deferred revenue	16	92,520	72,421
Other accrued liabilities	15	1,699	1,493
Other liabilities	13	50,510	65,963
		355,382	249,791
Non-current liabilities			
Convertible bonds	17	876	1,245
Liabilities to banks	12	102,579	82,857
Deferred tax liability	25	21,769	11,726
Deferred revenue	16	1,756	2,680
Other liabilities		2,155	242
		129,135	98,750
Total liabilities		484,517	348,541
Equity			
Capital stock	17	250,235	62,275
Additional paid-in capital		156,447	238,506
Accumulated loss		-6,014	-2,822
Treasury stock	17	-79,561	0
Revaluation reserves		1,373	892
Currency translation adjustment		930	1,111
		323,410	299,962
Minority interests	18	11,605	8,528
Total equity		335,015	308,490
Total liabilities and equity		819,532	657,031

* Adapted - See explanation 4 d) in the notes to the consolidated financial statements as at December 31, 2006

Consolidated Income Statement

from January 1 to December 31, 2006 in €k

	Note	2006 January - December	2005* January - December
Sales		1,267,561	801,505
Cost of sales	19, 20, 21	-778,008	-469,002
Gross profit		489,553	332,503
Selling expenses	19, 20, 21	-226,523	-176,455
General administrative expenses	19, 20, 21	-73,729	-53,889
Other operating expenses	23	-12,557	-16,070
Other operating income	23	26,679	18,805
Amortization of intangible assets resulting from company acquisitions	21	-21,846	-3,288
Amortization of goodwill	22	0	-1,679
Operating result		181,577	99,927
Interest and similar expenses	24	-5,389	-1,644
Interest and similar income	24	2,989	2,117
Result from associated companies	9	2,368	575
Pre-tax result		181,545	100,975
Income taxes	25	-61,316	-41,685
Net income before minority interests		120,229	59,290
Minority interests		-6,954	-2,214
Net income attributable to shareholders of United Internet AG		113,275	57,076
Result per share (in €)*			
- basic	4u	0.46	0.25
- diluted	4u	0.46	0.25
Weighted average shares (in million units) *			
- basic	4u	245.98	228.62
- diluted	4u	247.75	230.36

* Adapted - See explanation 4d) in the notes to the consolidated financial statements as at December 31, 2006

Development of Segments

2006	Product Segment €k	Outsourcing Segment €k	Online Marke- ting Segment €k	Head Office / Investments €k	United Internet group €k
Total revenues	991,622	117,544	177,472	9,384	1,296,022
- thereof internal revenues	1,411	12,817	4,906	9,327	28,461
External revenues	990,211	104,727	172,566	57	1,267,561
- thereof domestic	914,450	47,390	93,866	57	1,055,763
- thereof non-domestic	75,761	57,337	78,701	0	211,799
EBITDA	197,330	18,730	22,291	-1,555	236,796
Result from at-equity companies	0	0	1,250	1,118	2,368
EBT	147,859	12,775	19,782	1,129	181,545
Assets	624,588	50,808	127,574	16,562	819,532
- thereof domestic	487,891	31,896	60,066	16,562	596,415
- thereof non-domestic	136,697	18,912	67,508	0	223,117
Share of at-equity companies	0	0	3,012	7,994	11,006
Total liabilities	314,497	24,227	64,835	80,958	484,517
Investments in intangible assets and property, plant and equipment	36,891	2,553	1,775	207	41,426
- thereof domestic	27,281	1,842	1,624	207	30,954
- thereof non-domestic	9,610	711	151	0	10,472
Amortization/depreciation	48,012	5,562	1,550	95	55,219
Number of employees	2,802	3,125	400	20	6,347
- thereof domestic	2,329	1,438	196	20	3,983
- thereof non-domestic	473	1,687	204	0	2,364

2005

Total revenues	608,119	95,962	109,460	12,893	826,434
- thereof internal revenues	1,321	7,342	3,431	12,835	24,929
External revenues	606,798	88,620	106,029	58	801,505
- thereof domestic	569,963	43,631	43,853	58	657,505
- thereof non-domestic	36,835	44,989	62,176	0	144,000
EBITDA	112,734	12,217	8,213	-4,279	128,885
Result from at-equity companies	0	0	536	39	575
EBT	92,922	5,914	6,177	-4,038	100,975
Assets	504,408	48,253	83,050	21,320	657,031
- thereof domestic	491,890	30,604	26,493	21,320	570,307
- thereof non-domestic	12,518	17,649	56,557	0	86,724
Share of at-equity companies	0	0	2,207	7,285	9,492
Total liabilities	174,475	21,683	48,174	104,209	348,541
Investments in intangible assets and property, plant and equipment	23,898	5,171	1,155	103	30,327
- thereof domestic	21,353	2,922	888	103	25,266
- thereof non-domestic	2,545	2,249	267	0	5,061
Amortization/depreciation	20,822	5,736	2,352	55	28,965
Number of employees	2,313	2,912	299	16	5,540
- thereof domestic	2,187	1,349	157	16	3,709
- thereof non-domestic	126	1,563	142	0	1,831

Consolidated Cash Flow Statement

from January 1 to December 31, 2006 in €k

	Note	2006 January - December	2005* January - December
Cash flow from operating activities			
Net income		120,229	59,290
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	21	33,373	23,998
Amortization of intangible assets resulting from company acquisitions	21	21,846	3,288
Goodwill amortisation	22	0	1,679
Compensation expenses from employee stock option plans	17	1,614	1,780
Results of associated companies consolidated using the equity method	9	-2,368	-575
Distributed profits of associated companies	9	859	441
Income from partial deconsolidation		-5,539	0
Change in deferred taxes		-847	1,015
Non-cash expenses/income		1,163	54
Operative cash flow		170,330	90,970
Change in assets and liabilities			
Change in receivables and other assets		-10,816	-35,686
Change in inventories		-10,144	4,002
Change in deferred expenses		-3,438	-3,254
Change in accounts payable, trade		68,308	23,713
Change in advance payments received		328	-611
Change in other accrued liabilities		171	-3,366
Change in accrued taxes		12,924	-1,168
Change in other liabilities		-10,410	31,426
Change in deferred income		8,700	19,457
Change in assets and liabilities, total		55,623	34,513
Cash flow from operating activities		225,953	125,483

* Adapted - See explanation 4 d) in the notes to the consolidated financial statements as at December 31, 2006

	Note	2006 January - December	2005* January - December
Cash flow from investing activities			
Capital expenditure for intangible assets and property, plant and equipment		-41,426	-30,327
Investments in other financial assets		-1,787	0
Payments of loans granted		98	97
Disposal of assets		1,024	244
Purchase of shares in associated companies	9	-5	0
Purchase of further shares in affiliated companies	5	-38,312	0
Proceeds from partial deconsolidation		7,890	0
Acquisition costs, net of acquired cash	5, 28	-98,867	-202,552
Cash flow from investment activities		-171,385	-232,538
Cash flow from financing activities			
Purchase of treasury stock	17	-79,561	-3,430
Change in bank liabilities		35,312	79,772
Dividend payments		-15,569	-11,208
Minority interests		-180	0
Additional payments for the exercise of convertible bonds		2,177	3,096
Payment/Repayment of convertible bonds		-22	95
Cash flow from financing activities		-57,843	68,325
Net increase/decrease in cash and cash equivalents		-3,275	-38,730
Cash and cash equivalents at beginning of fiscal year		36,177	74,682
Change in currency translation adjustments		-179	225
Cash and cash equivalents at end of fiscal year		32,723	36,177

* Adapted - See explanation 4 d) in the notes to the consolidated financial statements as at December 31, 2006

Development of Consolidated Fixed Assets

in Fiscal Year 2006 and 2005 in €k

2006

ACQUISITION AND PRODUCTION COSTS

	Jan. 1, 2006	Add. from initial consoli- dation	Additions	Disposals	Reclassi- fications	Currency trans- lation	Dec. 31, 2006
Intangible assets							
Licenses	31,357	0	2,712	280	-69	61	33,781
Order backlog	2,141	0	0	0	0	0	2,141
Software	28,390	1,204	2,281	365	69	6	31,585
Brand	17,207	5,075	0	0	0	0	22,282
Customer base	25,999	21,099	0	0	0	0	47,098
Portal	72,240	0	0	0	0	0	72,240
Goodwill *	268,436	73,071	35,549	1,690	0	0	375,366
Total (I)	445,770	100,449	40,542	2,335	0	67	584,493
Property, plant and equipment							
Land and buildings	6,876	0	110	0	0	0	6,986
Operational equipment	118,035	4,046	30,852	5,626	2,895	-420	149,782
Payments in advance	5,800	67	5,471	0	-2,895	-187	8,256
Total (II)	130,711	4,113	36,433	5,626	0	-607	165,024
Total	576,481	104,562	76,975	7,961	0	-540	749,517

2005

ACQUISITION AND PRODUCTION COSTS

	Jan. 1, 2005	Add. from initial consoli- dation	Additions	Disposals	Reclassi- fications	Currency trans- lation	Dec. 31, 2005
Intangible assets							
Licenses	13,159	13,786	4,423	23	0	12	31,357
Order backlog	0	2,141	0	0	0	0	2,141
Software	15,980	11,144	1,029	15	250	2	28,390
Brand	0	17,207	0	0	0	0	17,207
Customer base	46	25,953	0	0	0	0	25,999
Portal	0	72,240	0	0	0	0	72,240
Goodwill *	25,630	241,128	1,678	0	0	0	268,436
Total (I)	54,815	383,599	7,130	38	250	14	445,770
Property, plant and equipment							
Land and buildings	6,546	0	330	0	0	0	6,876
Operational equipment	95,456	5,635	18,492	3,136	947	641	118,035
Payments in advance	942	0	6,053	0	-1,197	2	5,800
Total (II)	102,944	5,635	24,875	3,136	-250	643	130,711
Total	157,759	389,234	32,005	3,174	0	657	576,481

ACCUMULATED DEPRECIATION

NET BOOK VALUE

Jan. 1, 2006	Additions	Disposals	Currency translation	Dec. 31, 2006	Jan. 1, 2006	Dec. 31, 2006
13,944	8,518	236	-273	21,953	17,413	11,828
213	915	0	0	1,128	1,928	1,013
15,389	5,761	376	6	20,780	13,001	10,805
0	0	0	0	0	17,207	22,282
780	6,581	0	0	7,361	25,219	39,737
1,505	9,030	0	0	10,535	70,735	61,705
1,679	0	0	0	1,679	266,757	373,687
33,510	30,805	612	-267	63,436	412,260	521,057
3,346	263	0	0	3,609	3,530	3,377
75,746	24,151	4,632	-146	95,119	42,289	54,663
0	0	0	0	0	5,800	8,256
79,092	24,414	4,632	-146	98,728	51,619	66,296
112,602	55,219	5,244	-413	162,164	463,879	587,353

ACCUMULATED DEPRECIATION

NET BOOK VALUE

Jan. 1, 2005	Additions	Disposals	Currency translation	Dec. 31, 2005	Jan. 1, 2005	Dec. 31, 2005
9,042	4,905	4	1	13,944	4,117	17,413
0	213	0	0	213	0	1,928
13,123	2,334	68	0	15,389	2,857	13,001
0	0	0	0	0	0	17,207
25	755	0	0	780	21	25,219
0	1,505	0	0	1,505	0	70,735
0	1,679	0	0	1,679	25,630	266,757
22,190	11,391	72	1	33,510	32,625	412,260
3,075	271	0	0	3,346	3,471	3,530
61,105	17,303	2,858	196	75,746	34,351	42,289
0	0	0	0	0	942	5,800
64,180	17,574	2,858	196	79,092	38,764	51,619
86,370	28,965	2,930	197	112,602	71,389	463,879

Consolidated Statement of Changes in Shareholders' Equity

from January 1 to December 31, 2006 in €k

	Share	Capital stock k€	Additional paid-in capital k€	Accumulated loss k€	Treasury stock k€
Balance as of December 31, 2004	58,043,387	58,043	123,540	-48,690	-36,528
Exercise of conversion rights	431,814	432	2,664		
Capital increase in return for stock *	3,800,000	3,800	110,522		
Employee stock ownership programme AdLINK			355		
Employee stock ownership programme United Internet			1,425		
Revaluation surplus Afiliast Ltd. / Dublin					
Withdrawal of treasury shares					36,528
Dividend payment				-11,208	
Currency translation adjustment					
Net income 2005				57,076	
Increase in shareholdings					
Balance as of December 31, 2005	62,275,201	62,275	238,506	-2,822	0
Exercise of conversion rights	1,134,372	1,134	1,391		
Capital increase in return for stock	186,825,603	186,826	-85,928	-100,898	
Employee stock ownership programme AdLINK			303		
Employee stock ownership programme United Internet			1,311		
Revaluation surplus Afiliast Ltd. / Dublin					
Miscellaneous			864		
Treasury stock					-79,561
Dividend payment				-15,569	
Currency translation adjustment					
Net income 2006				113,275	
Dividend payments					
Increase in shareholdings					
Balance as of December 31, 2006	250,235,176	250,235	156,447	-6,014	-79,561

* Adapted - See explanation 4 d) in the notes to the consolidated financial statements as at December 31, 2006

				Total net income attributable to share- holders of United Internet AG		
Revaluation	Currency	Total	Minority	Total equity		Minority
k€	translation	k€	interests	k€	k€	interests
	k€		k€			k€
585	886	97,836	6,246	104,082		
		3,096		3,096		
		114,322		114,322		
		355		355		
		1,425		1,425		
307		307		307	307	
		36,528		36,528		
		-11,208		-11,208		
	225	225		225	225	
		57,076	2,214	59,290	57,076	2,214
			68	68		
892	1,111	299,962	8,528	308,490	57,608	2,214
		2,525		2,525		
		0		0		
		303		303		
		1,311		1,311		
481		481		481	481	
		864		864		
		-79,561		-79,561		
		-15,569		-15,569		
	-181	-181		-181	-181	
		113,275	6,954	120,229	113,275	6,954
			180	180		
			-4,057	-4,057		
1,373	930	323,410	11,605	335,015	113,575	6,954

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2006

1 Nature of 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 Dortmund, Ebersberg, Görlitz, Hannover, Karlsruhe, Cologne, Montabaur, Munich, Regensburg, Zweibrücken, Boston, Cebu City, Chesterbrook, Dublin, Durban, Gateshead, Gloucester, Haarlem, Copenhagen, Küsnacht, Las Vegas, Levallois-Perret, Liberec, London, Ljusdal, Maastricht, Madrid, Milan, Paris, Saargemünd, Slough, Stockholm, Zellik, Zgorzelec and Zug. With the exception of the building at Zweibrücken, all of the Company’s buildings are leased.

2 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.

3 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 chairman of the Management Board and a major shareholder of the Company. The corresponding lease agreements run until September 30, 2009 and May 31, 2010. The resulting rent expenses are customary and amounted to € 1,355k in fiscal year 2006 (prior-year: € 1,206k).

There is a sponsoring contract between United Internet AG and Deutsche Challenge 2007 AG & Co. Management KG, Munich, which support given by United Internet AG as the main sponsor of the “United Internet Team Germany” in the America’s Cup 2007. The sole proprietor of Deutsche Challenge 2007 AG & Co. Management KG is Mr. Ralph Dommermuth. The sponsoring contract expires no later than October 31, 2007.

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.

In addition to his duties at 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 and docuware AG, Munich.

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

	1. January 2006			31. December 2006		
Shareholdings of the						
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	84,000	800,000	884,000	-	576,128	576,128
	17,684,000	71,200,000	88,884,000	17,600,000	70,976,128	88,576,128
Supervisory Board	direct	indirect	total	direct	indirect	total
Kurt Dobitsch	-	-	-	-	-	-
Bernhard Dorn	-	-	-	-	-	-
Michael Scheeren	1,400,000	-	1,400,000	800,000	-	800,000
	1,400,000	-	1,400,000	800,000	-	800,000

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 NT plus AG (chairman), Osnabrück.

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. Mr. Kurt Dobitsch received total remuneration of € 112k (prior year: € 90k). Of this total, € 40k (prior year: € 40k) was fixed and € 72k (prior year: € 50k) variable. Mr. Bernhard Dorn received total remuneration of € 92k (prior year: € 70k). Of this total, € 20k (prior year: € 20k) was fixed and € 72k (prior year: € 50k) variable. Mr. Michael Scheeren received total remuneration of € 92k (prior year: € 70k). Of this total, € 20k (prior year: € 20k) was fixed and € 72k (prior year: € 50k) variable. The accrual formed for remuneration of members of the Supervisory Board for fiscal year 2006 amounts to € 216k. There are no convertible bond programs 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 2006. 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 2006, remuneration of € 755k (prior-year: € 757k) was agreed for the Management Board. Of this total, € 400k or 53 % was fixed and € 355k or 47 % bonus payments. Mr. Ralph Dommermuth received total remuneration of € 395k (prior year: € 407k). Of this total, € 200k (prior year: € 200k) was fixed and € 195k (prior year: € 207k) variable. Mr. Norbert Lang received total remuneration of € 360k (prior year: € 350k). Of this total, € 200k (prior year: € 200k) was fixed and € 160k (prior year: € 150k) variable. There are currently no convertible bonds issued to members of the Management Board.

The ownership of shares in United Internet AG by members of the Management Board and the Supervisory Board is shown in the table on top of this page.

The United Internet Group can also exert significant influence on its associated companies. There were no significant transactions in fiscal year 2006 and in the previous year.

4 Significant accounting, valuation and consolidation policies

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, unless the application of other regulations is mandatory.

The balance sheet date is December 31, 2006.

At its meeting on March 23, 2006, the Supervisory Board adopted the consolidated financial statements for 2005. The consolidated financial statements were published in the Federal Gazette (Bundesanzeiger) on October 27, 2006.

The consolidated financial statements for fiscal year 2006 were prepared by the Company's Management Board on March 9, 2007 and subsequently submitted to the Supervisory Board. The consolidated financial statements will be presented to the Supervisory Board for adoption on March 29, 2007.

a) Consolidation Policies

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. All transactions, balances and interim profits between the companies have been eliminated as part of the consolidation process.

The results of subsidiaries acquired or sold during the year were included in the consolidated income statement as of their date of purchase or effective disposal.

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

1&1 Internet:

- 1&1 Internet AG, Montabaur (100.0 %)
 - 1&1 Internet Inc., Chesterbrook / USA (100.0 %)
 - 1&1 Internet Ltd., Slough / United Kingdom (100.0 %)
 - 1&1 Internet S.A.R.L., Saargemünd / France (100.0 %)
 - 1&1 Internet Service GmbH, Montabaur (100.0 %)
 - 1&1 Internet Service GmbH, Zweibrücken (100.0 %)
 - 1&1 Internet Services (Philippines) Inc., Cebu City, Philippines (100.0 %)
 - 1&1 UK Holdings Ltd., Slough / United Kingdom (100.0 %)
 - Fasthosts Internet Ltd., Gloucester / United Kingdom (100.0 %)
 - A1 Marketing Kommunikation und neue Medien GmbH, Montabaur (100.0 %)
 - A1 Media LLC, Chesterbrook / USA (100.0 %)
 - Alturo GmbH, Zweibrücken (100.0 %)
 - GMX GmbH, Munich (100.0 %)
 - GMX Internet Services GmbH, Munich (100.0 %)
 - Schlund + Partner AG, Karlsruhe (100.0 %)
 - Immobilienverwaltung AB GmbH, Montabaur (100.0 %)
 - United Internet Media AG, Munich (100.0 %)
 - WEB.DE GmbH, Montabaur (100.0 %)

United Internet Beteiligungen:

- United Internet Beteiligungen GmbH, Montabaur (100.0 %)
 - twenty4help Knowledge Service AG, Montabaur (100.0 %)
 - twenty4help Knowledge Service GmbH, Dortmund (100.0 %)
 - twenty4help Knowledge Service GmbH, Görlitz (100.0 %)
 - twenty4help Knowledge Service GmbH, Zweibrücken (100.0 %)
 - twenty4help Knowledge Service AB, Ljusdal / Sweden (100.0 %)
 - twenty4help Knowledge Service B.V., Maastricht / Netherlands (100.0 %)
 - twenty4help Knowledge Service Espana S.L., Madrid / Spain (100.0 %)
 - twenty4help Knowledge Service Ltd., Gateshead / United Kingdom (100.0 %)

- twenty4help Knowledge Service Sp.zo.o, Zgorzelec / Poland (100.0 %)
- twenty4help Knowledge Service S.r.l., Mailand / Italy (100.0 %)
- twenty4help Knowledge Service s.r.o, Liberec / Czech Republic (100.0 %)
- twenty4help Knowledge Service SA (Pty.) Ltd., Durban / South Africa (74.90 %)
- SalesPlus Gesellschaft für Absatzförderung mbH, Erlangen (51.0 %)
- United Internet Beteiligungen International GmbH, Montabaur (100.0 %)
- InterNetX GmbH, Regensburg (80.0 %)
 - Schlund Technologies GmbH, Regensburg (100.0 %)
 - PSI USA Inc., Las Vegas / USA (87.50 %)

AdLINK:

- AdLINK Internet Media AG, Montabaur (80.07 %)
 - AdLINK Internet Media AB, Stockholm / Sweden (100.0 %)
 - AdLINK Internet Media S.A., Levallois-Perret / France (100.0 %)
 - AdLINK Internet Media APS, Kopenhagen / Denmark (100.00 %)
 - AdLINK Internet Media N.V., Zellik / Belgium (100.00 %)
 - AdLINK Internet Media S.L., Madrid / Spanien (100.0 %)
 - AdLINK Internet Media Ltd., London / United Kingdom (100.0 %)
 - AdLINK Internet Media B.V., Haarlem / Netherlands (100.0 %)
 - AdLINK Internet Media Srl., Mailand / Italy (100.00 %)
 - AdLINK Internet Media GmbH Deutschland, Düsseldorf (100.0 %)
 - net:dialogs GmbH, Montabaur (100.0 %)
 - Sedo GmbH, Cologne (75.94 %)
 - Sedo.com LLC, Cambridge (Boston) / USA (100.0 %)
 - DomCollect Worldwide Intellectual Property AG, Zug / Switzerland (100.0 %)
 - affilinet GmbH, Ebersberg (100.0 %)
 - affilinet Ltd., London / United Kingdom (100.0 %)
 - CibleClick Performances S.A., Paris / France (100.00 %)
 - CibleClick SAS, Paris / France (100.0 %)
 - CibleClick Ltd., London / United Kingdom (100.0 %)

Other:

- MIP Multimedia Internet Park GmbH, Zweibrücken (100.0 %)

All companies the Company has invested in and over whose financial and business policies it has significant influence (20% to 50% of voting shares) are included as associated companies and recorded using the at-equity method of accounting. They comprise the following companies:

- AdLINK Internet Media AG, Küsnacht / Switzerland (50.0 %)
- gatrixx AG, Berlin (48.44 %)
- NTplus AG, Osnabrück (40.23 %)
- fun communications GmbH, Karlsruhe (33.33 %)
- AdLINK Internet Media GmbH, Vienna / Austria (30.0 %)

b) Compulsory application of new accounting standards

In the period under review the Group applied the following new and revised IFRS standards and interpretations. There were no effects on the consolidated financial statements from the application of these new or revised IFRS standards and interpretations.

- IAS 19 amendment – Employee Benefits
- IAS 21 amendment – The Effects of Changes in Foreign Exchange Rates
- IAS 39 amendment – Financial Instruments: Recognition and Measurement
- IFRIC 4 – Determining whether an Arrangement contains a Lease
- IFRIC 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 – Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

c) Voluntary application of new accounting standards

In addition to the compulsory IFRS standards for fiscal year 2006, the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) also published further IFRSs and IFRICs which have already been endorsed by the EU, but which are not compulsory until a later date. The following only includes those

standards and interpretations which might be of relevance for the Company. The option of earlier, voluntary adoption of these new and not yet compulsory standards/interpretations was not exercised.

On August 18, 2005 the IASB published IFRS 7 “Financial Instruments: Disclosures”. This replaces IAS 30 and adopts all regulations included in IAS 32 concerning disclosures in the notes to the annual financial statements. In this connection, amendments and additions were also made to IAS 1 with regard to capital disclosures. The standard results in a fundamental restructuring of disclosure obligations for financial instruments. In particular, details are required regarding management objectives, methods, risks, securities and processes. The disclosure obligations of IFRS 7 and revised detail requirements concerning capital of IAS 1 need not be applied until reporting periods beginning on or after January 1, 2007; earlier application is recommended. The new regulations of IFRS 7 do not result in any changes in valuation for the Company.

No significant impact on the Group's net assets, financial situation and results of operations is expected in future from the application of the newly published IFRIC 7, IFRIC 8 and IFRIC 9, which have already been endorsed by the EU but not yet voluntarily applied by the Company as of December 31, 2006.

d) Retrospective adjustments

On the basis of a capital increase for non-cash contribution resolved by the general meeting of shareholders of June 13, 2006, capital stock was increased by € 186,825,603.00, from € 62,275,201.00 to € 249,100,804.00. The capital increase was effected by means of the issue of 186,825,603 new, registered, non-par shares to the Company's shareholders. The new shares were issued in a ratio of 1:3, so that there were three new shares for every existing share. Disclosures concerning share prices, the number of shares and earnings per share (EPS) were retroactively adjusted accordingly for the previous year.

As of December 31, 2006 the Company amended the disclosure of certain expense positions compared with the previous year. In order to improve comparability, the consolidated income statement of the fiscal year ending December 31, 2005 was changed correspondingly.

In fiscal year 2005 the portal business of WEB.DE AG was acquired with effect from October 31, 2005. In the course of the acquisition, intangible assets were also identified which led to prorated amortization allowances in fiscal year 2005. Due to further acquisitions in fiscal year 2006, the amortization of capitalized intangible assets (€ 21,846k) resulting from company acquisitions are no longer insignificant. The reclassified amortization of the previous year amounted to € 3,288k. This amount was disclosed under administrative expenses in the previous year.

The assessment of goodwill in connection with the acquired portal business of WEB.DE AG was made on a preliminary basis. The shares in United Internet AG provided from the stock of treasury shares were valued at an average price per share of € 19.98. From the valuation of the volume-weighted average share price of the United Internet AG share on October 31, 2005 as a composite amounting to € 26.60, there was an increase in goodwill of € 13,242k. This resulted in an increase in capital reserves of € 13,242k. A retroactive amendment was made to the corresponding balance sheet positions.

e) Revenue recognition

Revenue is recognized separately for each of the Group's different segments (see Note 27 “Segment Reporting”).

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

Product segment

The product business mainly comprises internet service providing, the provision of web hosting solutions and the portal business with advertising revenues and fee-based value-added services.

Internet Service Providing

The Company recognizes its revenue from the provision of internet access on a monthly basis according to the provision of services, which generally correspond to the receipt of customers' monthly payments (basic fee plus usage charges). Payment is collected by direct debit.

In addition to the provision of customers for T-DSL connections, the Company also offers complete DSL solutions under the 1&1 brand, consisting of a DSL connec-

tion, DSL internet access, DSL telephony and video-on-demand. This product range was launched on July 12, 2004. Revenues from 1&1's DSL products consist of monthly amounts (usage charges and basic fees).

Web hosting Solutions

In the field of web hosting for demanding private customers and small to medium-sized companies, customers generally pay in advance for services provided by the Company for a contractually specified term. Revenue is recognized proportionately over the period in which the service is used.

Portal/club business

Revenues from the portal business of WEB.DE and GMX consist mainly of advertising income and revenues for so-called "paid services". These include income from sponsored links of the search engine, SMS and free-phone charges, brokerage commission for DSL connections, e-commerce and other digital services. In the field of online advertising, space is offered on the WEB.DE website as well as other websites. Realized revenues depend on the placing and number of screenings or according to click rates. Digital services consist mainly of fee-based e-mail products, such as the WEB.DE Club, 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.

Outsourcing segment

The Company's outsourcing business includes the sale of technical value-added products as standard white-label products to other Internet Service Providers (ISPs) through InterNetX GmbH and Schlund Technologies GmbH. The Company also offers high-quality customer relationship services, primarily call center services. These relate to the operation of hotlines and user help-desks for IT and telecommunications providers. Services are invoiced on the basis of criteria contractually agreed with customers, taking performance factors (speed, quality, etc.) into account. Revenue is recognized according to services rendered. Related costs are expensed as incurred.

Online Marketing segment

In its Online Marketing segment, the Company is represented by the brands AdLINK for Display Marketing, Sedo for Domain Marketing and affilinet or CibleClick for Affiliate Marketing. These brands offer their adver-

tising customers a variety of online marketing and sales solutions.

AdLINK generates its revenues by selling advertising space on internet pages (banners, microsites and pop-ups). When selling advertising space and placing advertisements, sales are billed depending on the levels of exposure achieved. Revenues are recognized depending on the recoverability when the campaign has been staged as agreed and the company and its client agree on its success (measured in terms of either thousands of contacts or of cost per click/expression of interest/order). Billing is done mainly on a monthly basis. The amount agreed with and billed to the customer is recognized as revenue. The amounts credited to the operators of AdLINK websites are stated under the item „Cost of sales“. The Company largely discloses the respective revenues gross as the Company bears the significant risks and opportunities.

Sedo operates a trading platform for the secondary domain market. In addition, the company offers domain owners the possibility of marketing unused domains for advertising purposes (domain parking). The Company receives performance-based advertising revenues from the marketing of unused domains in domain parking. The Company receives the respective revenues gross on a monthly basis and pays the domain owners their share in accordance with the respective contractual terms. Revenues are disclosed gross as the Company bears the economic risk of the transaction. The Company also generates revenues from sales commissions for the successful sale of a domain via its platform as well as from services in connection with this topic (e.g. domain valuations and transfers). Revenues are realized on completion of the transaction or preparation of the valuation document.

affilinet operates an online platform for suppliers of affiliate programs and website owners at its www.affili.net site. Under the affiliate marketing programs, website operators help suppliers market their goods and services via the internet on a commission basis. The company's revenues result from the mediation of advertising contacts or sales generated via the website owner's pages. The website owners incorporate the supplier's advertising on their web pages and receive part of the revenues generated by the supplier for the mediation of advertising contacts or sales. Revenues are disclosed gross as the Company bears the economic risk of the transaction.

Head Office / Investments

The segment essentially includes several central services such as management and marketing services, leasing office space and technical equipment for other Group companies. Revenues are recognized in line with contractual agreements.

f) Cash and cash equivalents

This item comprises bank balances, other investments, checks and cash in hand, which are highly liquid and have maturities of less than three months — calculated from the date of acquisition.

g) Trade accounts receivable

Trade accounts receivable are stated at nominal value net of adequate allowances for doubtful accounts.

Allowances are formed on the basis of experience figures by classifying receivables according to age and on the basis of further information concerning the impairment of customer-specific receivables.

h) Inventories

Inventories are measured at the lower of production or acquisition cost and net realizable value. Net realizable value is the estimated sales revenue minus estimated required selling expenses. Adequate valuation allowances for excess inventories are made to provide for inventory risks.

i) Investments in associated companies

Investments in associated companies are valued according to the equity method. The equity held in the associated company is always valued at its acquisition cost on the date of addition. In the following periods, the value of the investment is adapted according to changes in the proportion of equity held.

j) Financial assets and financial liabilities

In accordance with IAS 39, financial assets are classified as follows:

- financial assets held for trading
- held-to-maturity investments
- loans and receivables originated by the Company and
- available-for-sale financial assets

Financial assets held for trading are defined as being those which were acquired for the main reason of achieving profits from short-term price fluctuations. Held-to-maturity investments are those with fixed or definable payments and periods of maturity, which the Company can and wishes to hold until maturity, with the exception of loans and receivables originated by the Company itself. All other financial assets, with the exception of loans and receivables originated by the Company, are classified as available-for-sale financial assets. Apart from the loans and receivables originated by the Company itself, the Company only holds financial assets of the category “available-for-sale financial assets”.

Financial assets are initially valued at the acquisition cost corresponding to the fair value of the consideration given; transaction costs are included. Available-for-sale financial assets are subsequently valued at fair value without deduction of any transaction costs and under disclosure of their listed market price as of the balance sheet date. Profit or loss resulting from the valuation of available-for-sale financial assets to their fair value are carried directly under equity capital net, i. e. less deferred taxes, (revaluation reserve) until the financial asset is sold, redeemed or otherwise disposed of, or until an impairment of the financial asset is determined so that the cumulative profit or loss previously carried under equity capital is included in the period's result.

Financial liabilities are initially carried at the fair value of the service received less any transaction costs incurred by borrowing. Following initial recognition, interest-bearing loans are carried at amortized cost using the effective interest method. Profits and losses are recognized in the income statement when debts are extinguished or in the course of amortization.

Borrowing costs are expensed in the period when they are incurred.

In the case of all financial assets and liabilities, market values after consideration of recognized adjustments are almost identical to the carrying values.

k) Property, plant and equipment

Property, plant and equipment are carried at cost less cumulative depreciation. Maintenance expenses that neither enhance the value of the assets nor prolong their useful life are expensed as incurred. Gains or losses from the disposal of fixed assets are recognized as other operating income or expenses. Additions to property, plant and equipment in connection with acquisitions of companies are carried at their estimated fair value. Residual values, useful lives and depreciation methods are reviewed at the end of each fiscal year and amended where necessary.

Property, plant and equipment are depreciated over their expected useful lives using the straight-line method. Servers used for web hosting, which are part of operational and office equipment, are depreciated over a period of up to 3 years. The depreciation of all other servers used by the Company is allocated over 5 years as they are used to a lesser extent.

The following useful lives have been used to calculate depreciation:

	Useful life in years
	Up to 10 (depending on lease period)
Leasehold improvements	
Buildings	10 or 33
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.

l) Intangible assets (without goodwill)

In accordance with IAS 38, certain intangible assets are classified as having an unlimited useful life if, after analyzing all relevant factors, there is no foreseeable limit to the period in which the asset is expected to generate net cash flows for the Group. In agreement with the aforementioned reasons, trademarks valued as part of the purchase price allocation are classified as assets with an unlimited useful life.

Assets with a limited useful life, such as purchased software, licenses and other rights are stated at acquisition cost less scheduled straight-line amortization over their normal useful life. Residual values, useful lives and depreciation methods are reviewed at the end of each fiscal year and amended where necessary. Assets with an unlimited useful life are not amortized in scheduled amounts but subjected an annual impairment test.

The useful life periods are shown in the table below:

Intangible assets	Useful life in years
Trademarks	unlimited
Portal	8
Customer base	5 to 13
Licenses and other rights	3 to 6
Software	3

m) Goodwill

With the publication of IFRS 3 “Business Combinations” and the completely revised standards IAS 36 and IAS 38, scheduled amortization was replaced by the so-called “impairment only” method as of March 31, 2004. In accordance with IAS 36.90, goodwill is subjected to an impairment test at least once a year as of January 1, 2005. This does not depend on any indication of impairment.

Goodwill arising from business combinations is initially valued at cost, based on the surplus acquisition cost above the Group’s proportion of the fair value of acquired identifiable assets, liabilities and contingent liabilities. Following initial valuation, goodwill is subjected to an annual impairment test. Should the impairment test indicate the need for non-scheduled amortization, the acquisition cost of the goodwill is reduced by the amount of this non-scheduled amortization.

n) Impairment of Assets

Property, plant and equipment and intangible assets (including) goodwill are reviewed for impairment if circumstances or changes in circumstances indicate that the book value of an asset may not be realizable. As soon as an asset’s book value exceeds the sum that it can realize, an impairment of value is recognized with an effect on net income. The recoverable amount

is the higher of fair value less the cost of disposal and the value in use. Fair value less the cost of disposal is the amount that can be realized from the sale of an asset, or a cash-generating unit, in a transaction between knowledgeable, willing parties on market terms. The asset's value in use is the cash value of future cash flow to be expected from the asset or cash-generating unit. The recoverable amount is determined individually for each asset or, if that is not possible, for the cash-generating unit to which the asset belongs.

If the value in use of the cash-generating unit is less than the book value of the underlying net asset plus goodwill, an impairment of value is recognized with an effect on net income.

In fiscal year 2006, there was no non-scheduled amortization of the recoverable amount (prior year: € 1,679k).

Revaluation of impaired assets is compulsory if the reason for impairment no longer exists. This does not apply, however, to the impairment of goodwill, which must never be revalued.

o) Subsidies

Government grants are not recognized unless there is reasonable assurance that the Company will comply with the conditions attaching to them and that the Company actually receives the grants. IAS 20 differentiates between cost subsidies and investment subsidies. Cost subsidies are regarded as performance-based grants and recognized as income in the period in which the corresponding costs are incurred. Investment subsidies are either carried in the balance sheet as deferred revenue reversed over their useful life or they reduce the carrying value of the asset.

Subsidies related to personnel expenses

Government subsidies for current personnel expenses are recorded as other operating income. The basis for the disclosure of grants concerning the Company's facilities in Görlitz is the number of jobs which were created there. These are tied for a period of nine years. Grants related to personnel expenses are given for newly created jobs over a period of 24 months and in two lump-sum amounts. The Company receives the first payment in the first twelve months after the job has been occupied and the second payment in the following year. These grants are recognized as other

operating income using the straight-line method over a period of nine years. The period of recognition corresponds to the period for which the conditions apply.

Cost subsidies are also granted by the State of Rhineland-Palatinate related to the Multimedia Internet Park in Zweibrücken.

Additionally, twenty4help receives grants for its facility in Gateshead (UK). In return, the company has signed an agreement with the Development Agency of North East of England committing itself to create up to 300 new, additional and permanent jobs. These grants are recognized as other operating income using the straight-line method over a period of seven years. The period of recognition corresponds to the period for which the conditions apply.

Subsidies related to assets

The subsidies granted by public authorities related to capital expenditure are treated as reductions in acquisition costs. The Company received investment subsidies mainly for the Multimedia Internet Park in Zweibrücken from the state of Rhineland-Palatinate, for capital expenditures related to the new data center in Karlsruhe from the city of Karlsruhe and for outsourcing-related business at its Dortmund facilities from the state of North-Rhine Westphalia.

p) Income taxes

Income taxes represent the sum of actual and deferred income taxes.

The actual income tax expense is based on the annual result liable for tax. Taxable net income differs from the actual annual result, as it excludes non-taxable or non-deductible items. The calculation of the Group's actual income tax expense is based on the tax rates valid as of the balance sheet date.

Deferred taxes are the expected income tax expenses or refunds resulting from differences between the carrying amounts of assets and liabilities in the annual financial statements according to IFRS and the tax values used to calculate the taxable result. Furthermore, deferred taxes are formed for tax loss carry-forwards not yet utilized.

Deferred taxes are formed to the extent to which it appears probable that a taxable result will be available

for which the deductible, temporary difference / tax loss carryforward can be used.

The carrying amount of deferred taxes is reviewed on each balance sheet date and reduced, where necessary, by that amount by which it is no longer probable that a sufficient taxable result will be available for which the asset can be used.

Deferred taxes are accounted for using the balance sheet liability method for all accounting and valuation differences between the tax base of an asset or liability and its carrying amount in the consolidated balance sheet according to IFRS. Deferred tax assets and liabilities are valued on the basis of current tax rates for the respective national subsidiary, which apply for the period in which the temporary differences are expected to be balanced.

q) Foreign currency translation

Monetary items in foreign currencies are always valued at the balance sheet date. Translation differences are recognized as expenses or income in the period in which they occur.

The translation of annual financial statements of individual Group companies prepared in foreign currencies is based on the functional currency method. The functional currency of each of the Company's subsidiaries is the local currency of the country in which each subsidiary is registered. Accordingly, assets and liabilities (except equity) which are recognized in the balance sheets of the foreign subsidiaries in a foreign currency are translated into Euros at the exchange rate on the balance sheet date. Revenues and expenses are translated at the average exchange rates prevailing during the fiscal year. Differences in foreign currency translation which result between the valuation of equity at the historical rate and of assets and other liabilities at the rate on the balance sheet date are stated under equity as a currency adjustment.

r) Trade liabilities

Liabilities are initially carried at fair value. Following initial recognition, liabilities are carried at amortized cost using the effective interest method.

s) Accrued liabilities

In accordance with IAS 37, accrued liabilities are formed if there is a current obligation toward a third party from a past event, which is expected to lead to a future outflow of funds and whose amount can be reliably estimated. Accrued liabilities which do not already lead to an outflow of funds in the following year are carried at their discounted repayment value as of the balance sheet date. Amounts are discounted at market interest rates.

t) Treasury shares

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

u) 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.

As of December 31, 2006, capital stock was divided up into 250,235,176 registered no-par shares each with a theoretical share in the capital stock of € 1. Until December 31, 2006, the Company held 8,226,072 treasury shares. 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 245,976,157 for fiscal year 2006. This number of shares results in earnings per share of € 0.46 (prior year: € 0.25 adjusted for the share split).

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, 2006. All conversion rights existing on December 31, 2005 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 2,702,292 (prior year: 3,872,768) potential shares (from the assumed use of conversion rights). Based on an average market price of € 11.13 (prior year: € 6.17), this would result in the issuance of 1,778,202 (prior year: 1,739,640) shares without consideration. Diluted earnings per share amount to € 0.46 (prior year: € 0.25 adjusted for the share split) in fiscal year 2006.

v) Stock-based compensation

The treatment of stock-based compensation models is regulated by IFRS 2 (Share-Based Payment). The respective balancing entry for personnel expenses is made in capital reserves.

The respective valuation process determines the value component on the grant date, also for the subsequent valuation until the end of the maturity period. In turn, a reassessment of the expected exercise volume is to be made on every valuation date 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.

Due to the calculation of compensation cost for stock-based awards granted to employees according to the regulations of IFRS 2 for share-based payment after November 7, 2002, on the basis of option price models, an amount of € 1,614k (prior year: € 1,780k) was expensed in fiscal year 2006. The amount was mainly charged to administrative expenses. The increase in capital

reserves resulting from this transaction also amounted to € 1,614k (prior year: € 1,780k).

w) Subsequent events

Subsequent events are all beneficial or detrimental events which occur between the balance sheet date and the day on which the annual financial statements are released for publication. Events which provide further substantial evidence of matters already apparent on the balance sheet date are included in the consolidated financial statements. Events concerning occurrences after the balance sheet date are presented in the notes to the annual financial statements and in the management report, if they are of material significance.

x) Business combinations

IFRS 3 was applied to all business combinations whose contracts were signed on or after March 31, 2004.

In the course of its first-time valuation process, the United Internet Group values all identifiable assets, liabilities and contingent liabilities fully and at their fair value on the date of acquisition. Minority shareholdings are thus carried at their proportion of the fair value of the assets and liabilities.

Moreover, every intangible asset is now examined to determine whether it has a limited or unlimited useful life.

The purchase of additional shares in companies already fully consolidated is made in accordance with the so-called "parent-entity-extension" method. According to this method, positive or negative goodwill is calculated as the difference between purchase price and prorated assets (acc. to IFRS carrying values). The positive or negative goodwill values are subsequently carried in the same way as those arising from business combinations.

y) Management's exercise of discretionary rights and critical accounting estimates

The preparation of consolidated financial statements in accordance with IFRS requires the Management Board to make estimates and assumptions in certain cases that affect the assets, debts and financial liabilities.

ties reported on the balance sheet date as well as the income and expenditures of a reporting period. Actual results and developments may differ from these estimates and assumptions.

Significant future estimates and assumptions were made with regard to the impairment tests of goodwill, as the discounted cash flow method requires the determination of future cash flows and a suitable interest rate. Further estimates were made for the formation of accruals, the useful lives of non-current assets and the assessment of impairment regarding trade receivables, inventories, deferred tax assets and the valuation of stock-based compensation models.

5 Corporate acquisitions

On May 15, 2006 1&1 UK Holdings Ltd., Slough / UK, acquired 100% of shares in Fasthosts Internet Ltd., Gloucester / UK.

The preliminary acquisition costs for the business combination amounted to € 96,866k and comprise directly allocated costs of € 1,214k in addition to the purchase price.

The preliminary fair values of identifiable assets and liabilities as of the acquisition date are shown in the table on the right side.

Goodwill of € 72,937k includes the fair value of expected synergies from the company acquisition.

The cash outflows resulting from the company acquisition were as follows:

	€k
Cash outflow	96,866
Assumed cash and cash equivalents	5,726
Actual cash outflow	91,140

On the assumption that the acquisition had taken place at the beginning of fiscal year 2006, consolidated revenues would have been € 10,362k higher and net income for the period € 1,074k higher.

In fiscal year 2006 twenty4help Knowledge Service AG, Montabaur, acquired 51% of shares in SalesPlus Gesellschaft für Absatzförderung mbH, Erlangen, with effect from December 13, 2006.

	€k
Cash payment	95,652
Purchase price	95,652
Ancillary acquisition costs	1,214
Preliminary acquisition costs	96,866

	€k	€k
	Fair values	Book values
Software	1,139	0
Trademark	5,076	0
Customer base	21,099	0
Other intangible assets	54	54
PP&E	4,050	4,050
Financial assets	37	37
Loans	5,546	5,546
Inventories	339	339
Cash and cash equivalents	5,726	5,726
Other assets	849	849
Customer receivables	166	166
Prepaid expenses	3,556	686
Deferred tax liabilities	-7,515	-142
Deferred charges	-10,475	-4,867
Trade payables	-3,063	-3,063
Other liabilities	-1,098	-1,098
Accrued taxes	-1,557	-1,557
	23,929	6,726
Goodwill	72,937	
Preliminary acquisition costs	96,866	

The preliminary acquisition costs for the business combination amounted to € 203k and comprise directly allocated costs of € 3k in addition to the purchase price. Initial recognition of the business combination was made on a preliminary basis. On the basis of the carrying amounts as of the purchase date, there was goodwill of € 135k. Non-current assets of € 60k, current assets of € 529k and liabilities of € 457k were assumed.

In fiscal 2005 affilinet GmbH acquired 71.46 % of shares in CibleClick Performances S.A., headquartered in Paris, France. The contract dated December 14, 2005 obliged affilinet to acquire 75 % of shares in CibleClick Performance S.A., whereby the legal purchase of the

remaining 3.54 % stake was planned for the 2nd quarter of 2006. The purchase price of these first two tranches was dependent on the audited EBIT result for fiscal year 2005 of the CibleClick Group.

With payment on April 3, 2006, the additional 3.54 % shareholding was acquired and the 2nd purchase installment settled for 71.46 % stake acquired in December 2005. The remaining 25 % of shares were acquired on October 20, 2006.

Total acquisition costs for the fiscal years 2005 and 2006 amounted to € 22,243k (€ 615k thereof were directly allocated ancillary purchase costs), of which an amount of € 11,209k was paid in fiscal year 2006. Goodwill amounts to € 20,746k, so that in fiscal year 2006 additional goodwill of € 3,706k (prior year: € 17,040k) was created.

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. On November 20, 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. 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 exercise of the put option. The purchase prices depend mainly on the company's profit development.

In fiscal year 2005 the portal business of WEB.DE AG, Karlsruhe, was acquired with effect from October 31, 2005. The total acquisition costs (excluding ancillary purchase costs) amounted to € 354,280k. With the exception of issue costs for equity instruments, ancillary purchase costs amounted to € 936k. The resulting goodwill totaled € 220,443k.

In a contract dated December 22, 2004 an initial shareholding of 10.20 % in InterNetX GmbH was acquired for a purchase amount of € 440k. After completing a capital increase at book values of € 4,400k at the beginning of fiscal year 2005, further shares in InterNetX GmbH were acquired as of January 1, 2005 for a purchase price of € 2,500k so that United Internet AG held 80 % of shares in InterNetX GmbH. The original shareholders are interested in successively selling further shares in InterNetX GmbH to United Internet Beteiligungen GmbH up to 2015. In fiscal year 2007 are further 5.09 % and in fiscal year 2008 a further 7.50 % of shares are to be sold. The selling price depends on the company's profit development. The initial consolidation of the newly acquired shares, the transitory consolidation of the existing shares and the forward purchase agreement resulted in goodwill of € 4,539k.

Explanations to the Balance Sheet

6 Trade receivables

	2006 €k	2005 €k
Trade receivables	129,143	107,146
Less		
Bad debt allowances	-8,223	-7,305
Trade receivables, net	120,920	99,841

7 Other assets

	2006 €k	2005 €k
Accounts receivables from the tax office	7,175	2,484
Other	4,877	4,290
Payments on account	3,377	3,336
T-DSL and 1&1 DSL premium claim	2,276	1,107
Compensation payments	0	6,626
Fund deposits	0	3,084
Other assets, net	17,705	20,927

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

Payments on account consist mainly of down payments for domains.

The premium claims from the T-DSL and 1&1 resale businesses represent claims from a cooperation agreement with Deutsche Telekom AG. They relate to earnings-based payments for the acquisition of new customers for the cooperation partner, or marketing cost subsidies per new customer for the Company during the past fiscal year.

Compensation payments consist of receivables from ComBOTS AG (formerly: WEB.DE AG) in connection with the acquisition of the portal business of WEB.DE AG, which were settled in fiscal year 2006.

The marketable fund deposits result from the assumption of assets in connection with the purchase of shares in CibleClick in fiscal year 2005.

8 Inventories

Inventories consist of the following merchandise:

	2006 €k	2005 €k
Merchandise		
DSL	5,680	5,070
Pocketweb	7,886	0
Video on Demand	2,418	0
Webhosting	1,245	643
PCs, printers and accessories	467	413
Other	52	237
Domain stock for sale		
Domain stock	2,000	0
	19,748	6,363
Less		
Valuation adjustments	-2,951	-50
Inventories, net	16,797	6,313

9 Equity investments

	2006 €k	2005 €k
Carrying amount at the beginning of the fiscal year	9,492	9,358
Additions	5	-
Adjustments		
- Dividends	-859	-441
- Shares in result	2,368	575
	11,006	9,492

Additions result from the contract dated July 19, 2006 concerning the newly formed AdLINK Internet Media GmbH, Vienna / Austria, in which AdLINK Internet Media AG holds a share of 30 %.

The following table provides an overview of shareholdings and earnings with regard to equity investments as of the balance sheet date:

	Stake United Internet	At-equity results	
		2006 €k	2005 €k
AdLINK Switzerland	50.00 %	1,209	536
gatrixx	48.44 %	-	-
NT plus	40.23 %	922	-75
fun	33.33 %	196	114
AdLINK Austria	30.00 %	41	-
		2,368	575

The following table presents summarized financial information concerning equity investments on the basis of 100 % values of these companies:

	Online Marketing		Headquarters / Investments	
	2006 €k	2005 €k	2006 €k	2005 €k
Current assets	8,068	4,561	50,857	48,612
Non-current assets	812	796	2,829	2,491
Current liabilities	5,511	2,720	44,631	44,029
Non-current liabilities	10	0	863	937
Equity	3,359	2,637	8,192	6,137
Sales revenues	20,860	10,986	446,589	469,534
Net profit	2,485	1,594	3,285	974

10 Property, plant and equipment

	2006 €k	2005 €k
Acquisition costs		
– Land and buildings	13,757	13,647
– Furniture and fixtures	155,975	124,228
– Payments on account	8,256	5,800
Less subsidies	-12,964	-12,964
	165,024	130,711
Less		
Accumulated depreciation	-98,728	-79,092
Property, plant and equipment, net	66,296	51,619

An alternative analysis of property, plant and equipment in the fiscal years 2005 and 2006 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

The disclosed subsidies relate to the construction work completed in fiscal year 1999 in the Multimedia Internet Park in Zweibrücken (€ 6,771k). Furthermore, in fiscal year 2002 subsidies of € 6,193k were received. Thereof, € 5,113k relate to the construction of a new data processing center in Karlsruhe of Schlund + Partner AG. Further € 1,080k are subsidies related to the investment in fixed assets of twenty4help AG.

11 Intangible assets and goodwill

	2006 €k	2005 €k
Acquisition costs		
– Licenses	33,781	31,357
– Order backlog	2,141	2,141
– Software	31,585	28,390
– Trademark	22,282	17,207
– Customer base	47,098	25,999
– Portal	72,240	72,240
– Goodwill	375,366	268,436
	584,493	445,770
Less		
Accumulated amortization and impairment	-63,436	-33,510
Intangible assets, net	521,057	412,260

An alternative analysis of intangible assets and goodwill in the fiscal years 2005 and 2006 is shown in the exhibit to the notes of the consolidated financial statements (assets movement schedule).

Intangible assets with an unlimited useful life (trade-marks) are fully allocated to the Product segment.

Goodwill is presented for each of United Internet's segments:

	2006		2005	
	gross	net	gross	net
Product segment	301,429	301,429	228,492	228,492
Outsourcing segment	5,167	5,167	4,139	4,139
Online Marketing segment	68,770	67,091	35,805	34,126
	375,366	373,687	268,436	266,757

As the goodwill in question are intangible assets with an unlimited useful life, an impairment test is carried out at least once per year on the level of the cash-generating units. The recoverable amount of the cash-generating units is calculated on the basis of a value-in-use calculation using cash flow forecasts. The value-in-use calculation is based on existing budgets for the respective cash-generating unit. The figures used in these budgets are based on numerous assumptions, meaning that the value-in-use calculation depends on judgments. The value-in-use calculation was based on a discounted cash flow calculation.

With reference to its internal budgeting process, the Company has chosen the last quarter of its fiscal year for the implementation of its statutory annual impairment test. On the basis of the annual impairment test carried out in the 4th quarter of 2006, there was no amortization need (prior year: € 1,679k).

The recoverable amount of the cash-generating units was calculated on the basis of a value-in-use calculation using cash flow forecasts. The value-in-use calculation was based on sales expectations of the budgets, extrapolated to 2011 for the Online Marketing segment and to 2015 for the Product segment, on the basis of external market studies. The planned gross profit margins are based on the market assumptions of the respective management. Cash flows after this five- and nine-year period were extrapolated on the basis of an annual growth rate of 1 %. The discounted interest rate used for the cash flow forecasts was between 7 % and 10 %, according to the respective cash-generating unit.

The Company believes that no possible and sensible amendment of any of the underlying assumptions for determining the value in use of the cash-generating units could result in the carrying values of the cash-generating units significantly exceeding their recoverable values. The 1%-point change in the discount rate does not have any effect on the impairment test.

12 Liabilities to banks/credit lines

a) Liabilities to banks

	2006	2005
	€k	€k
Bank loans	102,861	83,144
Less		
Current portion of liabilities to banks	-282	-287
Non-current portion of liabilities to banks	102,579	82,857
Current portion of non-current liabilities to banks	282	287
Short-term loans/overdrafts	15,858	57
Current portion of liabilities to banks	16,140	344
Total	118,719	83,201

In September 1997 the Company raised two long-term loans of € 2,045k and € 2,250k to finance the Multimedia Internet Park in Zweibrücken, which are fixed until July 30, 2007 and July 30, 2008. The company started to repay the loans in October 2002. In fiscal year 2006, repayments amounted to € 282k. The loans accrue interest at a fixed rate of 6.39 % and 3.45 % per annum, respectively. A special repayment of € 460k was made in fiscal year 2000. The loans are secured by encumbering the land and buildings in Zweibrücken.

The further non-current bank liabilities of € 100.0 million result from a revolving syndicated loan, which was granted in the previous year by 10 banks with a maturity until October 12, 2008. The total credit granted amounts to € 125.0 million. As of the balance sheet date, the interest rates amounted to 3.99 % and 4.05 % (prior year: 2.89 %). No collateral was given for the syndicated loan.

Current bank liabilities of € 15.0 million result from a credit line of AdLINK Internet Media AG. The interest rate as of the balance sheet date was 4.33 %. The credit lines of AdLINK Internet Media AG amount to € 70.0 million. The maturity date for € 40.0 million is May 2007, 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 subsidia-

ries 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:

	2006 €m	2005 €m
Available credit lines	65.0	60.0
Utilization (guarantees only)	22.3	6.4
Average interest rate (in %)	n.a.	n.a.
Unutilized credit facilities	42.7	53.6

The credit facilities have been granted by the banks for limited periods. € 25.0m expire in April 2007, € 15.0m expire in June 2007 and the remaining € 25.0m expire in September 2007.

A further amount of € 25.0 million is also available until October 12, 2008 from the unutilized proportion of the revolving loan.

With regard to credit lines granted to the companies of the United Internet Group by a bank, the Company 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.

13 Other liabilities

	2006 €k	2005 €k
Other liabilities		
– Liabilities to the tax office	19,507	23,892
– Salary and social security liabilities	11,680	13,379
– Marketing and selling expenses / sales commissions	8,281	8,208
– Legal and consulting fees, auditing fees	1,880	2,002
– Purchase price installments for the acquisition of investments	627	7,092
– Other	8,535	5,691
– Compensation payments	0	5,008
– Cost subsidies	0	691
	50,510	65,963

Liabilities to the tax office mainly relate to VAT liabilities.

Purchase price installments for the acquisition of investments consist of a forward purchase agreement in connection with the purchase of further shares in InterNetX GmbH.

Purchase price installments for the acquisition of investments in fiscal year 2005 consist of a preliminary remaining purchase price obligation for the acquisition of 71.46% of CibleClick Performances S.A., Paris / France, which was settled in fiscal year 2006.

Compensation payments in the previous year consist of liabilities owing to ComBOTS AG (formerly: WEB.DE AG) in connection with the purchase of the portal business of WEB.DE AG, which were settled in fiscal year 2006.

14 Accrued taxes

Accrued taxes consist of the following items:

	2006 T€	2005 T€
Germany	20,573	10,853
United Kingdom	3,865	349
Netherlands	546	54
France	491	430
USA	123	772
Sweden	95	0
Italy	50	44
Switzerland	0	25
	25,743	12,527

15 Other accrued liabilities

	01.01. 2006 T€	Utili- zation T€	Rever- sal T€	Addi- tion T€	31.12. 2006 T€
Litigation risks	1,066	36	25	584	1,589
Others	427	154	163	0	110
	1,493	190	188	584	1,699

Litigation risks consist of various legal disputes of 1&1 Internet. Other accruals refer mainly to AdLINK and

were formed in the previous year for risks from the liquidation of acquired DoubleClick companies. Due to the completed liquidation of these companies, the accrual has since been reversed.

16 Deferred revenue

At 1&1 Internet, 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. In fiscal year 2006, 1&1 Internet received prepayments of € 85,720k (prior year: € 66,197k).

twenty4help received subsidies for the creation of jobs at its premises in Görlitz and Gateshead. Pro rata subsidies related to personnel expenses in successive periods are deferred and shown as deferred income. In fiscal year 2006, twenty4help received subsidies of € 2,857k (prior year: € 3,248k).

17 Capital stock

On the basis of a capital increase for non-cash contribution resolved by the general meeting of shareholders of June 13, 2006, capital stock was increased by € 186,825,603.00, from € 62,275,201.00 to € 249,100,804.00. The increase in capital stock resulted from the conversion of a part of capital reserves disclosed in the balance sheet as of December 31, 2005, amounting to € 85,927,597.55, from revenue reserves disclosed in the balance sheet as of December 31, 2005 amounting to € 898,005.45 and the amount of € 100,000,000.00 disclosed in the resolution concerning the appropriation of profit as an addition to other revenue reserves. The capital increase was effected by means of the issue of 186,825,603 new, registered, no-par shares to the Company's shareholders. The new shares were issued in a ratio of 1:3, so that there were three new shares for every existing share.

Through partial use of conditional capital, the capital stock of the Company was increased in December 2006 from € 249,100,804 by € 1,134,372 by issuing 1,134,372 new, no-par registered shares for cash contribution to € 250,235,176. The cash contribution represented the conversion of convertible bonds in fiscal year 2006 issued under the Company's employee stock ownership plan.

The Company's capital stock is divided up into 250,235,176 no-par registered shares with a theoretical share in the capital stock of € 1.

In fiscal year 2006 United Internet AG acquired 8,226,072 treasury shares, or 3.29% of current capital stock. Treasury shares reduce equity capital and bear no dividend rights.

The Management Board and Supervisory Board propose a dividend payment of 18 cents per share for fiscal year 2006 (prior year: 6.25 cents, adjusted for the share split).

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 € 3,720,000.00, divided into 3,720,000 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 € 5,222,372.00, divided into 5,222,372 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 € 3,000,000.00, 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 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 € 92,000,000.00, 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.

- In accordance with Sec. 71 (1) No. 8 AktG, the Company is authorized until December 12, 2007 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 no treasury shares. Treasury shares are to be used primarily for current and future employee stock ownership plans or as an acquisition currency.

Employee Stock Ownership Plans

In the United Internet Group, there are a total of three different plans allowing executives and managers to participate in profits. Whereas two of these plans is covered by the conditional capital at the parent company, the third plan was set up by AdLINK Internet Media AG. This company has also issued convertible bonds to its employees, entitling them to exchange them for shares in AdLINK Internet Media AG.

■ 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 to 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.

Using an option pricing model in accordance with IFRS 2, the personnel expense for convertible bonds issued after November 7, 2002 amounted to € 157k (prior year: € 292k). The compensation expense for this employee stock ownership plan is included in administrative expenses.

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

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

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

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

Using an option pricing model in accordance with IFRS 2, the personnel expense for convertible bonds issued amounted to € 742k (prior year: € 1,133k). The compensation expense for this employee stock ownership plan is included in administrative expenses.

■ **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.

Using an option pricing model in accordance with IFRS 2, the personnel expense for convertible bonds issued after November 7, 2002 amounted to € 23k (prior year: € 26k). The compensation expense for this employee stock ownership plan is included in administrative expenses.

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 issued amounted to € 204k (prior year: € 155k). The compensation expense for this employee stock ownership plan is included in administrative expenses.

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, 2004	5,552,200	2.53	331,870	2.28
Issued	600,000	5.26	400,000	3.24
Issued	–	–	459,000	3.60
Exercised	–996,000	0.72	–11,000	1.84
Exercised	–129,000	1.49	–35,365	1.28
Exercised	–160,000	2.13	–	–
Exercised	–418,256	4.35	–	–
Exercised	–24,000	1.02	–	–
Expired	–51,000	0.72	–68,000	4.96
Expired	–10,000	1.49	–6,000	1.84
Expired	–31,960	4.35	–11,500	1.28
Expired	–160,000	3.82	–100,000	3.60
Expired	–294,000	1.02	–	–
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	3.81	778,000	3.08
Exercisable as of December 31, 2006	587,452		34,000	
Weighted average remaining term (in months)	11		24	

Using an option pricing model (Black-Scholes stock option pricing model) in accordance with IFRS 2, the fair value of the options linked to the conversion rights granted in fiscal years 2003 to 2005 was calculated as follows:

The fair value of the convertible bonds of United Internet AG issued on March 25, 2003 amounted to € 1,141k; this resulted in an average market price of € 0.82 per convertible bond. The following assumptions were made:

■ Dividend yield:	0.5%
■ Volatility of United Internet share:	61%
■ Expected term:	4 years
■ Risk-free interest rate:	3.66%

The fair value of the convertible bonds of United Internet AG issued on August 31, 2003 amounted to € 3,211k; this resulted in an average market price of € 1.68 per convertible bond. The following assumptions were made:

■ Dividend yield:	0.5%
■ Volatility of United Internet share:	52%
■ Expected term:	5 years
■ Risk-free interest rate:	3.85%

The fair value of the convertible bonds of AdLINK Internet Media AG issued on January 2, 2004 amounted to € 209k; this resulted in an average market price of € 1.23 per convertible bond. The following assumptions were made:

■ Dividend yield:	0.0%
■ Volatility of AdLINK share:	88%
■ Expected term:	4 years
■ Risk-free interest rate:	3.85%

The fair value of the convertible bonds of United Internet AG issued on August 15, 2004 amounted to € 411k; this resulted in an average market price of € 1.29 per convertible bond. The following assumptions were made:

■ Dividend yield:	1.0%
■ Volatility of United Internet share:	45%
■ Expected term:	5 years
■ Risk-free interest rate:	3.85%

The fair value of the convertible bonds of AdLINK Internet Media AG issued on April 20, 2005 amounted to € 364k; this resulted in an average market price of € 0.91 per convertible bond. The following assumptions were made:

■ Dividend yield:	0.0%
■ Volatility of AdLINK share:	68%
■ Expected term:	5 years
■ Risk-free interest rate:	3.50%

The fair value of the convertible bonds of AdLINK Internet Media AG issued on May 23, 2005 amounted to € 614k; this resulted in an average market price of € 1.71 per convertible bond. The following assumptions were made:

■ Dividend yield:	0.0%
■ Volatility of AdLINK share:	68%
■ Expected term:	5 years
■ Risk-free interest rate:	3.50%

The fair value of the convertible bonds of United Internet AG issued on May 27, 2005 amounted to € 932k; this resulted in an average market price of € 1.55 per convertible bond. The following assumptions were made:

■ Dividend yield:	1.0%
■ Volatility of United Internet share:	39%
■ Expected term:	5 years
■ Risk-free interest rate:	2.86%

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.

The fair value of the options issued on May 24, 2004 amounted to € 543k; this resulted in an average market price of € 1.36 per share. The following assumptions were made:

■ Dividend yield:	0.0%
■ Volatility of AdLINK share:	79%
■ Expected term:	3 years
■ Risk-free interest rate:	3.85%

Using an option pricing model in accordance with IFRS 2, the personnel expense for the options issued amount-

ted to € 76k (prior year: € 174k). The compensation expense is mainly included in general administrative expenses.

United Internet AG

Virtual stock options

The employee stock ownership plan 2006 employs 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 was 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 on the basis of a binomial model in accordance with IFRS 2, the fair value of options issued in fiscal year 2006 was calculated as follows:

The fair value of 400,000 options issued on May 30, 2006 amounted to € 1,000k, resulting in an average market price of € 2.50 per option. The following assumptions were made:

■ Dividend yield:	1.0%
■ Volatility of AdLINK share:	36%
■ Expected term:	5 years
■ Risk-free interest rate:	3.65%

Using an option pricing model in accordance with IFRS 2, the personnel expense for the options issued amounted to € 191k (prior year: € 0k).

The fair value of 800,000 options issued on August 14, 2006 amounted to € 1,790k, resulting in an average market price of € 2.44 per option. The following assumptions were made:

■ Dividend yield:	1.0%
■ Volatility of AdLINK share:	39%
■ Expected term:	5 years
■ Risk-free interest rate:	3.84%

Using an option pricing model in accordance with IFRS 2, the personnel expense for the options issued amounted to € 221k (prior year: € 0k).

In measuring volatility, historic volatility was also considered.

18 Mininority interests

In fiscal year 2006, additional shares were acquired in Sedo GmbH. The shares acquired from other shareholders amounted to € 3,656k.

Explanations to the Income Statement

19 Cost of materials

In fiscal year 2006, costs of materials totaled € 641,534k (prior year: € 360,350k). Cost of materials are mainly disclosed in the income statement prepared in accordance with the cost of sales method under “Cost of sales”. They mainly comprise cost of goods and purchased services.

Costs for advertising are included in “Selling expenses”. They are expensed as incurred. In fiscal year 2006, they amounted to € 108,982k (prior year: € 87,916k).

20 Personnel expenses

Personnel expenses in fiscal year 2006 totaled € 192,014k (prior year: € 146,102k). Of this total, € 101,691k (prior year: € 79,804k) are contained in cost of sales, € 60,636k (prior year: € 44,483k) in selling expenses and € 29,687k (prior year: € 21,816k) in administrative expenses. At year-end, the United Internet Group employed a total of 6,347 people (prior year: 5,540). The number of employees in Germany amounted to 3,983 (prior year: 3,709), the number of employees outside Germany totaled 2,364 (prior year: 1,831). The average number of employees in fiscal year 2006 amounted to 3,414 (prior year: 2,995) in Germany and 2,278 (prior year: 1,718) outside Germany.

21 Depreciation and amortization

Depreciation and amortization of intangible assets and property, plant and equipment in fiscal year 2006 totaled € 33,373k (prior year: € 23,998k). Of this total, € 22,333k (prior year: € 16,694k) are contained in cost of sales, € 2,017k (prior year: € 1,470k) in selling expenses and € 9,023k (prior year: € 5,835k) in administrative expenses.

Amortization of capitalized goodwill resulting from business combinations amounted to € 21,846k (prior year: € 3,288k). Of this total, € 19,367k (prior year: € 3,288k) resulted from the acquisition of the portal business of WEB.DE AG (today: ComBOTS AG) in fiscal year 2005. Of the companies acquired in fiscal year

2006, € 1,801k resulted from the purchase of Fasthosts and € 678k from the purchase of CibleClick.

Of this total, an amount of € 9,030k (prior year: € 1,505k) resulted from amortization of the portal, € 6,581k (prior year: € 755k) from amortization of the customer base, € 3,840k (prior year: € 591k) from amortization of software, € 1,480k (prior year: € 224k) from amortization of licenses and € 915k (prior year: € 213k) from amortization of the order backlog. Amortization of intangible assets resulting from company acquisitions is disclosed separately in the income statement. There is no allocation to individual divisions.

Total depreciation and amortization in fiscal year 2006 amounted to € 55,219k (prior year: € 27,286k).

22 Goodwill amortization

Following impairment tests, goodwill pertaining to AdLINK subsidiaries (Italy, Denmark and Sweden) was amortized by € 1,679k in fiscal year 2005 due to the negative development of business. No amortization of goodwill was required in fiscal year 2006.

23 Other operating income/expenses

In fiscal year 2006, other operating income mainly contains subsidies for current personnel expenses in connection with the Multimedia Internet Park in Zweibrücken amounting to € 520k (prior year: € 550k), as well as for current personnel expenses at twenty4help amounting to € 1,097k (prior year: € 1,360k).

Other operating income of € 5,538k resulted from the partial deconsolidation of shares in a subsidiary.

Losses due to account receivables of 1&1 Internet AG amounted to € 10,237k (prior year: € 11,681k), while income from dunning and return debit charges totaled € 10,380k (prior year: € 4,756k). Currency losses (net) in fiscal year 2006 amounted to € 30k, while currency gains (net) in the previous year amounted to € 297k. Expenses relating to other accounting periods amounted to € 26k (prior year: € 118k), while income relating to other accounting periods amounted to € 4,277k (prior year: € 1,294k).

24 Financial income/financial expenses

Financial income consists of interest income from bank balances of € 1,838k (prior year: € 2,117k) and income from other investments amounting to € 1,151k (prior year: € ok).

Financial expenses contain costs from loans and overdraft facilities totaling € 4,307k (prior year: € 1,644k) and costs from the dividend guarantee for minority shareholders of € 1,082k (prior year: € ok) in connection with the profit transfer agreement between AdLINK GmbH and Sedo GmbH.

25 Income taxes

The income tax expense is comprised as follows:

	2006 €k	2005 €k
Current income taxes		
– Germany	-54,071	-40,067
– Abroad	-8,620	-1,618
Total (current period)	-62,691	-41,685
Deferred taxes		
– Due to tax loss carryforwards	5,086	494
– Tax effect on temporary differences	-3,711	-494
Total deferred taxes	1,375	0
Total tax expense	-61,316	-41,685

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 16.9 % (prior year: 16.5 %).

German corporate income tax is levied at 25 % for the tax assessment year 2005 and for the tax assessment year 2006 – irrespective of whether the result is retained or distributed. Additionally, a solidarity surcharge of 5.5 % is imposed on the assessed corporate income tax.

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, 2006 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 38.5 % for 2005 and 38.8 % for 2006.

Deferred taxes are composed as follows:

	2006 €k	2005 €k
Deferred tax assets due to		
– tax loss carryforwards	8,448	3,356
– differing carrying amounts and consolidation adjustments	1,363	3,080
Total deferred tax assets	9,811	6,436
Deferred tax liabilities due to		
– differing carrying amounts and consolidation adjustments	-21,769	-11,726
Total deferred tax liabilities	-21,769	-11,726
Deferred tax debts/claims	-11,958	-5,290

Deferred tax assets for loss carryforwards of € 7,059k refer to AdLINK Internet Media AG. Due to the economic position of the sub-group AdLINK, additional deferred taxes on existing loss carryforwards amounting to € 4,530k (prior year: € 2,529k) were capitalized in fiscal year 2006. Further deferred taxes concern AdLINK Belgium (€ 207k), AdLINK Spain (€ 447k) and AdLINK Great Britain (€ 229k). The remaining deferred taxes amounting to € 506k concern the sub-group 1&1. The Group capitalized deferred taxes for all companies which already generated positive, taxable earnings in fiscal

year 2006 and for whom a positive EBT is already forecast in the Group's budget planning. For reasons of caution, 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 € 11,952k (prior year: € 18,089k) were not capitalized, as the recovery of loss carryforwards as of the balance sheet date was not sufficiently probable.

Deferred tax assets due to differing carrying amounts and consolidation adjustments result from consolidation adjustments in the amount of € 61k (prior year: € 857k), from differing carrying amounts of liabilities in the amount of € 583k (prior year: 1,139k) and from differing carrying amounts of deferred income in the amount of € 719k (prior year: 1,084k).

Deferred tax liabilities of € 18,779k (prior year: € 10,773k) result mainly from the different treatment of capitalized intangible assets from business combinations in the consolidated accounts and the tax balance sheet. The increase over the previous year results mainly from the acquisition of Fasthosts in fiscal year 2006.

Deferred tax liabilities of € 1,942k (prior year: € 953k) refer to consolidation adjustments. Other deferred tax liabilities amounting to € 1,048k (prior year: € 0k) result from other matters.

The aggregate tax rate is reconciled to the Company's effective tax rate as follows:

	2006 %	2005 %
Anticipated tax expense from result before taxes	-38.8	-38.5
– Goodwill amortization non-deductible for tax purposes	0.0	-0.6
– Tax-reduced partial deconsolidation	1.4	0.0
– Differences in foreign tax rates	0.9	0.2
– Employee stock ownership plan	-0.1	-0.7
– Tax losses of the fiscal year, not capitalized	-1.1	-3.1
– First-time capitalization of tax losses not used in prior years	3.2	1.9
– Utilization of non-capitalized tax loss carryforwards	0.1	0.4
– Non-taxable at-equity results	0.5	0.2
– Balance of tax-free income and non-deductible expenses	0.1	-1.1
Tax expense based on income statement	-33.8	-41.3

26 Other financial obligations and contingencies

a) Leases and Rent

Expenses resulting from lease obligations for buildings and business premises, as well as for movable items (vehicles, telephone systems, copiers, etc.) totaled € 12,726k in fiscal year 2006 (prior year: € 11,179k). As of December 31, 2006, future lease obligations were as follows:

	2006 €k
Liabilities from long-term lease obligations	56,878
of which with a remaining term of up to one year	13,760
of which with a remaining term of one to five years	33,563
of which with a remaining term of over five years	9,555

The most important leases for the Company's facilities in Montabaur have terms until mid-2009 or early 2015. In fiscal year 2006, these leases incurred expenses of € 1,661k (prior year: € 1,575k). The leases for the Company's facilities in Karlsruhe have terms until early 2013. In fiscal year 2006, these leases incurred expenses of € 2,921k (prior year: € 1,664k). Some of the leases for various facilities of twenty4help have terms until the end of 2017. In fiscal year 2006, these leases incurred expenses of € 4,701k (prior year: € 5,301k).

b) 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 not been utilized as of the balance sheet date.

On May 24, 2004, the Company concluded an option agreement with Mr. Stéphane Cordier, member of the management board of AdLINK Media AG. Under the provisions of this agreement, Mr. Cordier has the right to acquire AdLINK shares from the Company in four blocks of 100,000 at a price of € 1.50 per share in the period up to 2007. The fair value per option at the time of issuance amounted to € 1.36.

twenty4help AG received subsidies for the expansion of the Görlitz site from Sächsische AufbauBank GmbH in Dresden. As of December 31, 2006, the Company had received subsidies from this of € 7,650k for 650 newly created jobs and a cumulative amount of € 5,107k was taken to income in the years 2000 to 2006. These subsidies may be repayable in part in the future, if the

necessary number of jobs is not maintained until March 27, 2009. The management board of twenty4help AG expects that all conditions stipulated by Sächsische Aufbaubank will be fulfilled, that repayment of the subsidies received is unlikely and that risks resulting from this are low.

Other financial commitments for the fiscal years 2007 and 2008 total € 10,355k (prior year: € 11,000k).

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.

27 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. We refer in this regard to the explanations of note 4 e).

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 2006 are as shown in the table on page 49.

In total, 83.3 % (prior year: 82.0 %) of revenues were generated in Germany and 16.7 % (prior year: 18.0 %) abroad.

The segments of United Internet AG in fiscal year 2005 are as shown in the table on page 49.

28 Cash flow statement

In fiscal year 2006, cash flow from operating activities includes interest payments of € 3,386k (prior year: € 903k) and interest income of € 1,594k (prior year: € 1,731k). Income tax payments in fiscal year 2006 amounted to € 45,224k (prior year: € 45,960k). Amounts received from dividends of associated companies totaled € 859k (prior year: € 441k).

Total cash expenditure for the purchase of the remaining shares in CibleClick and additional shares in Sedo totaled € 45,815k in fiscal year 2006.

A total of € 96,866k in cash was used as part of the takeover of Fasthosts. Cash and cash equivalents received amounted to € 5,726k. A total of € 203k in cash was used as part of the takeover of SalesPlus. Cash and cash equivalents received amounted to € 1k.

29 Risk management

There are no credit risks beyond the ordinary business risks of the Company. The United Internet Group employs the corresponding control mechanisms and procedures to try to ensure that services are only provided to those customers who have proved credit-worthy in the past, and that the risk of providing to new customers is kept to an appropriate level. The Company's management of debtors is also designed to detect any risks at an early stage to enable appropriate action to be taken.

The United Internet Group currently possesses sufficient cash and cash equivalents, or loan commitments, to meet its payment obligations. On the assumption that the Company does not deviate drastically from its business plans, there is therefore no liquidity risk at present.

The company invoices mainly in euro (€). There is no hedging against foreign currency fluctuations. Exchange rate risks from operating business are not judged to be material. Nevertheless, the Company continues to monitor the development of foreign exchange rates.

30 Changes in the reporting company

During the course of fiscal year 2006, the following companies were founded or acquired by the Company or its subsidiaries:

- 1&1 UK Holdings Ltd., Slough / United Kingdom
- AdLINK Internet Media GmbH, Vienna / Austria
- Fasthosts Internet Ltd., Gloucester / United Kingdom
- United Internet Media AG, Munich
- twenty4help Knowledge Service s.r.o, Liberec / Czech Republic
- twenty4help Knowledge Service SA (Pty.) Ltd., Durban/South Africa

- SalesPlus Gesellschaft für Absatzförderung mbH, Erlangen
- net:dialogs GmbH, Montabaur

During the course of fiscal year 2006, the non-operating companies twenty4help Knowledge Service AG, Zug / Switzerland, AdLINK Internet International Internet Sales Ltd., Dublin / Ireland, AdLINK Benelux Limited, Dublin / Ireland, AdLINK Italy Limited, Dublin / Ireland and AdLINK International Purchasing Limited, Dublin / Ireland were liquidated.

Operations were also discontinued and liquidation proceedings initiated for AdLINK Internet Media APS, Copenhagen / Denmark in February 2006. Liquidation proceedings already initiated in fiscal year 2005 were continued for the non-operating company CibleClick Ltd, London / UK.

United Internet Start-up GmbH, Montabaur was renamed as United Internet Beteiligungen International GmbH and 1&1 WEB.DE Schlund + Partner Support GmbH, Montabaur was renamed as 1&1 Internet Service GmbH.

31 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
- Alturo GmbH, Zweibrücken
- GMX Internet Services GmbH, Munich
- GMX GmbH, Munich
- Schlund + Partner AG, Karlsruhe
- twenty4help Knowledge Service AG, Montabaur
- twenty4help Knowledge Service GmbH, Dortmund
- twenty4help Knowledge Service GmbH, Görlitz
- twenty4help Knowledge Service GmbH, Zweibrücken
- United Internet Beteiligungen GmbH, Montabaur
- United Internet Media AG, Montabaur
- WEB.DE GmbH, Montabaur

32 Subsequent events

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. In the course of the transaction, the value of twenty4help AG was determined to be around € 85 million. The final purchase price is based on the audited and certified consolidated financial statements of twenty4help AG for the fiscal year 2006. Teleperformance will pay the full purchase price in cash. The business combination was approved by the respective antitrust authorities on February 22, 2007. The contract closing is expected for the first quarter of 2007. The Outsourcing segment, of which twenty4help accounted for around 90 %, will no longer be separately disclosed in future.

In a contract dated December 22, 2006, United Internet Beteiligungen GmbH acquired an equity interest of 12.51 % in e-sport GmbH (now: BIGPOINT GmbH), Hamburg. It was also agreed that a further 12.52 % of shares would be available for purchase until the end of 2007 via a call option. The share purchase was effected as part of a capital increase and was also dependent on the approval of the respective antitrust authorities. On February 5, 2007, the antitrust authorities approved the share purchase.

33 Auditor's fees

In fiscal year 2006, auditing fees totaling € 1,177k (prior year: € 1,325k) were expensed in the consolidated financial statements. These include auditing fees of € 683k (prior year: € 812k), tax consultancy services of € 387k (prior year: € 417k), other certification and valuation services of € 6k (prior year: € 0k) and other services of € 100k (prior year: € 96k).

In addition, auditing fees for tax consultancy services amounting to € 104k (prior year: € 120k) and for other services amounting to € 123k (prior year: € 156k) were carried in the consolidated financial statements without effect on income and capitalized as transaction costs in connection with company acquisitions.

34 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).

March 9, 2007

The Management Board

Ralph
Dommermuth

Norbert
Lang

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 notes to the financial statements — as well as the for the fiscal year from January 1, 2006 to December 31, 2006. The preparation and content of the consolidated financial statements and management report for the Company and the Group according to IFRS, as applied in the EU, and the supplementary commercial law regulations of Section 315a (1) German Commercial Code (HGB) are the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the management report for the Company and the Group based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and the generally accepted standards for the audit of financial statements in Germany 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 principles of proper accounting and in the management report for the Company and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the management report for the Company and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the management report for the Company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the consolidated financial statements comply with IFRS, as applied in the EU, and the supplementary commercial law regulations of Section 315a (1) HGB and give a true and fair view of the Group's net assets, financial position, results of operations and cash flows for the fiscal year. On the whole, the management report for the Company and the Group provides a suitable understanding of the Group's position and suitably presents the opportunities and risks to future development.

Eschborn/Frankfurt am Main, March 12, 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Bösser
Wirtschaftsprüfer

Grote
Wirtschaftsprüfer

Consolidated Income Statement

Quarterly Development in € million*

	2006 1. Quarter	2006 2. Quarter	2006 3. Quarter	2006 4. Quarter	2005 4. Quartal
Sales	285.6	311.5	316.9	353.6	258.2
Cost of sales	-170.4	-187.1	-185.7	-234.8	-157.2
Gross profit	115.2	124.4	131.2	118.8	101.0
Selling expenses	-54.2	-51.3	-50.7	-70.3	-51.7
General administrative expenses	-15.9	-18.5	-19.6	-19.7	-16.7
Other operating income	1.7	0.9	0.1	11.3	0.8
Amortization of intangible assets resulting from company acquisitions	-5.1	-5.3	-5.6	-5.8	-3.3
Amortization of goodwill	0.0	0.0	0.0	0.0	-1.7
Operating result	41.7	50.2	55.4	34.3	28.4
Interest income / expense	-0.4	-0.6	-0.8	-0.7	-0.7
Result from associated companies	0.2	0.5	0.7	1.0	0.1
Pre-tax result	41.5	50.1	55.3	34.6	27.8
Income taxes	-16.1	-19.9	-20.4	-4.9	-11.8
Net income before minority interests	25.4	30.2	34.9	29.7	16.0
Minority interests	-1.3	-1.4	-1.9	-2.3	-0.6
Net income attributable to shareholders of United Internet AG	24.1	28.8	33.0	27.4	15.4

*This schedule is not part of the Management Report and thus unaudited.

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

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87 Income Statement

88 Balance Sheet

The complete Parent Company's Financial Statement will be delivered from United Internet AG on demand.

Consolidated Income Statement acc. to HGB

from January 1, 2006 to December 31, 2006 in €k

	2006 January-December	2005 January-December
Sales	9,384	12,893
Other operating income	8,316	59,413
Cost of materials		
Cost of purchased services	-8,699	-12,330
Personnal expenses		
a. Wages and salaries	-1,636	-1,598
b. Social security contributions	-158	-133
Amortisation and depreciation of intangible assets and property, plant and equipment	-96	-55
Other operating expenses	-5,373	-2,784
Income from profit transfer agreements	120,714	85,995
Income from investments	830	160
Other interest and similar income	3,358	2,061
Expenses from loss transfer agreements	0	-176
Interest and similar expenses	-2,762	-1,793
Result before taxes	123,878	141,653
Taxes on income	-48,434	-35,121
Other taxes	-4	-25
Net profit for the year	75,440	106,507
Accumulated profits	71,764	44,297
Transfer to reserves for treasury stock	-79,561	36,529
Balance sheet profit	67,643	187,333

Balance Sheet acc. to HGB

as of December 31, 2006 in €k

ASSETS	December 31, 2006	December 31, 2005
FIXED ASSETS		
Intangible assets		
Concessions, industrial and similar rights and assets as well as licenses as well as licenses in such rights and assets	1	1
	1	1
Property, plant and equipment		
Other equipment, operational and office equipment	317	206
	317	206
Financial assets		
Share in affiliated companies	286,536	288,070
Loans to affiliated companies	0	14,710
Investments	7,906	8,432
	294,442	311,212
	294,760	311,419
CURRENT ASSETS		
Accounts receivable and other assets		
Accounts receivable, trade	0	1
Receivables due from affiliated companies	155,052	179,756
Receivables due from companies in which an investment is held	3	3
Other assets	2,141	505
	157,196	180,265
Securities		
Treasury stock	79,561	0
	79,561	0
Cash in hand and bank balances	7,846	10,400
	244,603	190,665
	539,363	502,084

EQUITY AND LIABILITIES

December 31, 2006

December 31, 2005

EQUITY

Capital stock	250,235	62,275
---------------	---------	--------

Capital reserves	56,665	141,201
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Revenue reserves

– Reserves for treasury stock	79,561	0
-------------------------------	--------	---

– Other revenue reserves	0	898
--------------------------	---	-----

Retained earnings	67,643	187,333
-------------------	--------	---------

454,104	391,707
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Accrued taxes

15,805	1,123
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Other accrued liabilities	2,027	5,192
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17,832	6,315
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LIABILITIES

Bonds	676	970
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Liabilities due to banks	50,000	80,000
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Accounts payable, trade	748	261
-------------------------	-----	-----

Liabilities due to affiliated companies	4,484	4,980
---	-------	-------

Other liabilities	11,519	17,851
-------------------	--------	--------

67,427	104,062
---------------	----------------

539,363

502,084

Glossary

Commercial terms and abbreviations

Cash flow

Balance of incoming and outgoing cash flows

Churn rate

Percentage of customers terminating contracts and/or changing internet service provider within a specified period.

Consolidation

Annual financial statements of a group, prepared as if all group companies were dependent parts of a single unit. All financial relationships between group companies are thus eliminated.

Corporate governance

Term used to signify responsible, long-term, value-oriented management and corporate control..

Diluted

Earnings per share are termed "diluted" when not only all outstanding shares are used in the calculation, but also those theoretically convertible shares issued as part of employee stock option programs.

EBITDA

Earnings before interest, taxes, depreciation and amortization.

EBT

Earnings before taxes.

Equity ratio

Shareholder's equity as a proportion of the balance sheet total.

Free Float

Proportion of share capital which is owned by many different shareholders.

Goodwill

Positive difference between market value and net assets of an acquired company.

IFRS

= International Financial Reporting Standards. International accounting standard.

Market capitalization

Market price of a listed company. The result of share price multiplied by number of shares.

Risk management

Systematic process to identify and evaluate potential risks as well as to select and implement measures to deal with such risks.

TecDAX

Index of the Frankfurt Stock Exchange. The TecDAX is calculated from the market price of Germany's top 30 technology shares

XETRA

Electronic trading system of Deutsche Börse AG. The majority of all share trading at German stock exchanges is handled by the Xetra trading system.

Other terms and abbreviations

Content

The content of a website, e.g. text, graphics or multimedia.

Customer Care

Generic term for all services with which a company cares for its customers.

Domain

Specific area of hierarchical internet name system administered by domain name server. Divided into generic top-level domains, or gTLD, (such as .com, .net, .org or .info) and country-code top-level domains, in short ccTLD (such as .de or .uk).

Downstream

Data transfer from internet server to user's PC. Opposite of upstream. Data transfer rates for DSL connections are given in Mbit/s and act as a yardstick for connection speed.

DSL

= Digital Subscriber Line. Technology for high-speed data transfer via standard copper cable networks over distances of up to about three kilometers.

DSL telephony

(Also called VoIP = Voice over Internet Protocol) Technology to make phone calls via DSL data networks.

E-commerce

= Electronic commerce. Generic term for business transactions using electronic media, such as the internet.

E-mail

= Electronic mail. Fast and cheap method of sending and receiving mail between internet users via mailboxes and data networks.

Federal Cartel Office

(Bundeskartellamt - BKartA) Higher federal authority for all anti-trust issues. Its main tasks include implementing cartel bans, examining business combination requests and exercising its anti-trust monitoring duties with regard to market-dominating companies.

Federal Network Agency

(German Federal Network Agency for electricity, gas, telecommunications, postal and railway networks) Higher federal authority, whose responsibilities include maintaining and promoting competition in so-called network markets, esp. telecommunications. It is equipped with numerous instruments to pursue its regulation objectives, including information and investigation rights and various sanctions.

Flat rate

Lump-sum monthly fee, irrespective of usage time.

Hosting

(also webhosting) Provision of storage space via the internet. In addition to registering and operating domains and renting out web servers, hosting mainly refers to the provision of value-added internet services enabling users to work more efficiently on the internet. Shared Hosting means that several customers share a physical server, while in Dedicated Hosting one customer has exclusive access to one server.

Page impressions

Measurement unit for the number of times an internet page (and thus its potential advertising) is viewed. Page impressions are an important basis for calculating the reach of a website.

Portal

Central internet access point or start page. Usually contains a wide range of navigation functions, content and additional services, such as e-mail.

Server

Computer which other computers can access to receive data.

Technical value-added services

(also value-added services) All services above the level of basic service provision are regarded as value-added services. Technical value-added services (in contrast to content value-added services) are applications offering the user additional functionality.

VDSL

= Very High Speed Digital Subscriber Line. Fastest of the currently available DSL technologies enabling high data transfer rates of up to 100 Mbit/s via telephone lines. The usable transfer width sinks, however, with the length of the line.

Video on Demand (VoD)

Service of an internet provider enabling subscribers to select and watch films at any time for money.

White label products

Products or services offered to third parties, which may then market them under their own brand.

W-LAN

(Wireless Local Area Network) Term for wireless local network, offering high transmission performance and high data transfer rates. Several computers can also be linked together wirelessly and have access to a central information system, printer or scanner.

United Internet subsidiaries and shareholdings



Products

1&1 Internet AG	(D)
1&1 Internet Inc.	(USA)
1&1 Internet Ltd.	(UK)
1&1 Internet S.A.R.L.	(F)
1&1 Internet Service GmbH	(D)
1&1 Internet Services Inc.	(RP)
Fasthosts Internet Ltd.	(UK)
GMX GmbH	(D)
GMX Internet Services GmbH	(D)
InterNetX GmbH	(80 %, D)
United Internet Media AG	(D)
WEB.DE GmbH	(D)

Online Marketing

AdLINK Internet Media AG	(80.07 %, D)
AdLINK Internet Media AB	(S)
AdLINK Internet Media B.V.	(NL)
AdLINK Internet Media GmbH	(D)
AdLINK Internet Media Ltd.	(UK)
AdLINK Internet Media N.V.	(B)
AdLINK Internet Media S.A.	(F)
AdLINK Internet Media S.L.U.	(E)
AdLINK Internet Media Srl	(I)
affilinet GmbH	(D)
affilinet Ltd.	(UK)
CibleClick Performances S.A.	(F)
Sedo GmbH	(AdLINK share: 75.94 %, D)
Sedo LLC	(USA)

Shareholdings:

fun communications GmbH	33.33 %
NT plus AG	40.23 %
Bigpoint GmbH	12.51 %

Management Board:

CEO: Ralph Dommermuth (43), qualified banker

CFO: Norbert Lang (45), qualified banker

Supervisory Board:

Chairman: Kurt Dobitsch (52), self-employed entrepreneur

Bernhard Dorn (66), self-employed business leader consultant

Michael Scheeren (49), qualified banker

Financial calendar*

March 30, 2007	Annual financial statements for fiscal year 2006
March 30, 2007	Press and analyst's conference
May 9, 2007	Business figures for the 1st Quarter of 2007
May 30, 2007	Annual Shareholder's Meeting in Frankfurt am Main, Alte Oper
May 31, 2007	Dividend payment for fiscal year 2006
August 10, 2007	Business figures for the 2nd Quarter of 2007
August 10, 2007	Press and analyst's conference
November 7, 2007	Business figures for the 3rd Quarter of 2007

* Subject to prior change. Updates available at www.united-internet.com in the Investor Relations section, "Calendar".

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April 2007
Registry court: Montabaur HRB 5762

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

Disclaimer

This Annual Report contains certain forward-looking statements which reflect the current views of United Internet AG's management with regard to future events. These forward looking statements are based on our currently valid plans, estimates and expectations. The forward-looking statements made in this Annual Report are only based on those facts valid at the time when the statements were made. Such statements are subject to certain risks and uncertainties, as well as other factors which United Internet often cannot influence but which might cause our actual results to be materially different from any future results expressed or implied by these statements. Such risks, uncertainties and other factors are described in detail in the Risk Report section of the Annual Reports of United Internet AG. United Internet does not intend to revise or update any forward-looking statements set out in this Annual Report.

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