Consolidated Financial Statements 2019

1&1 IONOS TopCo SE
(formerly 1&1 Internet TopCo SE)

The consolidated financial statements of 1&1 IONOS TopCo SE (formerly 1&1 Internet TopCo SE), Montabaur, as of and for the fiscal year ended December 31, 2019, were prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB ("Handelsgesetzbuch": German Commercial Code).

The group management report, prepared on the basis of German commercial law (HGB) and the English-language translation of the German-language independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers) are not part of this document.

Exhibit 1

1&1 IONOS TopCo SE (formerly 1&1 Internet TopCo SE), Montabaur
Consolidated statement of financial position as of December 31, 2019 in €k

ASSETS	Note	December 31, 2019	December 31, 2018
Current assets			
Cash and cash equivalents	6.1	39,823	46,312
Trade accounts receivable	6.2	33,491	33,495
Receivables from related parties	6.3	62,892	39,972
Contract assets	6.4	7,991	8,660
Inventories	6.5	35	62
Prepaid expenses	6.6	16,233	16,786
Other financial assets	6.7	11,491	12,600
Other non-financial assets	6.7	908	566
Income tax claims	6.8	3,277	59,058
		176,141	**217,511**
Non-current assets			
Investments in associated companies	6.9	2,051	1,918
Other financial assets	6.10	46,521	44,904
Property, plant and equipment	6.11	189,182	154,577
Intangible assets			
Other intangible assets	6.12	258,802	280,789
Goodwill	6.13	813,942	810,067
Contract assets	6.4	4	652
Prepaid expenses	6.6	4,116	5,506
Deferred tax assets	5.13	9,175	3,158
		1,323,793	**1,301,571**
Total assets		**1,499,934**	**1,519,082**
LIABILITIES			
Current liabilities			
Trade accounts payable	6.14	49,834	61,631
Liabilities to related parties	6.15	9,155	50,441
Liabilities due to banks	6.16	517	2
Income tax liabilities	6.17	18,723	69,727
Contract liabilities	6.18	75,024	75,691
Other provisions	6.19	5,327	5,336
Other financial liabilities	6.20	36,814	29,902
Other non-financial liabilities	6.21	11,942	13,233
		207,336	**305,963**
Non-current liabilities			
Liabilities to related parties	6.15	1,586,000	1,606,000
Deferred tax liabilities	5.13	84,534	91,272
Trade accounts payable	6.14	24	46
Contract liabilities	6.18	986	350
Other provisions	6.19	2,237	1,892
Other financial liabilities	6.22	49,193	15,083
		1,722,974	**1,714,643**
Total liabilities		**1,930,310**	**2,020,606**
EQUITY			
Issued capital	6.24	360	360
Reserves	6.24	-459,635	-522,331
Revaluation reserves	6.24	41,900	40,177
Currency translation adjustment	6.24	-15,253	-21,945
Equity attributable to shareholders of the parent company		**-432,628**	**-503,739**
Non-controlling interests	6.25	2,252	2,215
Total equity		**-430,376**	**-501,524**
Total liabilities and equity		**1,499,934**	**1,519,082**

Exhibit 2

1&1 IONOS TopCo SE (formerly 1&1 Internet TopCo SE), Montabaur
Consolidated statement of comprehensive income acc. to IFRS
for the period from January 1 to December 31, 2019 in €k

	Note	2019 January - December	2018 January - December
Revenue from contracts with customers	5.1	886,963	838,126
Revenue from contracts with related parties	5.2	37,058	38,758
Cost of sales	5.3	-417,232	-404,942
Gross profit		**506,789**	**471,942**
Selling expenses	5.4	-232,957	-195,596
General and administrative expenses	5.5	-72,596	-86,763
Impairment losses on receivables and contract assets	5.6	-9,255	-8,913
Other operating expenses	5.7	-9,964	-9,594
Other operating income	5.8	39,615	31,053
Operating result		**221,632**	**202,129**
Finance costs	5.11	-121,357	-108,967
Finance income	5.12	1,328	4,032
Share of the profit or loss of associates accounted for using th	6.9	231	200
Pre-tax result		**101,834**	**97,394**
Income taxes	5.13	-47,586	-49,817
Net income		**54,248**	**47,577**
thereof attributable to			
non-controlling interests	6.25	295	400
shareholders of 1&1 IONOS TopCo SE		53,953	47,177
Reconciliation to total comprehensive income			
Net income		**54,248**	**47,577**
Items that may be reclassified subsequently to profit or loss			
Currency translation adjustment – unrealized		6,692	-1,927
Items that are not reclassified subsequently to profit or loss			
Result from the revaluation of equity instruments measured at fair value through other comprehensive income		1,827	76
Tax effect		-89	-4
Other comprehensive income		**8,430**	**-1,855**
Total comprehensive income		**62,678**	**45,722**
thereof attributable to			
non-controlling interests		314	415
shareholders of 1&1 IONOS TopCo SE		62,364	45,307

1&1 IONOS TopCo SE (formerly 1&1 Internet TopCo SE), Montabaur
Consolidated statement of changes in equity
from January 1, to December 31, 2019

	Issued capital	Reserves	Revaluation reserves	Currency translation adjustment	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
	€k	€k	€k	€k	€k	€k	€k
Note	6.24	1.3 / 6.23 / 6.24	6.24	6.24		6.25	
Balance as of January 1, 2018	**360**	**-1,587,259**	**1,077,110**	**-19,961**	**-529,750**	**776**	**-528,974**
Net income		47,177			47,177	400	47,577
Other comprehensive income			72	-1,942	-1,870	15	-1,855
Total comprehensive income		47,177	72	-1,942	45,307	415	45,722
Transactions with non-controlling interests		-2,816	8	-42	-2,850	1,206	-1,644
Reclassifications		1,037,013	-1,037,013		0		0
Employee stock ownership program		3,512			3,512	0	3,512
Profit distributions		-19,958			-19,958	-182	-20,140
Balance as of December 31, 2018	**360**	**-522,331**	**40,177**	**-21,945**	**-503,739**	**2,215**	**-501,524**
Balance as of January 1, 2019	**360**	**-522,331**	**40,177**	**-21,945**	**-503,739**	**2,215**	**-501,524**
Net income	0	53,953	0	0	53,953	295	54,248
Other comprehensive income	0	0	1,723	6,688	8,411	19	8,430
Total comprehensive income	0	53,953	1,723	6,688	62,364	314	62,678
Employee stock ownership program	0	11,840	0	0	11,840	8	11,848
Profit distributions	0	0	0	0	0	-285	-285
Other	0	-3,097	0	4	-3,093	0	-3,093
Balance as of December 31, 2019	**360**	**-459,635**	**41,900**	**-15,253**	**-432,628**	**2,252**	**-430,376**

Exhibit 4

1&1 IONOS TopCo SE (formerly 1&1 Internet TopCo SE), Montabaur
Consolidated cash flow statement acc. to IFRS
for the period from January 1 to December 31 2019 in €k

	Note	2019 January - December	2018 January - December
Net income		54,248	47,577
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization of intangible assets and property, plant and equipment	5.9	78,868	54,669
Depreciation and amortization of assets resulting from business combinations	5.9	38,384	42,276
Write-ups(-)/impairment losses(+) on intangible assets and property, plant and equipment	5.9	-19,438	-1,988
Employee expenses from share-based payment programs	6.24	7,424	3,512
Interest expense from the unwinding of the discount on lease liabilities	11.1	3,414	0
Share of the profit or loss of associates accounted for using the equity method	6.9	-231	-200
Distributed profits of associated companies	6.9	98	41
Other non-cash items from changes in deferred tax position	5.13	-7,065	-8,489
Income from the sale of intangible assets and property, plant and equipment	5.7 / 5.8	-120	112
Income from the sale of non-capitalized internally generated intangible assets	5.8	0	-1,531
Other non-cash items		9,227	413
Other corrections		0	130
Operative cash flow		**164,809**	**136,522**
Change in assets and liabilities			
Change in receivables and other assets		57,741	-50,572
Change in inventories		27	50
Change in contract assets		-2,158	-3,421
Change in deferred expenses		1,943	649
Change in trade accounts payable		-1,629	4,222
Change in receivables from/liabilities to related parties	6.3 / 6.15 / 8 / 12	2,994	-23,559
Change in other provisions		336	-432
Change in income tax liabilities		-51,004	42,455
Change in other liabilities		-5,031	-426
Change in contract liabilities		-999	-740
Changes in assets and liabilities, total		**2,220**	**-31,774**
Cash flow from operating activities		**167,029**	**104,748**
Cash flow from investing activities			
Cash payments to acquire property, plant and equipment and intangibles	6.11 / 6.12	-74,557	-76,949
Cash receipts from sales of property, plant and equipment and intangibles		5,611	9,719
Payments for the acquisition of affiliates, net of cash acquired	4	0	-72,045
Cash receipts from the sale of other financial assets	6.10	210	13,663
Payments within the framework of cash pooling		-61,043	0
Cash flow from investment activities		**-129,779**	**-125,612**
Cash flow from financing activities			
Dividend payments to United Internet AG	12	0	-19,958
Dividend payments to non-controlling interests		-285	-182
Repayment of cash pool liabilities to related parties	12	-6,157	-35,837
Cash proceeds from loans	6.15 / 12	517	76,000
Repayment of loans	1.2 / 12	-20,002	-27,239
Redemption of lease liabilities	6.20 / 12	-18,120	-379
Cash flow from financing activities		**-44,047**	**-7,595**
Net decrease in cash and cash equivalents		-6,797	-28,459
Cash and cash equivalents at beginning of fiscal year		46,312	74,810
Currency translation adjustments of cash and cash equivalents		308	-39
Cash and cash equivalents at end of fiscal year		**39,823**	**46,312**

Translation from the German language

Exhibit 5

1&1 IONOS TOPCO SE (FORMERLY 1&1 INTERNET SE), MONTABAUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2019

Exhibit 5

Exhibit 5

1. Basis of preparation of the consolidated financial statements of 1&1 IONOS TopCo SE

1.1 General information on the Company and the consolidated financial statements

The listed company United Internet AG is the ultimate parent of the United Internet Group and operates in the Consumer Access, Business Access and Consumer Applications (Portal) and Business Applications (Hosting) segments.

The United Internet Group's Business Applications (Hosting) segment (hereinafter referred to as "1&1 IONOS TopCo Group") comprises various companies in Germany and abroad and is Europe's leading internet specialist in the hosting segment. The 1&1 IONOS TopCo Group develops applications for using the internet.

The consolidated financial statements of the 1&1 IONOS TopCo Group are prepared by 1&1 IONOS TopCo SE (formerly 1&1 Internet TopCo SE), Montabaur (hereinafter referred to "1&1 IONOS TopCo SE," "1&1 TopCo SE" or the "Company"), being the ultimate parent of the 1&1 IONOS TopCo Group.

1&1 IONOS TopCo SE is domiciled in 56410 Montabaur, formerly 1&1 Internet SE, Elgendorfer Strasse 57, Germany, and is registered there at the District Court under HRB 25386. The Company has German and foreign subsidiaries.

As of December 31, 2019, United Internet AG held 66.67% of the shares in 1&1 IONOS TopCo SE. The remaining 33.33% of the shares in 1&1 IONOS TopCo SE are held by WP XII Venture Holdings S.à r.l., Luxembourg ("WP Lux"). United Internet AG also holds a preferred share in 1&1 IONOS TopCo SE.

The consolidated financial statements of 1&1 IONOS TopCo SE were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the relevant supplementary requirements of section 315e (1) German Commercial Code (HGB).

The reporting currency is the euro. Amounts stated in the notes to the consolidated financial statements are in euros (€), thousands of euros (€k) or millions of euros (€m). The consolidated financial statements are prepared on a historical cost basis, except for certain financial instruments, which are stated at fair value.

The reporting date is December 31, 2019. The fiscal year is the calendar year.

The consolidated financial statements were prepared by the Management Board of 1&1 IONOS TopCo SE on April 24, 2020.

1&1 IONOS TopCo SE prepares consolidated financial statements for the smallest group of companies. The consolidated financial statements for the largest group of companies are prepared by United Internet AG and are published in the German Federal Gazette ("Bundesanzeiger").

Exhibit 5

1.2 Corporate relationship between the 1&1 IONOS TopCo SE Group and the United Internet Group

United Internet AG and WP Lux, a subsidiary belonging to private equity funds to which Warburg Pincus LLC, New York, USA ("WP"), provides advisory services, signed an agreement on a 33.33% investment in the 1&1 IONOS TopCo Group on November 8, 2016.

After the Federal Cartel Office cleared the deal, the transaction was closed in several steps in early 2017. Before this transaction, United Internet AG held all common stock and preferred shares in 1&1 IONOS SE (formerly 1&1 IONOS SE), Montabaur. In a first step, United Internet AG contributed the latter to its subsidiary 1&1 IONOS Holding SE (formerly 1&1 Internet Holding SE), Montabaur, in return for the issue of new common stock and one preferred share as well as a long-term vendor loan. The preferred share in 1&1 IONOS Holding SE mainly comprised the rights from the preferred share of 1&1 IONOS SE in connection with the 15% investment held by 1&1 IONOS SE in 1&1 Telecom Holding GmbH. For a short time, 1&1 IONOS Holding SE was thus the parent of the Group. The vendor loan originally consisted of four tranches totaling € 1,569 million. In 2018, the preferred share was converted to a common share.

In a second step, United Internet AG contributed all of its common shares in 1&1 IONOS Holding SE to a newly established 1&1 IONOS TopCo SE in return for 66.67% of the issued capital. The remaining 33.33% of the shares in 1&1 IONOS TopCo SE are held by WP Lux. WP Lux has committed to making cash contributions totaling € 369 million. The capital contributions were paid in three steps: in June, August and December 2017. In addition, two further contingent payments of up to € 81 million were agreed, which WP Lux has to make to United Internet AG under certain circumstances.

1&1 IONOS TopCo SE passed on the contribution made by WP Lux as an intragroup loan to 1&1 IONOS Holding SE. This payment was used to repay three of the four tranches of the abovementioned vendor loan, which had previously been deferred. € 20 million of the vendor loan was repaid in fiscal year 2019. The tranche of € 1,160 million remaining as of December 31, 2019 will mature on December 26, 2026.

As a result of WP Lux's acquisition of a 33.33% stake and the corporate reorganization measures, the Group has a new parent, 1&1 IONOS TopCo SE. Below, the aforementioned steps leading to WP Lux's equity investment are referred to as the "upward expansion of the Group."

On February 27, 2015, 1&1 Internet AG (prior to the merger with 1&1 IONOS SE) and 1&1 Telecom Service Holding Montabaur GmbH (prior to the merger with 1&1 Telecommunication SE) concluded an option contract concerning the shares in 1&1 Telecom Holding GmbH. In this contract, 1&1 Internet AG (option writer) grants 1&1 Telecom Service Holding Montabaur GmbH (option holder) the (call) option to acquire 27,000 shares in 1&1 Telecom Holding GmbH held by 1&1 Internet AG. The call option could only be exercised in the period from January 15, 2018 to January 31, 2018 by the option holder declaring to the option writer that it wished to exercise the option. If the call option had not been exercised in the above period, it would have expired without substitution or compensation. According to the option contract, the purchase price for the equity investment in 1&1 Telecom Holding GmbH was € 155,820k.

Exhibit 5

By merger agreement dated May 8, 2017, 1&1 Telecom Service Holding Montabaur GmbH was merged with 1&1 Telecommunication SE with retrospective effect from January 1, 2017, as a result of which the call option held by 1&1 Telecom Service Holding Montabaur GmbH was transferred to 1&1 Telecommunication SE by way of universal succession. 1&1 Telecommunication SE exercised the call option on January 25, 2018, which led to a share purchase and assignment agreement being concluded between 1&1 IONOS SE and 1&1 Telecommunication SE on January 30, 2018. In this agreement, the parties agree on the sale and assignment of all of 1&1 IONOS SE's shares covered by the option to 1&1 Telecommunication SE for a price of € 155,820k. To settle the purchase price claim 1&1 Telecommunication SE assigned, as contractually agreed, an amount of € 155,820k of 1&1 Telecommunication SE's total receivable from United Internet Service Holding GmbH (of € 157,897k) to 1&1 IONOS SE.

In connection with the entry of WarburgPincus as a shareholder of 1&1 IONOS TopCo SE, United Internet AG (option holder) and 1&1 IONOS TopCo SE (option writer) agreed on the following put option in relation to the preferred share in 1&1 IONOS Holding SE at the beginning of 2017:

- Exercise period	February 1, 2018 to March 31, 2018
- Exercise conditions	Exercise of the call option by 1&1 Telecom Service Holding Montabaur GmbH with regard to the shares held by 1&1 IONOS SE in 1&1 Telecom Holding GmbH and payment of the purchase price of € 155,820k to 1&1 IONOS SE
- Exercise price	€ 155,820k plus all dividends received from 1&1 Telecom Holding GmbH at the level of 1&1 IONOS SE which have not yet been distributed to United Internet AG, net of any tax expenses incurred thereon

As an alternative to the exercise of the put option, United Internet AG could demand that it contribute its preferred share in 1&1 IONOS Holding SE in a non-cash capital increase at 1&1 TopCo SE in return for the issue of a preferred share in 1&1 TopCo SE. The contribution option was open to United Internet AG for the period from February 1, 2018 to June 30, 2018.

On February 23, 2018, United Internet AG exercised its put option with regard to the preferred share in 1&1 IONOS Holding SE in respect of 1&1 IONOS TopCo SE and sold the preferred share in 1&1 IONOS Holding SE to 1&1 IONOS TopCo SE for a price of € 155,820k.

Exhibit 5

The following chart illustrates the corporate structure of the United Internet Group and the 1&1 IONOS TopCo Group as of December 31, 2019:

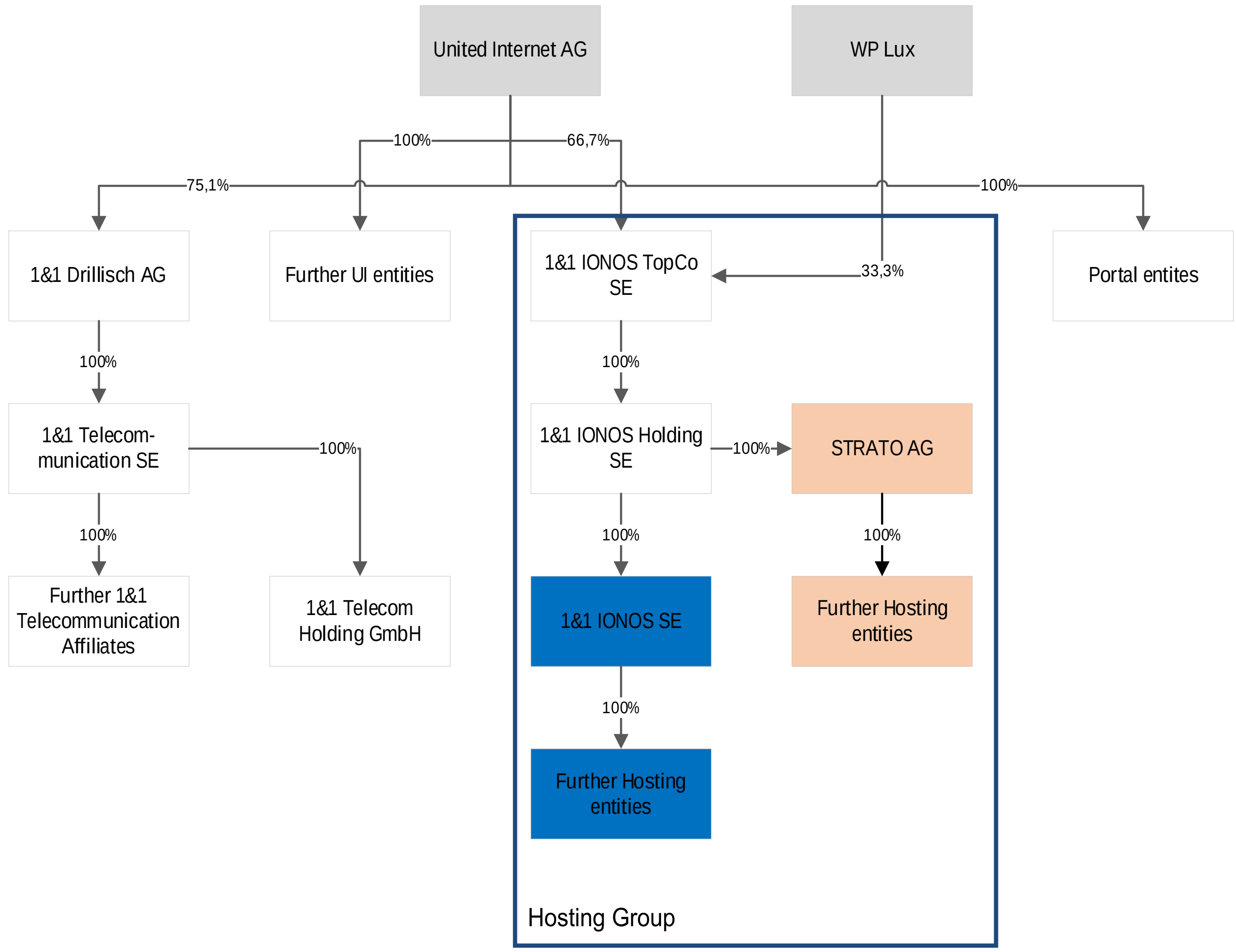

Exhibit 5

1.3 Basis of consolidation

The entities to be included in the consolidated financial statements of 1&1 IONOS TopCo SE were determined pursuant to the principles of IFRS 10 Consolidated Financial Statements.

As the contribution of the shares in 1&1 IONOS SE (formerly 1&1 Internet SE) to 1&1 IONOS Holding SE and the contribution of the shares in 1&1 IONOS Holding SE to 1&1 IONOS TopCo SE in 2017 led to an expansion of the 1&1 IONOS SE Group, the consolidated financial statements of 1&1 IONOS TopCo SE merely reflect a continuation of the existing group and therefore do not represent a business combination for the purposes of IFRS 3 Business Combinations. Consequently, the Group's assets and liabilities were not revalued, and the previous carrying amounts were carried over.

Determination of the basis of consolidation

Under an agreement dated July 19, 2018, it was decided to contribute all of the shares in InterNetX GmbH in a non-cash capital increase to Sedo Holding GmbH in return for the issue of new shares in the latter. Likewise, the former minority shareholders of InterNetX GmbH contributed their shares to InterNetX Holding GmbH (formerly Sedo Holding GmbH). In the context of this intragroup restructuring, the articles of association of InterNetX Holding GmbH (formerly Sedo Holding GmbH) were revised, the name of the company was changed to InterNetX Holding GmbH and its registered office was moved to Regensburg. In a second step, 1&1 IONOS SE sold its shares in InterNetX Holding GmbH to the minority shareholders. Payment of the purchase price was deferred in the form of a loan.

By purchase agreement dated August 17, 2018, 1&1 IONOS SE acquired 100% of the shares in World4You Internet Services GmbH, Linz/Austria.

In addition to 1&1 IONOS TopCo SE, the following entities were included in the consolidated financial statements of 1&1 IONOS TopCo SE in fiscal year 2019 (for the most part, the same as in the prior year):
1&1 IONOS Holding SE (formerly 1&1 IONOS Holding SE), Montabaur (100.0%)

- STRATO AG, Berlin (100.0%)
  - Cronon GmbH (formerly Cronon AG), Berlin (100.0%)
  - STRATO Customer Service GmbH (100.0%)
- 1&1 IONOS SE, Montabaur (100.0%)
  - 1&1 IONOS Datacenter SAS (formerly 1&1 Datacenter SAS), Niederlauterbach/France (100.0%)
  - 1&1 Internet Development SRL, Bucharest/Romania (100.0%)
  - 1&1 IONOS España S.L.U., Madrid/Spain (100.0%)
  - 1&1 IONOS Inc., Chesterbrook/USA (100.0%)
    - A1 Media USA LLC, Chesterbrook/USA (100.0%)
    - 1&1 Cardgate LLC, Chesterbrook/USA (100.0%)
  - 1&1 IONOS Ltd., Gloucester/UK (100.0%)

Exhibit 5

    - 1&1 IONOS S.A.R.L., Sarreguemines/France (100.0%)
    - 1&1 IONOS Service GmbH, Montabaur (100.0%)
    - 1&1 IONOS (Philippines) Inc., Cebu City/Philippines (100.0%)
    - 1&1 Internet Sp. z o.o., Warsaw/Poland in liquidation (100.0%)
    - 1&1 IONOS UK Holdings Ltd., Gloucester/UK (100.0%)
        - Fasthosts Internet Ltd., Gloucester/UK (100.0%)
            - Fasthosts Internet Inc., Chesterbrook/USA in liquidation (100.0%)
    - Arsys Internet S.L., Logroño/Spain (100.0%)
        - Arsys Internet E.U.R.L., Perpignan/France (100.0%)
        - Tesys Internet S.L., Logroño/Spain (100.0%)
        - Nicline Internet S.L., Logroño/Spain (100.0%)
- InterNetX Holding GmbH, Regensburg (95.56%)
        - InterNetX GmbH, Regensburg (100.0%)
            - Schlund Technologies GmbH, Regensburg (100.0%)
            - PSI-USA Inc., Las Vegas/USA (100.0%)
            - InterNetX Corp., Miami/USA (100.0%)
        - Sedo GmbH, Cologne (100.0%)
            - DomCollect International GmbH, Montabaur (100.0%)
            - Sedo.com LLC, Cambridge/USA (100.0%)
    - united-domains AG, Starnberg (100.0%)
        - united-domains Reselling GmbH, Starnberg (100.0%)
        - United Domains Inc., Cambridge/USA (100.0%)
    - Immobilienverwaltung AB GmbH, Montabaur (100.0%)
    - Immobilienverwaltung NMH GmbH, Montabaur (100.0%)
    - home.pl S.A., Szczecin/Poland (100.0%)
        - AZ.pl Sp. z o.o., Szczecin/Poland (100.0%)
        - HBS Cloud Sp. z o.o., Szczecin/Poland (100.0%)
        - premium.pl Sp. z o.o., Szczecin/Poland (75.0%)
            - DP EUROPE Sp. z o.o., Szczecin/Poland (100.0%)
            - DP POLAND Sp. z o.o., Szczecin/Poland (100.0%)
            - DP ASIA Sp. z o.o., Szczecin/Poland (100.0%)
    - 1&1 IONOS Cloud Inc., Newark, Delaware/USA (100.0%)
    - World4You Internet Services GmbH, Linz/Austria (100.0%)

Exhibit 5

Associated companies

Investments over whose financial and business policies the Company has a significant influence are accounted for as associated companies using the equity method pursuant to IAS 28 and, with no changes on the prior year, comprise the following main companies:

- Intellectual Property Management Company Inc., Dover/USA (49.0%)
- DomainsBot S.r.l, Rome/Italy (49.0%)

Changes in the 1&1 IONOS TopCo Group

The following companies were established in fiscal year 2019:

- STRATO Customer Service GmbH (100.0%)

Furthermore, in the reporting period 1&1 IONOS Cloud GmbH was merged with 1&1 IONOS SE, Montabaur, in a merger by acquisition (by way of dissolution without liquidation).

In addition, the following companies were liquidated in the fiscal year:

- DomCollect Worldwide International Property AG, Zug/Switzerland (100.0%)
- Domain Robot Enterprises Inc., Vancouver/Canada (100.0%)

1.4 Going concern

In its separate financial statements prepared in accordance with German commercial law as of December 31, 2019, 1&1 IONOS TopCo SE reports positive equity.

The consolidated equity (including amounts attributable to non-controlling interests) of the 1&1 IONOS TopCo Group is negative, at € -430,376k (prior year: € -501,524k). The negative equity of the 1&1 IONOS TopCo Group is primarily due to the group reorganization in fiscal year 2017, especially the upward expansion of the Group (see Note 1.2).

The consolidated financial statements of the 1&1 IONOS TopCo Group were prepared on a going concern basis as

- the 1&1 IONOS TopCo Group and the former 1&1 IONOS SE Group (prior to the upward expansion of the Group) have been profitable in the past;
- according to its budgets and forecasts, the 1&1 IONOS TopCo Group will also be profitable in the future; and
- the 1&1 IONOS TopCo Group and the former 1&1 IONOS SE Group (prior to the upward expansion of the Group) were able to obtain funding at all times in the past (also through their majority shareholder United Internet AG) and this is expected to be the case in the future as well.

On this basis, the 1&1 IONOS TopCo Group is able to meet its financial obligations at all times.

Exhibit 5

2. Accounting policies

The significant accounting policies used to prepare these consolidated financial statements are presented below. First, the accounting standards applied in these financial statements are explained, as are those accounting standards recently published but not yet applied.

2.1 Basis of preparation

The consolidated statement of comprehensive income has been classified using the nature of expense method. The preparation of the consolidated financial statements requires estimates, and the application of Group-wide accounting policies requires the use of management judgment. More complex areas, areas with greater scope for judgment, or areas where assumptions and estimates are critical for the Group are explained in Note 3.

In preparing the financial statements, the expenses incurred in fiscal year 2018 were restated due to a reallocation, with administrative expenses being reclassified as cost of sales and selling expenses.

First, all expenses relating to the Management Board members were properly allocated to the respective functional accounts in keeping with the areas of activity of the Management Board members. Besides personnel expenses, this primarily related to expenses for the LTIP and SAR. The overheads incurred in the operating area of activity of each Management Board member were adjusted in the same way.

Overall, in the prior year € 10,040k was reallocated from administrative expenses to cost of sales (€ 4,325k) and selling expenses (€ 5,715k).

This adjustment was merely a reclassification of expenses between the accounts “cost of sales,” “selling expenses” and “administrative expenses.” It has no effect on the Group’s earnings indicators.

Exhibit 5

2.2 Effects of new or amended IFRSs

For the fiscal year beginning on January 1, 2019, the following standards are mandatory in the EU for the first time:

Standard		Effective for fiscal years beginning on or after	Endorsed by EU Commission
IFRS 3, IFRS 11, IAS 12, IAS 23	Annual Improvements 2015–2017	Jan. 1, 2019	yes
IFRS 16	Leases	Jan. 1, 2019	yes
IFRS 9	Amendment: Prepayment Features with Negative Compensation	Jan. 1, 2019	yes
IAS 19	Amendment: Plan Amendment, Curtailment or Settlement	Jan. 1, 2019	yes
IAS 28	Clarification of IAS 28 Long-term Interests in Associates and Joint Ventures	Jan. 1, 2019	yes
IFRIC 23	Uncertainty over Income Tax Treatments	Jan. 1, 2019	yes

There were no significant effects from the IFRS amendments with the exception of the initial application of IFRS 16.

Leases

The main effects of the initial application of IFRS 16 result from the lessee’s obligation to present all leases in the statement of financial position.

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to account for all leases on the face of the statement of financial position.

IFRS 16 generally applies to contracts that convey the right to use an asset, rental contracts and leases, subleases, and sale-and-leaseback transactions. With respect to the lease of certain intangible assets, a lessee can elect to apply IFRS 16.

This involves recognizing over the term of the lease a right-of-use asset representing the right to use the underlying asset and a liability in the amount of the future lease payments less the interest portion (i.e., the lease liability). In the subsequent period, the lease liability is adjusted to reflect the interest expense and the depreciation expense on the right-of-use asset.

The standard permits two exemptions from accounting for leases as right-of-use assets: leases of low-value assets (e.g., PCs) and short-term leases (e.g., leases with a term of 12 months or less). IFRS 16 becomes effective for fiscal years beginning on or after January 1, 2019.

The lessee is also required to remeasure the lease liability should certain events occur (e.g., a change in the lease term, a change to future lease payments resulting from a change in an index or rate used to measure the liabilities or determine payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

In accordance with IFRS 16, fixed lease payments are generally used in accounting for leases. Variable payments are only considered if they depend on an index or (interest) rate. All other variable lease payments are expensed as and when they are incurred.

Subleases are accounted for in addition to the original head lease and represent agreements entered into as lessor. They are classified as finance or operating leases in proportion to the term of the head lease.

The 1&1 IONOS TopCo Group has elected to apply the modified retrospective initial application approach, recognizing as of January 1, 2019 a lease liability measured at the present value of the remaining lease payments, discounted using its incremental borrowing rate as of January 1, 2019, for leases previously classified as operating leases applying IAS 17. The Group also elected to recognize the right-of-use asset at the value of the corresponding lease liability on initial application. The right-of-use asset is adjusted by the amount of any prepaid or accrued lease payments relating to leases that were recognized in the statement of financial position immediately before the date of initial application.

The application of the new standard led to an increase in non-current assets in the consolidated statement of financial position of the 1&1 IONOS TopCo Group (for right-of-use assets) and at the same time to an increase in financial liabilities (due to the payment obligation). In the income statement, this led to a reduction in rental expenses, higher depreciation, and interest expenses.

The right-of-use assets and lease liabilities were not stated separately in the statement of financial position, but together with property, plant, and equipment, and other liabilities, respectively.

Exhibit 5

€k	Carrying amount as of Jan. 1, 2019
Property, plant and equipment	
Right-of-use assets	
- Land and buildings	85,131
- Operating and office equipment	4,773
Total right-of-use assets	89,904
Other financial liabilities	
Lease liabilities	
- Current lease liabilities	22,118
- Non-current lease liabilities	67,786
Total lease liabilities	89,904

The reconciliation of operating lease liabilities as of December 31, 2018, discounted at the appropriate incremental borrowing rates, and the opening balances of lease liabilities as of January 1, 2019 is shown below:

in €k	Jan. 1, 2019
Operating leases: minimum lease payments (nominal) total as of Dec. 31, 2018	87,494
Variable lease payments (not index-based)	-8,245
plus optional extension periods (beyond the minimum term)	32,199
less discounting effect	-21,544
Financial liability IFRS 16 – Jan. 1, 2019	89,904

The variable lease payments (not index-based) relate to variable lease payments which are not included in the measurement of lease liabilities.

The incremental borrowing rate is used to measure right-of-use assets and lease liabilities. The incremental borrowing rate is determined on the basis of reference interest rates for a period of up to 10 years derived from risk-free interest rates for equivalent maturities.

Discounting as of January 1, 2019 was performed using a weighted average incremental borrowing rate of 4.43%.

In the second half of the fiscal year, the lease agreements for office buildings shared by several UI Group subsidiaries were modified such that now all companies which use the buildings are equal tenants. Before they were modified, only the main tenant, which was in most cases 1&1 IONOS SE, Montabaur, was the contracting party, and therefore accounted fully for the lease agreements in question in accordance with IFRS 16.

In the modified lease agreements, the tenants form a joint operation in accordance with IFRS 11 Joint Arrangements. The lease agreements constitute a lease as they entitle the tenants to use the office buildings during the term of the lease. The relevant subsidiaries each account for their portion of the right-of-use assets and lease liabilities, and recognize the related depreciation and interest expenses.

In fiscal year 2019, the modification of the lease agreements led to a decrease of € 44,437k in right-of-use assets in the 1&1 IONOS TopCo Group and a decrease in lease liabilities of € 45,100k.

In the period from initial application of IFRS 16 until December 31, 2019, right-of-use assets amounting to € 7,985k have been added. These are divided into land and buildings (€ 6,919k) and operating and office equipment (€ 1,065k).

As of December 31, 2019, the carrying amounts of right-of-use assets by class of underlying asset are as follows:

	Carrying amount as of Dec. 31, 2019 €k
Land and buildings	30,103
Operating and office equipment	3,298
Total	33,401

As of December 31, 2019, existing lease obligations have the following terms:

	Dec. 31, 2019 €k
Up to 1 year	10,374
1 to 5 years	17,644
Over 5 years	6,902
Total	34,920

Further disclosures pursuant to IFRS 16 Leases are provided in Notes 5.9, 6.11, 6.20, 6.22 and 11.1.

Exhibit 5

2.3 Accounting standards already published but not yet mandatory

Apart from the IFRSs mentioned above whose application is mandatory, the IASB has issued further IFRSs and IFRICs, some of which have already been endorsed by the EU endorsement but which will become effective at a later date. 1&1 IONOS TopCo SE is not planning to implement these standards in its consolidated financial statements before they become effective.

Standard		Mandatory for fiscal years beginning on or after	Endorsed by EU Commission
Conceptual Framework	Revised Conceptual Framework	Jan. 1, 2020	yes
IAS 1, IAS 8	Amendment: Definition of Material	Jan. 1, 2020	yes
IFRS 9, IAS 39, IFRS 7	Interest Rate Benchmark Reform	Jan. 1, 2020	yes
IFRS 3	Amendment: Definition of a Business	Jan. 1, 2020	no
IFRS 17	Insurance Contracts	Jan. 1, 2021	no
Amend-ments to IAS 1	Clarification as to the Classification of Liabilities as Current or Non-current	Jan. 1, 2021	no

No significant impact is expected from the IFRS amendments already published but not yet mandatory.

2.4 Consolidation principles

All intragroup balances, transactions, income and expenses and profits and losses resulting from intragroup transactions that are recognized in the carrying amount of assets are eliminated in full. Transactions with United Internet AG and companies of the United Internet Group which are not included in the basis of consolidation of the 1&1 IONOS TopCo Group are presented as transactions with related parties.

As a rule, subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control over the subsidiary and continue to be consolidated until the date on which the parent ceases to control the subsidiary.

Non-controlling interests represent the portion of the profit or loss for the period and net assets not attributable to the Group and are presented separately in the consolidated statement of financial position. They are presented in the consolidated statement of financial position as part of equity, but separately from the equity attributable to the shareholders of the 1&1 IONOS TopCo Group.

For acquisitions of non-controlling interests or disposals of controlling interests but without loss of control, the carrying amounts of controlling and non-controlling interests are adjusted to reflect the change in the respective shareholding. The amount by which consideration paid or received for the change in the shareholding exceeds the carrying amount of the non-controlling interest is recognized directly in equity as a transaction with the shareholders.

Exhibit 5

2.5 Classification as current and non-current

The 1&1 IONOS TopCo Group classifies its assets and liabilities in the statement of financial position as current and non-current. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle,
- held primarily for the purpose of trading,
- expected to be realized within 12 months after the reporting period, or
- cash or a cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled within the normal operating cycle,
- it is held primarily for the purpose of trading,
- it is due to be settled within 12 months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.6 Revenue recognition

Revenue recognition

Revenue from contracts with customers is accounted for using the following five steps:

- Identify the contract(s) with a customer
- Identify distinct performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations
- Recognize revenue when performance obligations are satisfied

1&1 IONOS TopCo SE offers a wide range of e-mail, hosting, cloud, and e-business applications to freelancers, small and medium-sized businesses, and home users. These applications include domains, websites, and e-shops, personal information management applications (e-mail, to-do lists, appointments, addresses), group work, online storage, and office software. The Company also offers its customers performance-based advertising and sales options via Sedo.

In this segment, the 1&1 IONOS TopCo Group is active in Germany, as well as in France, the UK, Spain, Austria, Switzerland, Poland, Italy, Canada, Mexico, and the USA. It is one of the leading companies in all the countries mentioned. The services are rendered by various subsidiaries of 1&1 IONOS TopCo SE in Germany and abroad.

Customers generally pay in advance for a contractually fixed time period for the services to be provided by the Company. The main service in the Domains product group is domain registration for the end customer with the respective registry. With regard to the timing of the recognition of revenue from domain registration, the special rules for licenses are applied. As in the case of domains, a right of use is granted to an item of (static) intellectual property existing at the time the license is granted, revenue is recognized at a point in time.

Product groups that contain domains as part of multiple-element arrangements primarily relate to web hosting products. The web hosting packages offered usually combine domain registrations with further services, such as storage capacity (Webspace) and software-as-a-service (SaaS). The Webspace service comprises the provision of storage space on servers at the data centers of the 1&1 IONOS TopCo Group. SaaS refers to the customer's use of software (e.g., to create websites) hosted on servers of the 1&1 IONOS TopCo Group. Both the Webspace and SaaS services are performance obligations that are satisfied over time, as the corresponding benefits flow to the customer continuously.

Customer contracts in the web hosting product category generally comprise multiple separate performance obligations, which are recognized both at a point in time (domain registration performance obligation) and over time (Webspace and SaaS performance obligation). The total fee for the customer contract is therefore allocated to the various performance obligations. In the absence of separate standalone selling prices for Webspace and SaaS, and a high degree of price variability, the residual method is used to allocate the total fee. The share of revenue attributable to the services provided over time is therefore determined on the basis of the total fee less the standalone selling price of the domains included.

Exhibit 5

If, in a contract, an entity grants a customer the option to use additional goods or services, that option gives rise to a performance obligation in the contract if the option provides to the customer a material right to a free or discounted performance obligation which, however, the customer will not exercise until a later date. Such material rights arise in the 1&1 TopCo Group in multiple-element arrangements in which the customer receives the right to multiple included domains at the time of concluding the contract, but does not exercise the right to register the domain until a later date. This right is included in the allocation of the transaction price according to its expected utilization. An analysis showed that the substantive right was not material at the date of transition; it is therefore not included in the allocation of the transaction price for the time being. Its materiality will be reviewed in regular intervals.

In connection with the conclusion of contracts, the 1&1 IONOS TopCo Group grants its customers special monetary discounts for a limited period on the basic hosting fee and/or on domains. An analysis showed that the discounts on the basic hosting fee are not material; they are therefore not amortized over the lifetime of the agreed performance obligations under the contracts with customers. As revenue from domain fees is recognized at a point in time, discounts are recorded immediately as a deduction from revenue.

The one-off fees invoiced to the customer on conclusion of the contract, such as activation and setup fees, do not usually represent a bargain extension option and are therefore not recognized as a separate performance obligation but are allocated to the identified performance obligations as part of the transaction price and recognized straight-line as the service is delivered. Domain setup fees are recognized immediately at a point in time. If one-off fees qualify as a bargain extension option, revenue is recognized over the expected duration of the contract with the customer.

In line with the "1&1 Principle," the 1&1 IONOS TopCo Group grants its customers a voluntary 30-day right of cancellation. If customers make use of the 1&1 Principle and cancel their contracts, they have the right to be reimbursed for individual transaction components, such as one-off fees and basic fees which have been invoiced. Any usage fees are excluded from the reimbursement claim. According to IFRS 15, the 1&1 Principle would have to be considered in determining the transaction price and included in determining revenue. An analysis showed that the reimbursement liability resulting from invoiced one-off fees and basic fees due to the 1&1 Principle was not material at the date of transition; it was therefore not included in the determination of revenue. Its materiality will be reviewed in regular intervals.

1&1 TopCo SE acts as an agent for the Office365 product, thereby recognizing sales commission as revenue when the service is rendered. Revenue from the Office365 product was therefore shown net and recognized at a point in time.

In addition to application revenue, this segment also includes revenue from the performance-based advertising form of domain marketing.

In domain marketing, 1&1 IONOS TopCo operates (via Sedo GmbH) a trading platform for the secondary domain market (domain trading). At the same time, the Company offers domain owners the possibility to market unused domains to advertisers (domain parking). In addition to these customer domains, the Company also holds its own portfolio of marketable and salable domains. In domain trading, the Company receives sales commission from the successful sale of domains via the platform and also generates revenue from services relating to domain value assessments and transfers. The sales commissions and services are generally set at a percentage of the sales price achieved, whereas fixed prices are generally charged for the other services. In domain parking, domains are mainly marketed using text links, i.e., links on the parked domains to the advertisers’ offerings (primarily via cooperation agreements with search engines). The Company receives performance-based payment on a monthly basis from the cooperation partner on a pay-per-click basis, according to the number of clicks registered by the cooperation partner.

The Company recognizes sales commissions as revenue when the service is rendered, thereby recognizing revenue on completion of the transaction or after provision of the service. In the case of domain parking, the monthly payments credited by cooperation partners are recognized as revenue.

Revenue from services and allocations to subsidiaries of the 1&1 IONOS TopCo Group and Group companies of the United Internet Group that are not included in the basis of consolidation of the 1&1 IONOS TopCo Group is recognized as soon as the service has been rendered. It is presented in the consolidated statement of comprehensive income under “Revenue from contracts with related parties.”

2.7 Presentation of disposal gains and losses from the sale of associated companies

Where they concern effects on profit and loss, regular carrying amounts and valuations of investments in associated companies and shares held for sale are presented in the financial result. Gains from the sale of such investments are always reported under other operating income, losses under other operating expenses.

Exhibit 5

2.8 Foreign currency translation

The consolidated financial statements of the 1&1 IONOS TopCo Group are presented in euros, the Company's functional and presentation currency. Each company within the 1&1 IONOS TopCo Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities in a foreign currency are translated to the functional currency on every reporting date using the closing rate.

All currency translation differences are recognized in profit or loss, with the exception of currency differences resulting from foreign currency loans, providing they are used as hedges of a net investment in a foreign operation. These are recognized directly in equity until the net investment is disposed of, at which time they are recognized in profit or loss. Deferred taxes arising from such currency differences are also recognized directly in equity.

Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the transaction date. Non-monetary items measured at fair value in a foreign currency are translated at the rate prevailing on the date the fair value was determined.

All goodwill resulting from the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities resulting from the acquisition are recognized as assets and liabilities of the foreign operation and translated at the closing rate. The assets and liabilities of foreign operations are translated into euros at the closing rate.

Income and expenses are translated at the exchange rate prevailing on the date of the transaction (as a practical expedient, a weighted average rate is used for translation when exchange rates do not fluctuate significantly). The resulting translation differences are recognized separately in equity. The cumulative amount recognized in equity for a foreign operation is released to profit or loss when the foreign operation is sold.

The exchange rates of major currencies developed as follows:

(in relation to € 1)	Closing rate		Average rate	
	Dec. 31, 2019	Dec. 31, 2018	2019	2018
US dollar	1.123	1.145	1.119	1.181
UK pound	0.850	0.895	0.877	0.885
Polish zloty	4.260	4.301	4.298	4.262

2.9 Property, plant and equipment

Property, plant and equipment are generally stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses from the disposal of an asset are recognized in the statement of comprehensive income.

The residual values, useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted where necessary. Property, plant, and equipment are depreciated over their expected economic useful life using the straight-line method.

The useful lives are summarized below:

Property, plant and equipment	Depreciation method/useful life
▪ Motor vehicles	straight-line/5 to 6 years
▪ Operating equipment	straight-line/3 to 10 years
▪ Office furniture and fixtures	straight-line/5 to 13 years
▪ Leasehold improvements	straight-line/up to 10 years
▪ Servers	straight-line/3 to 5 years

For property, plant, and equipment acquired in connection with company acquisitions, the applicable remaining useful life is determined primarily on the basis of the aforementioned useful lives and the useful lives elapsed at the time of acquisition.

Impairment tests are carried out and impairment losses or reversals are recognized in the same way as for intangible assets with limited useful lives.

2.10 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, unless they are connected with the production or purchase of a qualifying asset. As in the previous year, there was no need to capitalize borrowing costs during the reporting period.

2.11 Business combinations and goodwill

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

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date.

Goodwill arising from a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested for impairment at least annually or whenever there is any event or change in circumstances which indicate that the carrying amount might be impaired.

In order to test whether there is any impairment, goodwill acquired in the course of a business combination must be allocated from the date of acquisition to each of the Group's cash-generating units (or group of cash-generating units) which are expected to profit from the synergy effects of the combination. This applies regardless of whether other assets and liabilities of the Group have already been allocated to these units.

The need for impairment is determined by comparing the recoverable amount of the cash-generating units to which goodwill refers with their carrying amount. The recoverable amount of an asset or a cash-generating unit is the higher of fair value of the asset or cash-generating unit less costs of disposal and its value in use.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset.

An appropriate valuation model is used to determine fair value less costs of disposal. This is based on discounted cash flow models, valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. An impairment loss relating to goodwill may not be reversed in the following reporting periods.

2.12 Intangible assets

Individually acquired intangible assets are carried at cost on initial recognition. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. With the exception of those development costs which can be capitalized, costs for internally generated intangible assets are recognized in profit or loss in the period in which they are incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized straight line over the useful economic life and assessed for impairment if there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Any necessary changes in the amortization method and the useful life are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible assets. The impairment test is conducted in the same way as for goodwill.

Intangible assets with indefinite useful lives are not amortized. Instead, an impairment test is performed at least once annually at the end of the reporting period for the individual asset or on the level of the cash-generating unit. The impairment test is conducted in the same way as for goodwill. The useful life of an intangible asset with an indefinite useful life is reviewed annually to ascertain whether the assumption of an indefinite useful life is still justified. If not, the change in the assessment of useful life from indefinite to finite is made on a prospective basis.

Exhibit 5

The useful lives are summarized below:

Intangible assets	Amortization method/useful life
▪ Software/technology and licenses	straight-line/3 to 7 years
▪ Trademarks	indefinite*
▪ Customer base	straight-line/6 to 10 years

* In deviation from the previous year, the useful life of the STRATO brand has been classified as indefinite. As of December 31, 2018, it had an expected remaining useful life of 1.5 years. See Note 6.12 for further information.

A review is also conducted on each reporting date to determine whether there is any indication that a previously recognized impairment loss no longer exists or has decreased. If such indications exist, the Company estimates the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. However, that amount may not exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years.

2.13 Investments in associated companies

Investments in associated companies are accounted for using the equity method. An associated company is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the associated company, but is not control or joint control over those policies.

Under the equity method, the investment in an associated company is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associated company. Any goodwill related to the associated company is included in the carrying amount of the investment. This goodwill is not amortized.

The statement of comprehensive income loss reflects the Company's share of the results of operations of the associated company. Where there have been changes recognized directly in the equity of the associated company, the Group recognizes its share of any changes and discloses this, where applicable, in the statement of changes in equity. Gains and losses from transactions between the Company and the associated company are eliminated to the extent of the interest in the associated company.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investments in associated companies. The Company determines at each reporting date whether there is any objective evidence that an investment in the associated company is impaired. Objective evidence exists, for example, if an associated company is experiencing significant financial difficulties, has committed breaches of contract, is highly likely to become insolvent, requires restructuring, or an active market for the net investment ceases to exist because of the financial difficulties of the associated company. A significant or prolonged decline in the fair value of an associated company below cost also constitutes objective evidence of impairment. A significant decline is assumed if the decrease in the fair value of an associated company at the end of the reporting period is more than 25% of cost. This does not apply if the facts and circumstances at that time clearly indicate that there is no impairment. If this is the case, the amount of impairment is calculated as the difference between the fair value of the associated company and its carrying amount and is recognized the amount in profit or loss. Impairment tests are carried out and impairment losses or reversals are recognized in the same way as for intangible assets with limited useful lives.

An impairment loss is recognized when the recoverable amount is less than the total carrying amount of the associated company. Impairment losses are recognized in the statement of comprehensive income in the profit or loss of associates accounted for using the equity method. If the recoverable amount increases in future periods, the impairment loss is reversed accordingly.

Upon loss of significant influence, a gain or loss from the disposal of the associated company is recognized in the amount of the difference between (i) the proceeds from the disposal of the shares, the fair value of the remaining shares, and the cumulative amounts of other comprehensive income attributable to the associated company, and (ii) the carrying amount of the investment being disposed of.

The financial statements of the associated company are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.14 Contract assets

A contract asset is the Group’s right to consideration in exchange for goods or services it has transferred to a customer when that right is conditioned on something other than the passage of time. Every unconditional right to consideration is presented separately as a receivable. Contract assets are regularly assessed for impairment. The procedure is the same as for financial assets.

2.15 Contract liabilities

A contract liability is the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer. If a customer provides consideration before the Group has transferred goods or services to the customer, a contractual liability is recognized at the time of payment or at the latest at the time when the payment becomes due. Contractual liabilities are recognized as revenue as soon as the Group fulfills the contractual obligations.

Exhibit 5

2.16 Costs to obtain and fulfill a contract

Additional costs incurred in initiating a contract with a customer (e.g., sales commissions) are recognized as an asset if the Group expects to recover these costs.

Capitalized costs to obtain a contract are amortized over the estimated contractual term. They are recognized in the statement of financial position as prepaid expenses. The amortization of costs to obtain a contract is presented in selling expenses and the amortization of costs to fulfill a contract is presented in cost of sales.

The amortization periods for costs to obtain a contract are one to five years.

An impairment loss is recognized if the carrying amount of the capitalized costs exceeds the remaining amount of the customer's expected consideration for the delivery of goods or services less the costs still to be incurred.

2.17 Fair value measurement

Certain assets and liabilities are measured at fair value either on initial recognition or during subsequent measurement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The 1&1 IONOS TopCo Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the 1&1 IONOS TopCo Group determines whether there have been any movements between the hierarchy levels by reviewing the classification at the end of each reporting period (based on the lowest level input that is significant to the entire fair value measurement).

For the purpose of fair value disclosures, the 1&1 IONOS TopCo Group has determined classes of assets and liabilities on the basis of the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.18 Leases

The 1&1 IONOS TopCo Group enters into leases solely as a lessee. The majority of the Group's lessee contracts relate to the lease of buildings and motor vehicles. In the case of buildings, various rental objects/leased items such as space (office space, data center space, storage space or parking space, etc.) may be the subject of a lease.

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

With regard to the initial application of IFRS 16, please refer to Notes 2.2, 6.11, 6.20, 6.22 and 11.1.

Exhibit 5

Leases (from January 1, 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Useful life in years
Land and buildings	1 to 10
Operating and office equipment	1 to 7

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The incremental borrowing rate is used to measure right-of-use assets and lease liabilities. The incremental borrowing rate is determined on the basis of reference interest rates for a period of up to 10 years derived from risk-free interest rates for equivalent maturities, plus a credit risk premium and adjusted for a liquidity and country risk premium.

Short-term leases, leases of low-value assets, and other policy choices

The standard includes exemptions from accounting for leases as assets in the case of short-term leases (e.g., leases with a term of 12 months or less) and leases of low-value assets (e.g., PCs) for which right-of-use assets are not recognized. The 1&1 IONOS TopCo Group only has a small number of short-term leases, which are thus not capitalized according to IFRS 16 for reasons of materiality. In the case of leases of low-value assets – which only exist to a limited extent – the Group opts not to account for them according to IFRS 16 on a case-by-case basis. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The option to recognize each lease component of a contract and all related non-lease components as a single lease component is not applied.

Leases (until December 31, 2018)

Until December 31, 2018, the determination of whether an arrangement contains a lease was based on the substance of the arrangement at the inception of the lease and required an assessment of whether the fulfillment of the arrangement was dependent on the use of a specific asset or assets and whether the arrangement conveyed a right to use the asset.

Exhibit 5

Group as lessee

Finance leases, which transferred to the 1&1 IONOS TopCo Group substantially all the risks and benefits incidental to ownership of the leased item, were capitalized at the inception of the lease period at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs were recognized in profit or loss.

Capitalized leased assets were fully depreciated over the shorter of the estimated useful life of the asset and the lease term if there was no reasonable certainty that the 1&1 IONOS TopCo Group would obtain ownership by the end of the lease term.

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

There were no significant contracts that qualified as finance leases.

2.19 Inventories

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

Inventories in the 1&1 IONOS TopCo Group mainly consist of domains. The holding period of the domains depends on their attractiveness or salability. A longer holding period indicates a lower level of salability. The lower salability of domains is associated with a diminishing probability of sale, as a result of which the net disposal proceeds are reduced by the higher costs incurred until the time of sale in combination with a lower expected selling price.

Accordingly, markdowns which increase over time are applied to the domains at the end of each fiscal year on the basis of their residual values. Markdowns are first applied at the end of the fiscal year following their acquisition. After a holding period of seven years, the 1&1 IONOS TopCo Group considers their probability of sale to be near-zero. For convenience, a probability of zero is assumed. The amount of the salability markdowns and the progressive scale are best estimates and are therefore uncertain.

Above and beyond the salability markdowns, the Company tests its domain portfolio as of each reporting date for indications of a steeper decline in net realizable value than provided for by the salability markdowns.

2.20 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

With the exception of trade accounts receivable that do not contain a significant financing component or have a maturity of less than one year, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not subsequently measured at fair value through profit or loss, directly attributable transaction costs. Trade accounts receivable that do not contain a significant financing component or have a maturity of less than one year are measured at the transaction price. In this context, reference is made to the accounting policies in the section “Revenue recognition – revenue from contracts with customers.”

Purchases or sales of financial assets that provide for delivery of the assets within a period determined by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date on which the Group commits to purchase or sell the asset.

Subsequent measurement

For subsequent measurement purposes, the classification of financial assets on initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the Group’s business model for managing the financial assets. For subsequent measurement, financial assets are classified in three categories:

- Financial assets (debt instruments) at amortized cost (ac)
- Financial assets (equity instruments) designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (fvoci)
- Financial assets at fair value through profit or loss (fvtpl)

Exhibit 5

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income if they meet the definition of equity under IAS 32 Financial Instruments: Disclosure and Presentation and are not held for trading. Classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the income statement when the right of payment has been established, unless the dividends recover part of the cost of the financial asset. In this case, such gains are recognized in other comprehensive income. Equity instruments measured at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets must be classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading. Financial assets with cash flows that are not solely payments of principal and interest are also classified and measured at fair value through profit or loss, irrespective of the business model. Debt instruments may also be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks of the embedded derivative are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the income statement. Dividends on listed equity investments are also recognized as other income in the income statement when the right of payment has been established.

Derecognition

A financial asset (or part of a financial asset, or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired.

Impairment of financial assets

For trade accounts receivable and contract assets, the Group applies a simplified (one-step) method for calculating expected credit losses, whereby a loss allowance based on expected credit losses over the remaining life is recognized at each reporting date.

Expectations of future credit losses are formed on the basis of regular reviews and assessments as part of credit monitoring. Historical data is regularly used to derive correlations between credit losses and various factors (e.g., payment arrangements, days past due, dunning level, etc.). On the basis of these correlations, supplemented by current observations and forward-looking assumptions regarding the portfolio of receivables and contract assets held as of the reporting date, an estimate of future credit losses is made.

The Group recognizes an allowance for expected credit losses for all other debt instruments not measured at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Expected credit losses are recognized in two stages. For financial instruments for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is recognized in the amount of the expected credit losses that result from a default event within the next 12 months. For those financial instruments for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

The Group’s operations focus on the retail segment. Default risks are thus taken into account by means of specific bad debt allowances and collectively assessed specific bad debt allowances. The specific bad debt allowances for overdue receivables are mainly based on the age structure of the receivables with different valuation allowances, which are mainly derived from the success rates of the collection agencies commissioned to collect overdue receivables. The age structure of receivables is shown in Note 6.2. All receivables that are more than 365 days overdue are written down individually by 100%. Fully impaired trade accounts receivable are derecognized 180 days after collection has been handed over to the collection agency, unless the agency has given a positive report or payment for an impaired receivable is unexpectedly received, or if the customer’s inability to pay is known before or after handing over the receivable to the collection agencies.

Exhibit 5

Further details on the impairment of trade accounts receivable and contract assets are provided in the following Notes:

- Significant judgments and accounting estimates: Note 3
- Trade accounts receivable: Note 6.2
- Contract assets: Note 6.4

Financial liabilities

The financial liabilities of the 1&1 IONOS TopCo Group mainly comprise trade accounts payable, liabilities due to banks, contingent purchase price liabilities and finance lease liabilities.

Initial recognition and measurement

On initial recognition, financial liabilities are classified as financial liabilities measured at fair value through profit or loss, or as financial liabilities measured at amortized cost.

All financial liabilities are recognized initially at fair value and, in the case of financial liabilities measured at amortized cost, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

This category includes derivative financial instruments entered into by the Group. Separated embedded derivatives are also classified as held for trading. Gains or losses on financial liabilities held for trading are recognized through profit or loss.

Financial liabilities at amortized cost

After initial recognition, financial liabilities classified at amortized cost are subsequently measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Amortization using the effective interest method is included as part of finance costs in the income statement.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred result in an adjustment to the carrying amount of the liability and are amortized over the remaining life of the modified liability.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.21 Cash and cash equivalents

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

Exhibit 5

2.22 Pensions and other post-employment benefits

Payments to defined contribution retirement benefit plans are expensed on payment of salary to the employee.

2.23 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the 1&1 IONOS TopCo Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset provided the reimbursement is virtually certain. The expense relating to the provision is recognized in profit or loss net of any reimbursement.

If the effect of the time value of money is significant, provisions are discounted at a pre-tax interest rate which reflects the risks specific to the liability, if so required in the individual case. When discounting is used, the increase in provisions caused by the passage of time is recognized as finance costs.

2.24 Share-based payment

Executive staff and employees of the 1&1 IONOS TopCo Group receive share-based payments as a reward for their work.

In fiscal year 2019, there was an employee stock ownership program in the 1&1 IONOS TopCo Group. The Long Term Incentive Plan (LTIP) was enhanced as an additional long-term incentive compensation component for members of management and other key personnel. The objective of the LTIP is to foster a long-term relationship with the members of the Management Board and other key employees of the Hosting Group in order to significantly raise the equity value of the Company and other companies of the Hosting Group.

In fiscal year 2018, there were three different employee stock ownership programs in the 1&1 IONOS TopCo Group: the abovementioned Long Term Incentive Plan (LTIP), the Stock Appreciation Rights (SAR) plan and the employee stock ownership program (MAP). The second of these, the Stock Appreciation Rights (SAR) plan is open to managers and executives and is based on phantom stock options on United Internet AG shares. The third, the employee stock ownership program (MAP), was launched in the second quarter of 2016 for (all) active permanent employees of the Group companies in which United Internet AG holds at least 50% of the shares. The MAP was designed to allow employees to participate more closely in the development of the United Internet Group and the United Internet AG share, promote motivation and performance and reward their loyalty to the United Internet Group.

Entitlements under the LTIP can be settled in the form of shares or cash. If they are settled in shares, entitlements can be settled by issuing shares or stock options. As there is currently no obligation to provide cash settlement, the plan is accounted for as equity-settled. The obligations of the Hosting Group are accounted for in accordance with IFRS 2 in the reserves, allowing for the portion already vested for each employee.

The valuation date is the grant date. Fair value is determined using financial models or option pricing models. The key inputs are the fair value of the underlying shares on the valuation date, the exercise price, the expected life of the option, volatility, exercise behavior and dividend yield.

From the perspective of the 1&1 IONOS TopCo Group, the share-based payments under the SAR and MAP programs had to be accounted for as cash-settled. The obligations of the 1&1 IONOS TopCo Group were accounted for in a provision in accordance with IFRS 2.

The provisions for these two programs were determined by multiplying the number of obligations granted under the SAR and MAP programs by the fair value at the valuation date, allowing for the portion already vested for each employee. The valuation date was the reporting date in each case. Fair value was determined using financial models or option pricing models. The key inputs were the share price on the valuation date, the exercise price, the expected life of the option, volatility, exercise behavior and dividend yield. Both programs expired in fiscal year 2018.

2.25 Finance income

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

Exhibit 5

2.26 Current and deferred taxes

Income taxes

The tax expense for a period comprises current taxes and deferred taxes. Taxes are recognized in the statement of comprehensive income unless they relate to transactions that are recognized in other comprehensive income or directly in equity. In these cases, taxes are recognized accordingly in other comprehensive income or directly in equity.

Current taxes are measured at the amount at which a refund from the tax authorities or a payment to the tax authorities is expected. The amount is calculated on the basis of the tax rates and tax laws applicable on the reporting date.

The liability method is used to recognize deferred taxes on all temporary differences existing on the reporting date between the carrying amount of an asset or a liability in the statement of financial position and the tax carrying amount. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the profit according to IFRS nor taxable profit or loss, and
- in respect of taxable temporary differences associated with investments in subsidiaries, associated companies, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the profit or loss according to IFRS nor taxable profit or loss, and
- in respect of taxable temporary differences associated with investments in subsidiaries, associated companies, and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted as of the reporting date.

Deferred tax assets and deferred tax liabilities are offset against each other when the Company has an enforceable right to offset the current tax assets against the current tax liabilities and these assets and liabilities relate to income taxes levied by the same tax authority for the same taxable entity.

VAT

Expenses and assets are recognized net of VAT except for the following cases:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Exhibit 5

3. Significant judgments and accounting estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets, liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in question in future periods.

- Judgments

  In the process of applying the entity's accounting policies, management made the following judgments (e.g., in connection with transactions) that have a significant effect on the amounts recognized in the financial statements.

- Estimates and assumptions

  The key assumptions concerning the future and other major sources of estimation uncertainty on the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

Revenue recognition

Customer contracts in the web hosting product category generally comprise multiple separate performance obligations, which are recognized both at a point in time (domain registration performance obligation) and over time (Webspace and SaaS performance obligation). The total fee for the customer contract is therefore allocated to the various performance obligations. In the absence of separate standalone selling prices for Webspace and SaaS, and a high degree of price variability, the residual method is used to allocate the total fee. The share of revenue attributable to the services provided over time is therefore determined on the basis of the total fee less the standalone selling price of the domains included. Standalone selling prices for domains are derived from the Company's sales, and are based on assumptions and estimates. Changes in such assumptions and estimates may therefore also have an effect on the amount and timing of revenue recognition.

Cost to obtain a contract

The determination of estimated amortization periods for costs to obtain a contract is based on past experience and involves significant uncertainties, especially with regard to unforeseen developments concerning customers or technology. A change in the estimated amortization periods affect the timing of expense recognition. The carrying amount of capitalized costs to obtain a contract was € 10,926k as of December 31, 2019 (prior year: € 13,279k).

Exhibit 5

Fair value measurement of financial assets and liabilities measured at fair value

The fair values of financial assets and liabilities measured at fair value primarily relate to equity investments, contingent purchase price liabilities and derivatives. They are measured using various valuation techniques. The inputs used in the models are highly subject to management estimates; the determination of fair value therefore involves significant uncertainties.

Impairment of non-financial assets

Goodwill and other intangible assets with indefinite useful lives are tested for potential impairment at least once a year and whenever there is an indication of impairment. The recoverable amount of the relevant cash-generating unit to which the goodwill or intangible asset is assigned is determined either as the value in use or as the fair value less costs of disposal.

Estimating the value in use or the fair value less costs of disposal requires management to make an estimate of the future cash flows expected to be derived from the asset or cash-generating unit and apply an appropriate discount rate to determine the present value of those cash flows. For further information, including a sensitivity analysis of the key assumptions, see “Goodwill and impairment of goodwill and intangible assets with indefinite useful lives” in Note 6.13.

Management’s key assumptions used to determine the recoverable amount of cash-generating units include assumptions as to the development of revenue and the discount rate.

The carrying amount of goodwill amounts to € 813,942k (prior year: € 810,067k). As of December 31, 2019, the carrying amount of intangible assets with indefinite useful lives amounts to € 51,208k (prior year: € 30,822k).

Exhibit 5

Trade accounts receivable and contract assets

Trade accounts receivable and contract assets are carried in the statement of financial position net of any bad debt allowances. Allowances for doubtful accounts are based on regular reviews and assessments carried out in connection with credit monitoring. The related assumptions as to customer payment behavior and creditworthiness involve significant uncertainties. As of December 31, 2019, the carrying amount of trade accounts receivable totaled € 33,491k (prior year: € 33,495k). The carrying amount of contract assets was € 7,995k as of December 31, 2019 (prior year: € 9,312k).

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are measured at cost on initial recognition. Property, plant and equipment and intangible assets with finite useful lives are amortized straight-line over their assumed useful lives. The assumed useful lives are based on past experience and involve significant uncertainties, especially with regard to unforeseen technological developments. As of December 31, 2019, the carrying amount of property, plant and equipment and intangible assets with finite useful lives, excluding prepayments made, is € 394,206k (prior year: € 400,554k).

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Because of this, and given the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

The amount of such provisions is based on various factors, such as experience of previous tax field audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies. As of December 31, 2019, the carrying amount of income tax liabilities was € 18,723k (prior year: € 69,727k), most of which was attributable to current income taxes for fiscal year 2019.

Exhibit 5

Accounting for business combinations

Business combinations are accounted for using the acquisition method. Goodwill arising from business combinations is initially measured at cost, being the excess of the acquisition cost of the operation over the fair value of the identifiable assets, liabilities, and contingent liabilities acquired. Acquisition-related costs are expensed as incurred and included in other operating expenses.

The determination of the acquisition date fair values of the assets and liabilities acquired and the contingent purchase price payments involve significant estimation uncertainty. When identifying intangible assets, depending on the type of asset and the complexity involved in determining its fair value, reports of an independent external expert can be used or the fair value is determined internally using an appropriate valuation technique for the intangible asset in question. Such a method will normally be based on a forecast of the expected future cash flows. These valuations are highly dependent on the assumptions and estimates made by management as to the future development of the assets and the discount rate applied.

As of December 31, 2019, goodwill has a carrying amount of € 813,942k (prior year: € 810,067k).

Provisions

Provisions are recognized when the Group has an obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Such estimates involve significant uncertainties. As of December 31, 2019, the carrying amount of provisions was € 7,564k (prior year: € 7,228k).

Exhibit 5

Share-based payment

Accounting for share-based payments which management can decide to either settle by issuing equity instruments or in cash is subject to management's judgment as to their probable settlement.

The Group measures the cost of equity-settled transactions at the fair value of the equity instruments at the date at which they are granted. In order to estimate fair value, an appropriate measurement approach must be determined for grants of equity instruments; this depends on the terms and conditions of the grant. Furthermore, appropriate inputs to be used in this valuation model, including the anticipated option term, volatility, exercise behavior and dividend yield, as well as corresponding assumptions must be determined.

The Group measures the cost of cash-settled share-based payments to employees at the fair value of the instruments at the date at which they are granted. Estimating fair value for such instruments requires determination of an appropriate valuation model, which depends on the terms and conditions of the grant. Furthermore, appropriate inputs to be used in this valuation model, including the anticipated option term, volatility, exercise behavior and dividend yield, as well as corresponding assumptions must be determined.

In the fiscal year, costs of share-based payment (Long Term Incentive Plan) of € 7,447k (prior year including MAP and SAR: € 3,719k) were incurred.

Right-of-use assets and lease liabilities

A right-of-use asset is recognized for the duration of the lease in the amount of the present value of the future lease payments plus any initial direct costs, prepayments and asset retirement costs, less any incentives received; this asset is amortized over the term of the lease. At the same time, a lease liability is recognized in the amount of the future lease payments less the interest portion. Determining the term of leases, especially those with lease renewal and termination options, requires estimates of whether such options will be exercised. The estimated term therefore takes into account whether it is reasonably certain that a renewal option will be exercised or whether an option to terminate the lease will not be exercised. The incremental borrowing rate is used to measure right-of-use assets and lease liabilities. The incremental borrowing rate is determined on the basis of reference interest rates for a period of up to 10 years derived from risk-free interest rates for equivalent maturities, plus a credit risk premium. For initial application and the impact on these financial statements, see Notes 2.2 and 11.1.

Exhibit 5

4. Business combinations and equity investments

The 1&1 IONOS TopCo Group did not carry out any business combinations in fiscal year 2019.

Business combinations in the prior year: Acquisition of World4You Internet Service GmbH

On August 17, 2018, the 1&1 IONOS TopCo Group agreed with the shareholders of the Austrian web hoster World4You on the acquisition of 100% of the shares in the company by the 1&1 IONOS TopCo subsidiary 1&1 IONOS SE.

World4You Internet Services GmbH, having its registered office in Linz, was founded in 1998. The company is the number one web hoster in Austria. World4You's product range (www.world4you.com) encompasses domains, e-mail solutions, homepages, web hosting, servers and security solutions. World4You will continue to operate as an independent company in the future and grow its market share in the Austrian market.

The Austrian web hosting and cloud applications market has developed well in recent years. The market is highly fragmented with several national companies competing against a handful of international players.

Having acquired World4You, United Internet AG is strengthening its international business applications operations and is advancing its strategy of making acquisitions to complement organic growth.

The Company paid € 75,533k in cash for the acquisition of the shares. Net of the cash acquired of € 3,488k, the Group's net cash outflow was € 72,045k.

With effect from August 17, 2018 (acquisition date), 1&1 IONOS SE gained control over World4You.

1&1 IONOS SE financed the purchase price with a loan of € 76,000k from United Internet AG.

Transaction costs totaling € 478k were recognized as an expense in connection with the business combination.

World4You was first included in the consolidated financial statements of 1&1 IONOS TopCo SE on the acquisition date. First-time consolidation of World4You was in accordance with IFRS 3 Business Combinations and used the acquisition method.

Exhibit 5

The net cash outflow from the acquisition breaks down as follows:

Cash flow from investing activities:	€k
Cash purchase price	75,533
Net of cash acquired	-3,488
Net cash outflow	72,045

The assets and liabilities of World4You were recognized on the basis of a purchase price allocation (PPA), which led to goodwill of € 51,250k. The fair value of other intangible assets amounts to € 29,631k and is mainly attributable to the customer base (€ 24,014k), trademarks (€ 3,494k) and internally developed software (€ 1,910k).

The following overview shows the assets and liabilities recognized on the basis of the purchase price allocation:

	PPA
Assets	€k
Current	
Cash and cash equivalents	3,488
Trade accounts receivable	449
Prepaid expenses	74
Other financial assets	43
Non-current	
Property, plant and equipment	767
Intangible assets	29,631
Deferred taxes	69
	34,521
Liabilities	
Current	
Trade accounts payable	366
Income tax liabilities	79
Deferred income	2,071
Other financial liabilities	212
Other non-financial liabilities	13

Exhibit 5

	PPA
Assets	€k
Non-current	
Deferred tax liabilities	7,497
	10,238
Total identified net assets	24,283
Goodwill arising on acquisition	51,250
Purchase consideration transferred	75,533

Trade accounts receivable had a gross value of € 726k. The fair value of the trade accounts receivable acquired, together with the expected cash flows, amounted to € 449k.

The goodwill, which is not tax deductible, mainly contains non-separable assets such as expected synergies, strategic advantages and employee know-how.

The initial consolidation of World4You led to an increase in revenue by € 4,222k and in earnings after taxes by € 457k in fiscal year 2018. Had World4You been consolidated as of January 1, 2018, revenue would have been € 11,057k higher and earnings after taxes € 666k higher as of December 31, 2018.

Exhibit 5

5. Notes to the consolidated statement of comprehensive income

5.1 Revenue from contracts with customers

The 1&1 IONOS TopCo Group's total revenue from third parties breaks down by region as follows:

	2019	2018
	€k	€k
Domestic	461,686	444,613
Foreign	425,277	393,513
Total	886,963	838,126

In fiscal year 2019, revenue from contracts with customers breaks down into product revenue from business with small and medium-sized companies, e.g., with domains, web hosting and the website builder, of € 621,554k (prior year: € 586,531k), professional hosting of € 119,416k (prior year: € 114,682k) and domain business under the InterNetX, Sedo, united-domains and home.pl brands of € 145,993k (prior year: € 136,913k).

Contract balances developed as follows in fiscal year 2019:

	Dec. 31, 2019	Dec. 31, 2018	Jan. 1, 2018
	€k	€k	€k
Trade accounts receivable (Note 6.2)	33,491	33,495	31,465
Contract assets (Note 6.4)	7,995	9,312	5,891
Contract liabilities (Note 6.18)	76,010	76,041	74,709

In fiscal year 2019, revenue of € 75,691k (prior year: € 73,784k) was recognized which was contained in contract liabilities at the beginning of the fiscal year.

The total transaction price of performance obligations still unsatisfied at the end of the reporting period amounted to € 3,851k as of December 31, 2019 (prior year: € 5,665k). The following table shows the time bands in which the transaction prices from unsatisfied or partially unsatisfied performance obligations as of the reporting date are expected to be recognized:

Total as of Dec. 31, 2019	2020	2021	>2021
€k	€k	€k	€k
3,851	2,853	719	279

Total as of Dec. 31, 2018	2019	2020	>2020
€k	€k	€k	€k
5,665	5,293	313	59

The transaction prices shown relate to unsatisfied performance obligations from contracts with customers with an original contract term of more than 12 months. They relate to service components with revenue recognition over time and to contracts for which a one-off fee has been invoiced and is being recognized as revenue over the expected term of the customer contract.

5.2 Revenue from contracts with related parties

Revenue from contracts with related parties, i.e., revenue with companies of the United Internet Group that are not part of the basis of consolidation of the 1&1 IONOS TopCo Group, come to € 37,058k (prior year: € 38,758k) and mainly stem from internal cost allocations. The entities of the 1&1 IONOS TopCo Group provide general development, sales, data center, administrative and product management services for Group companies not included in the basis of consolidation.

The Hosting Group’s total revenue with related parties breaks down by region as follows:

	2019	2018
	€k	€k
Domestic	26,999	31,405
Foreign	10,059	7,353
Total	37,058	38,758

Exhibit 5

5.3 Cost of sales

Cost of sales breaks down as follows:

	2019	2018
	€k	€k
Cost of services	228,861	212,060
Personnel expenses	73,706	74,676
Depreciation and amortization	73,630	65,082
Costs for data center operation	39,426	50,874
Other	1,609	2,250
Total	417,232	404,942

In the prior year, some items were reclassified from general and administrative expenses to cost of sales and selling expenses. For further information, please refer to Note 2.1.

5.4 Selling expenses

Selling expenses are comprised as follows:

	2019	2018
	€k	€k
Personnel expenses	90,147	81,563
Purchased TV advertising/sponsoring services	38,930	2,874
Depreciation and amortization	32,933	29,003
Purchased internet advertising space	28,489	37,337
Commission paid to third parties	18,752	17,027
Customer care	9,425	11,610
TV production costs	2,251	2,314
Product management	2,045	2,746
Purchased new customer activities	1,468	1,575
Media placement costs	438	914
Other	8,079	8,633
Total	232,957	195,596

The steep increase in expenses for purchased TV advertising services by € 36,056k is due to the brand marketing campaign for 1&1 IONOS and the related placement of TV advertisements. By contrast, expenses for purchased internet advertising space decreased by € 8,848k.

In the prior year, some items were reclassified from general and administrative expenses to cost of sales and selling expenses. For further information, please refer to Note 2.1.

5.5 General and administrative expenses

General and administrative expenses are comprised as follows:

	2019	2018
	€k	€k
Personnel expenses	17,620	23,980
Services provided by third parties	16,863	21,980
Depreciation and amortization	10,689	2,860
Payment transaction costs	8,356	7,740
Legal and consulting fees	5,307	3,539
Lease expenses	3,733	17,116
Accounts receivable management	1,455	1,321
Other	8,573	8,227
Total	72,596	86,763

The change in lease expenses and depreciation is attributable to the introduction of IFRS 16 as of January 1, 2019 (see the information on leases in Note 2.2).

In the prior year, some items were reclassified from general and administrative expenses to cost of sales and selling expenses. For further information, please refer to Note 2.1.

Exhibit 5

5.6 Impairment losses on receivables and contract assets

The impairment losses comprise losses on trade accounts receivable including income from reversals of impairment losses, allowances on contract assets and expenses from derecognition.

Impairment losses on receivables and contract assets are comprised as follows:

	2019	2018
	€k	€k
Trade accounts receivable	9,208	8,836
Contract assets	47	77
Total	9,255	8,913

5.7 Other operating expenses

Other operating expenses for fiscal year 2019 are comprised as follows:

	2019	2018
	€k	€k
Expenses from foreign currency translation	5,633	5,170
Other taxes	2,075	700
Expenses relating to other periods	686	929
Premises expenses	601	728
Losses from the disposal of property, plant and equipment	490	440
Miscellaneous	479	1,627
Total	9,964	9,594

Expenses from foreign currency translation mainly comprise losses from exchange rate changes between the date of origination and time of payment of foreign currency receivables and payables as well as losses from measurement as of the reporting date. Currency gains from these items are reported under other operating income. A net consideration of this item results in a net loss of € 2,601k (prior year: net loss of € 367k).

In the prior year, miscellaneous other operating expenses mainly comprised the acquisition-related costs for the purchase of World4You Internet Service GmbH of € 478k.

5.8 Other operating income

Other operating income breaks down as follows:

	2019	2018
	€k	€k
Write-up of the STRATO brand	19,438	1,300
Income from allocations to affiliated companies	10,137	17,585
Income from foreign currency translation	3,032	4,803
Income from dunning and return debit charges	2,657	2,220
Income from the disposal of property, plant and equipment and intangible assets	610	1,878
Proceeds from STRATO purchase price reduction	1,000	0
Miscellaneous	2,741	3,267
Total	39,615	31,053

Income from the sale of assets in the prior year largely related to the transfer of non-capitalized internally generated software to related parties (Corporate segment) of € 1,531k.

Income from foreign currency translation mainly comprises gains from exchange rate changes between the date of origination and time of payment of foreign currency receivables and payables, as well as currency gains from measurement as of the reporting date. Currency losses from these items are reported under other operating expenses.

Income from dunning and return debit charges stems from necessary accounts receivable management for customers in arrears.

Miscellaneous other operating income mainly contains lease income of € 450k (prior year: € 581k), income relating to other periods of € 314k (prior year: € 483k) and income from requests for information from public authorities of € 0k (prior year: € 459k).

Exhibit 5

5.9 Depreciation and amortization

The development of intangible assets and property, plant and equipment is presented in an exhibit to the notes to the consolidated financial statements. Depreciation and amortization of intangible assets, and property, plant and equipment break down by function as follows:

	2019	2018
	€k	€k
Cost of sales	73,630	65,082
Selling expenses	32,933	29,003
General and administrative expenses	10,689	2,860
Total	117,252	96,945

Of the increase in depreciation and amortization, € 16,854k is due to the depreciation of the right-of-use assets from the conversion to IFRS 16. € 14,356k of this amount relates to land and buildings and € 2,498k to operating and office equipment.

Depreciation and amortization also includes the amortization of capitalized assets resulting from company acquisitions. Amortization is divided between the capitalized assets as follows:

	2019	2018
Intangible assets	€k	€k
Customer base	27,184	26,396
Software	9,933	12,355
Trademark	1,267	1,200
Technology	0	962
Other	0	63
Total	38,384	40,976

Amortization of capitalized assets resulting from business combinations is divided between the business combinations as follows:

	2019	2018
	€k	€k
STRATO	25,324	26,165
Arsys	3,653	4,615
1&1 IONOS SE (formerly 1&1 IONOS Cloud)	3,332	4,264
home.pl	3,330	4,434
World4You	2,536	945
Fasthosts	209	553
Total	38,384	40,976

Amortization of assets resulting from company acquisitions breaks down by function as follows:

	2019	2018
	€k	€k
Selling expenses	28,450	27,596
Cost of sales	9,934	13,317
General and administrative expenses	0	63
Total	38,384	40,976

Furthermore, an impairment test for the STRATO brand gave rise to a write-up of € 19,438k (prior year: € 1,300k). In fiscal year 2019, the STRATO brand was amortized on a straight-line basis over its expected useful life. This amount was shown in selling expenses. At the end of fiscal year 2019, a strategic realignment saw a shift from a single brand to a dual brand strategy. Under the new strategy, the Group now intends to use the STRATO brand for an indefinite period.

Exhibit 5

5.10 Personnel expenses

Personnel expenses for fiscal year 2019 come to € 181,473k (prior year: € 180,219k) and break down by function as follows:

	2019	2018
	€k	€k
Selling expenses	90,147	81,563
Cost of sales	73,706	74,676
General and administrative expenses	17,620	23,980
Total	181,473	180,219

The headcount came to 3,416 as of December 31, 2019 (prior year: 3,355) and is divided between domestic and foreign employees as follows:

	Dec. 31, 2019	Dec. 31, 2018
	Number	Number
Domestic	1,807	1,833
Foreign	1,609	1,522
Total	3,416	3,355

With regard to company pension plans, the Group only has defined contribution plans. The Company pays contributions to the state pension fund as a result of statutory obligations. There are no other benefit obligations for the Company after payment of the contributions. The current contribution payments are recognized as an expense in the respective year. In fiscal year 2019, they totaled € 7,846k (prior year: € 5,049k).

5.11 Finance costs

Finance costs are comprised as follows:

	2019	2018
	€k	€k
Intercompany interest and similar expenses	107,538	107,887
Subsequent measurement of a purchase price liability	8,613	877
Interest expense from lease liabilities	3,414	0
Subsequent measurement of the put option liabilities	1,288	0
Interest expense from the unwinding of the discount on non-current liabilities	339	28
Loans and current account facility	86	105
Guarantee commissions	47	46
Interest expense from the tax audit	32	24
Total	121,357	108,967

Intercompany interest and similar expenses mainly relate to interest in connection with the vendor loan granted by United Internet AG and the profit and loss transfer agreements and cash pool transactions with companies of United Internet AG and Group entities that do not belong to the basis of consolidation of the 1&1 IONOS TopCo Group. For further information, please refer to Note 8.

Interest expense from lease liabilities arose from the conversion to IFRS 16 in the fiscal year.

The expenses from the subsequent measurement of a purchase price liability of € 8,613k stem from the subsequent measurement of the purchase price liability for the purchase of STRATO AG. For further information, please refer to Note 6.22.

The expenses from the subsequent measurement of the put option liabilities of € 1,288k stem from the subsequent measurement of the put option for the minority interests in InterNetX Holding GmbH. For further information, please refer to Note 6.22.

Exhibit 5

5.12 Finance income

Finance income for fiscal year 2019 breaks down as follows:

	2019	2018
	€k	€k
Income from equity investments	924	3,542
Interest income from the tax audit	252	77
Interest and similar income from related parties	0	142
Other interest and similar income	152	271
Total	1,328	4,032

Income from equity investments arose almost exclusively from dividends from Afilias Inc., Horsham, Pennsylvania, USA.

For information on interest and similar income from related parties, please refer to Note 8.2.

5.13 Income taxes

Income taxes of € 47,586k (prior year: € 49,817k) of the 1&1 IONOS TopCo Group are comprised as follows:

	2019	2018
	€k	€k
Current income taxes		
- Germany	-44,414	-47,250
- Outside Germany	-10,508	-11,056
Total (current period)	-54,922	-58,306
Deferred taxes		
- Due to tax loss carryforwards	-2,970	2,570
- Tax effect on temporary differences	10,306	5,940
- Due to tax rate changes	0	-21
Total deferred taxes	7,336	8,489
Total	-47,586	-49,817

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

German trade tax is levied on the Company's taxable income adjusted for certain revenue which is not subject to such tax, and for certain expenses which are not deductible for purposes of trade tax.

The effective trade tax rate depends on the municipalities in which the Company operates. The average trade tax rate in fiscal year 2019 for the tax group of 1&1 IONOS Holding SE amounted to approx. 14.8% (prior year: 14.8%).

German corporate income tax was levied at 15% – irrespective of whether the result was retained or distributed. In addition, a solidarity surcharge of 5.5% is imposed on the assessed corporate income tax.

In addition to taxes on the current result, income taxes include tax expenses not relating to the period of € 5,722k (prior year: tax income of € 858k).

Deferred tax assets are recognized for tax loss carryforwards and temporary differences if it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. In fiscal year

Exhibit 5

2019, a deferred tax expense from the utilization of deferred tax assets on tax loss carryforwards of € 569k and deferred tax income from the recognition of deferred tax assets on tax loss carry forwards of € 42k (prior year: € 2,570k) were recorded.

Of the foreign tax loss carryforwards for which no deferred taxes have been recognized, € 295k (prior year: € 295k) relates exclusively to Poland.

As of December 31, 2019, there were no longer any loss carryforwards for Germany for which no deferred taxes had been recognized. As of December 31, 2018, there were corporate income tax loss carryforwards of € 51,450k and trade tax loss carryforwards of € 50,461k for Germany, € 25,139k of which was used in connection with the contribution of 1&1 IONOS Cloud GmbH to 1&1 IONOS SE, Montabaur. The remaining amount was forfeited. The use of loss carryforwards for which no deferred taxes were recognized in the prior year resulted in a tax benefit of € 5,209k.

In accordance with IAS 12, deferred tax assets are recognized on the future advantages associated with tax loss carryforwards. The following time limits apply for the net loss carryforward in the different countries:

- Germany: Indefinite, but minimum taxation
- USA: Indefinite
- Poland: 5 years

The so-called “interest cap” enshrined in German tax law limits the deductibility of interest expenses for the assessment of company income taxes. Interest expenses that cannot therefore be deducted are carried forward indefinitely to the following fiscal years (interest carryforward).

The Group’s interest carryforward, for which no deferred taxes were recognized, amounts to € 128,026k (prior year: € 92,167k).

Exhibit 5

Deferred taxes resulted from the following items:

	Dec. 31, 2019		Dec. 31, 2018	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	€k	€k	€k	€k
Trade accounts receivable	1,007	538	779	914
Inventories	83	0	86	0
Contract assets	6	2,780	33	3,412
Other financial assets – current	456	0	489	0
Other financial assets – non-current	468	2,018	468	1,899
Other assets	1	43	1	50
Prepaid expenses	14,452	3,066	14,446	3,689
Property, plant and equipment	2,182	7,052	2,212	5,399
Right-of-use assets from leases	0	8,653	n/a	n/a
Intangible assets	4,468	71,690	2,709	77,442
Other provisions	8,806	0	1,973	0
Contract liabilities	17,582	40,544	17,940	41,004
Lease liabilities	9,081	0	0	0
Other liabilities	1,247	1,159	969	1,159
Gross value	59,839	137,543	42,105	134,968
Tax loss carryforwards	2,043	0	5,013	0
Adjustments for consolidation	235	-67	16	280
Offsetting	-52,942	-52,942	-43,976	-43,976
Consolidated statement of financial position	9,175	84,534	3,158	91,272

Exhibit 5

The net balance of deferred tax liabilities of € 88,114k in the prior year decreased to a net balance of deferred tax liabilities of € 75,359k. As a result, the total change in the net balance of deferred taxes amounted to € 12,755k (prior year: € 19,348k). This change was mainly due to the following factors:

- Increase of € 2,970k in deferred tax assets from intangible assets in connection with a revaluation of for tax purposes due to a contribution.
- Decrease of € 3,341k in deferred tax liabilities from intangible assets in connection with the amortization of assets from company acquisitions.
- Increase of € 6,568k in deferred tax assets from provisions for the LTIP.

The loss carryforward relates to 1&1 IONOS Inc. The deferred tax liabilities on intangible assets of € 71,690k (prior year: € 77,442k) largely arose from the different treatment of intangible assets recognized in connection with acquisitions in the consolidated financial statements and the tax accounts. The net balance of deferred tax liabilities recognized in equity as of December 31, 2019 came to € 22,146k (prior year: € 27,837k).

The change in the net balance of deferred taxes compared to the prior year is reconciled as follows:

	2019	2018
	€k	€k
Deferred tax income	7,336	8,489
Addition in connection with business combinations	0	-7,428
Deferred tax expense recognized in equity	5,691	-4
Other	-272	-20,405
Change in the net balance of deferred taxes	12,755	-19,348

The deferred tax effects recognized in equity relate to deferred taxes from the LTIP for the amount by which the estimated future tax deduction exceeds the related remuneration expense as well as the deferred taxes recognized directly in the reserves from a revaluation of the amount presented in the prior year pursuant to IFRS 15.

The other changes in deferred taxes in the prior year mainly related to the deferred taxes recognized directly in the reserves from the first-time application of IFRS 9 and IFRS 15.

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

	2019	2018
	%	%
Anticipated tax rate	30.6	30.6
Current and deferred taxes for prior years	5.6	0.0
Effect from the revaluation of taxes	-0.2	0.7
Tax effects in connection with internal Group dividends and disposals	1.4	6.6
Non-deductible write-downs on intangible assets	0.9	0.0
Costs in connection with acquisitions	0.0	0.1
Tax rate changes	-4.9	-4.6
Employee stock ownership program	-1.0	-0.5
Tax losses and non-deductible interest of the fiscal year for which no deferred taxes were recognized	9.9	16.9
Balance of other tax-free income and non-deductible expenses	1.6	1.4
Effective tax rate	46.7	51.2

The anticipated tax rate corresponds to the tax rate of the German tax group of 1&1 IONOS Holding SE since this tax group makes the main contribution to (taxable) net income.

The reconciliation item for the effect from the revaluation of taxes is due to differences in the tax rates of German and foreign Group entities compared with the rate anticipated for 1&1 IONOS TopCo SE. The reconciliation item for tax losses and non-deductible interest of the fiscal year for which no deferred taxes were recognized is due to the fact that no deferred tax assets were recognized on the interest carryforward as it was not sufficiently probable that it would be able to be used according to the earnings forecast when the statement of financial position was prepared.

Exhibit 5

6. Notes to the consolidated statement of financial position

6.1 Cash and cash equivalents

Cash and cash equivalents consist of bank balances, short-term deposits, checks, and cash in hand. Bank balances generally bear variable interest rates for call money.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group.

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

6.2 Trade accounts receivable

Trade accounts receivable are comprised as follows as of the respective reporting date:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
Trade accounts receivable	42,979	41,750
Less		
Bad debt allowances	-9,488	-8,255
Trade accounts receivable, net	33,491	33,495

The development of bad debt allowances can be seen below:

	2019	2018
	€k	€k
As of January 1	8,255	6,346
Utilization	-4,634	-4,623
Additions charged to profit or loss	6,328	8,253
Reversals	-569	-1,877
Exchange rate differences	108	156
As of December 31	9,488	8,255

Additions charged to profit or loss for the fiscal year do not include receivables arising during the year and derecognized before the reporting date.

The maximum default risk as of the reporting date is the net carrying amount of the trade accounts receivable stated above.

Overdue receivables are tested for impairment with specific bad debt allowances mainly calculated on the basis of the age structure of receivables. Please refer to Note 9. Collectively assessed specific bad debt allowances are charged on all overdue receivables not subject to a specific bad debt allowance.

As of December 31, 2019, the age structure of trade accounts receivable net of the abovementioned allowances was as follows:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
< 5 days	26,674	27,447
6-15 days	2,284	1,697
16-30 days	2,499	2,549
31-180 days	1,316	1,536
181-365 days	268	266
> 365 days	450	0
	33,491	33,495

Exhibit 5

6.3 Receivables from related parties

As of the reporting date, receivables from related parties amounted to € 62,892k (prior year: € 39,972k) and relate to Group entities of the United Internet Group that do not belong to the basis of consolidation of the 1&1 IONOS TopCo Group.

For information on transactions with related parties, please refer to Note 8.2.

6.4 Contract assets

	2019	2018
	€k	€k
Contract assets	8,016	9,420
Less		
Bad debt allowances	-21	-108
Contract assets, net	7,995	9,312
thereof contract assets – current	7,991	8,660
thereof contract assets – non-current	4	652

6.5 Inventories

Inventories of € 35k as of the reporting date (prior year: € 62k) comprise the following items:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
Domains	3,300	3,393
Other	1	1
Inventories, gross	3,301	3,394
Allowances	-3,266	-3,332
Inventories, net	35	62

The amount of inventories recognized as an expense in fiscal year 2019 amounted to € 27k (prior year: € 63k).

6.6 Prepaid expenses

Current prepaid expenses of € 16,233k (prior year: € 16,786k) consist mainly of costs to obtain a contract of € 7,821k (prior year: € 8,809k) and prepayments for wholesale fees, which are deferred and charged to the income statement on the basis of the underlying contractual period.

Non-current prepaid expenses of € 4,116k (prior year: € 5,506k) consist mainly of non-current prepaid costs to obtain a contract of € 3,105k (prior year: € 4,469k).

6.7 Other current assets

Other current financial assets

Other current financial assets come to € 11,491k as of December 31, 2019 (prior year: € 12,600k) and are comprised as follows:

	Dec. 31, 2019 €k	Dec. 31, 2018 €k
Payments on account	4,764	4,850
Creditors with debit balances	3,036	2,818
DENIC dividend	1,489	2,090
Security deposits	692	513
Miscellaneous	1,510	2,329
Other financial assets	11,491	12,600

Payments on account in other current assets mainly relate to payments on account for domains.

Other current non-financial assets

Other current non-financial assets totaling € 908k (prior year: € 566k) primarily relate to VAT receivables.

Exhibit 5

6.8 Income tax claims

Income tax claims totaling € 3,277k (prior year: € 59,058k) mainly relate to 1&1 IONOS Inc. (€ 1,092k; prior year: € 1,083k) and the InterNetX Holding GmbH Group (€ 2,144k).

6.9 Investments in associated companies

Investments in associated companies amount to € 2,051k (prior year: € 1,918k) and developed as follows as of the reporting date:

	2019	2018
	€k	€k
As of January 1	1,918	1,759
Adjustments		
- Distributions	-98	-40
- Earnings contributions	231	199
As of December 31	2,051	1,918

Investments in associated companies are comprised as follows as of the reporting date:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
DomainsBot S.r.l.	1,130	1,113
Intellectual Property Management Company Inc.	921	805
Investments in associated companies	2,051	1,918

Exhibit 5

The following table contains summarized financial information on the associated companies on the basis of a 100% shareholding as of the reporting date:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
Current assets	1,956	1,716
Non-current assets	122	173
Current liabilities	163	45
Non-current liabilities	260	435
Equity	1,655	1,409
Revenue	3,316	2,292
Net profit/loss	446	406

The summarized financial information is based in part on local accounting regulations as a reconciliation of this financial information to IFRS would incur disproportionately high costs.

Exhibit 5

6.10 Other non-current financial assets

The development of other non-current financial assets for the 2019 reporting year was as follows:

	Jan. 1, 2019	Addition s	Currency effects	Change in fair value	Disposal	Dec. 31, 2019
	€k	€k	€k	€k	€k	€k
Afilias Inc. shares	42,795	0	0	1,827	0	44,622
Other	2,109	30	1	0	-241	1,899
	44,904	30	1	1,827	-241	46,521

	Jan. 1, 2018	Addition s	Currency effects	Change in fair value	Disposal	Dec. 31, 2018
	€k	€k	€k	€k	€k	€k
Loans to 1&1 Mail & Media Inc.	13,455	0	208	0	-13,663	0
Afilias Inc. shares	42,756	0	-37	76	0	42,795
Other	1,172	1,065	1	0	-129	2,109
	57,383	1,065	172	76	-13,792	44,904

Please refer to Note 7.1 for the method used to measure the shares in Afilias Inc. Please refer to Note 8.2 for information on loans to related parties.

Exhibit 5

6.11 Property, plant and equipment

Property, plant and equipment amounted to € 189,182k as of the reporting date (prior year: € 154,577k) and are comprised as follows:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
Cost		
Land and buildings	9,318	10,497
Operating and office equipment	408,785	395,343
Payments on account	1,637	2,467
Right-of-use assets from leases (IFRS 16)	46,300	n/a
	466,040	408,307
Less		
Accumulated depreciation	-276,858	-253,730
Property, plant and equipment, net	189,182	154,577

Right-of-use assets from leases relate to land and buildings with an acquisition cost of € 40,545k and a net carrying amount of € 30,103k as of December 31, 2019 and operating and office equipment with an acquisition cost of € 5,755k and a carrying amount of € 3,298k as of December 31, 2019.

An alternative presentation of the development of property, plant and equipment in fiscal year 2019 can be found in the exhibit to the notes to the consolidated financial statements (development of non-current assets).

Exhibit 5

6.12 Intangible assets (without goodwill)

Intangible assets without goodwill amounted to € 258,802k as of December 31, 2019 (prior year: € 280,789k) and are comprised as follows:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
Cost		
Software/licenses	116,209	113,397
Trademark	53,676	53,361
Customer base	303,657	302,457
Other intangible assets	7,263	6,307
Payments on account	0	60
	480,805	475,582
Less		
Accumulated amortization	-222,003	-194,793
Intangible assets, net	258,802	280,789

An alternative presentation of the development of intangible assets in fiscal year 2019 can be found in the exhibit to the notes to the consolidated financial statements (development of non-current assets). The carrying amounts of intangible assets with indefinite useful lives (trademarks) totaled € 51,208k (prior year: € 30,822k). Intangible assets with indefinite useful lives were tested for impairment on the level of the cash-generating units as of the reporting date. Based on the insights about the strategic brand strategy gained in fiscal year 2019, management assumes that the STRATO brand will be retained long term as part of the strategic realignment and adoption of a dual brand strategy. Against this backdrop, the brand's fair value was measured as of December 31, 2019 to test whether the impairment loss recognized in fiscal year 2017 needs to be reversed any further. Since the fair value determined was significantly above the amortized cost, the STRATO brand was written up by € 19,438k (prior year: € 1,300k). The residual useful life of the STRATO brand was reclassified as indefinite. The carrying amount of the STRATO brand as of December 31, 2019 amounted to € 20,071k (prior year: € 1,900k).

The carrying amount of the customer base results from the following company acquisitions:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
STRATO	128,284	146,736
World4You	21,479	23,326
home.pl	18,301	21,160
Arsys	10,677	13,417
Other	873	2,884
Customer base	179,614	207,523

The residual amortization period for the customer base from the acquisition of STRATO AG amounts to 1 to 11 years depending on the product groups (prior year: 2 to 12 years), with 9 years applicable to most product groups (prior year: 10 years). The residual amortization period for the customer base of the home.pl transaction amounts to 6 years (prior year: 7 years), for Arsys 3 years (prior year: 4 years) and for World4Ypu 12 years (prior year: 13 years).

The following table provides an overview of the carrying amounts of the trademarks as of the reporting date:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
STRATO	20,071	1,900
home.pl	11,359	11,257
Arsys	7,553	7,553
united-domains	4,198	4,198
Fasthosts	4,071	3,858
World4You	3,494	3,494
Cronon	462	462
Trademarks	51,208	32,722

The useful life of trademarks is determined as being indefinite, as there are no indications that the flow of benefits will end in future.

Exhibit 5

6.13 Goodwill and impairment of goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least once per year. With reference to its internal budgeting process, the Company has chosen the last quarter of the fiscal year to conduct its required annual impairment test.

Goodwill acquired in the course of business combinations is allocated for impairment testing purposes to cash-generating units.

Due to the merger of 1&1 IONOS Cloud GmbH (formerly ProfitBricks GmbH) and 1&1 IONOS SE as of January 1, 2019, the former separate cash-generating unit 1&1 IONOS Cloud GmbH was regarded as being part of the Hosting cash-generating unit as of December 31, 2019. The goodwill of 1&1 IONOS Cloud GmbH was therefore allocated in full to the Hosting cash-generating unit. The impairment test is thus conducted on the level of the Hosting cash-generating unit. Prior to combining the goodwill of both cash-generating units, an impairment test was conducted on the goodwill of both units without any indication of a need for impairment.

Impairment charges are always presented separately in the statement of comprehensive income and the statement on the development of non-current assets.

Goodwill as of December 31, 2019 is allocated to the cash-generating units as follows:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
STRATO	401,570	401,570
home.pl	121,761	121,240
Arsys	100,495	100,495
Fasthosts	64,044	60,688
World4You	51,250	51,250
united-domains	35,924	35,924
Hosting	28,565	2,980
InterNetX	5,237	5,237
Sedo	5,098	5,098
IONOS Cloud	0	25,585
Goodwill	813,942	810,067

Exhibit 5

Scheduled impairment test on December 31, 2019

The recoverable amounts of the cash-generating units are determined on the basis of a calculation of fair value less costs of disposal using cash flow forecasts. The hierarchy of fair value less costs of disposal as defined by IFRS 13 is set at Level 3 for all impairment tests.

The cash flow forecasts are based on the Company's budgets for fiscal year 2020. These budget calculations were extrapolated by management for a period of up to nine years (prior year: up to seven years) on the basis of external market studies and internal assumptions. Following this period, management assumes an annual increase in cash flow of 0.1% to 0.9% (prior year: 0.5% to 1.6%) which corresponds to the long-term average growth of the sector in which the respective cash-generating unit operates.

The discount rates after tax used for cash flow forecasts are between 4.9% and 6.5% (prior year: between 6.5% and 8.6%).

The following table presents the basic assumptions used when testing impairment of individual cash-generating units to which goodwill has been allocated in order to determine their fair value less costs of disposal:

	Reporting year	Total proportion of goodwill	Long-term growth rate	Discount rate after taxes
STRATO	2019	49.3%	0.1%	5.0%
	2018	49.6%	0.5%	6.6%
home.pl	2019	15.0%	0.5%	5.8%
	2018	15.0%	1.1%	7.8%
Arsys	2019	12.4%	0.9%	6.5%
	2018	12.4%	1.6%	8.6%
Fasthosts	2019	7.9%	0.3%	5.5%
	2018	7.5%	0.8%	7.3%
World4You	2019	6.3%	0.3%	5.3%
	2018	6.3%	0.8%	7.1%
united-domains	2019	4.4%	0.1%	5.0%
	2018	4.4%	0.5%	6.5%

Exhibit 5

Hosting	2019	3.5%	0.3%	5.2%
	2018	0.4%	0.7%	6.9%
InterNetX	2019	0.6%	0.1%	4.9%
	2018	0.6%	0.5%	6.5%
Sedo	2019	0.6%	0.1%	4.9%
	2018	0.6%	0.5%	6.5%
IONOS Cloud	2019	n/a	n/a	n/a
	2018	3.2%	0.5%	6.5%

The cash flow forecasts depend heavily on the estimation of future revenue. The management of the respective cash-generating unit expects a varied development of revenue within its planning horizon. Revenue figures in the detailed planning period of the cash-generating units are based on average annual revenue growth rates of between 2% and 5% (prior year: between 1% and 6%).

Fair value less costs of disposal is mainly based on the present value of the perpetual annuity, which is particularly sensitive to changes in assumptions on the long-term growth rate and the discount rate. For the calculation of fair value less costs of disposal, rates for costs of disposal of between 0.6% and 3% were assumed (prior year: between 0.5% and 3%).

In the 1&1 IONOS TopCo Group, trademarks recognized amount to € 51,208k (prior year: € 32,722k). In the course of business combinations, the trademarks were valued at their fair values using appropriate valuation methods (generally the relief from royalty method) and tested for impairment on the reporting date.

The trademark-relevant cash flows were multiplied by the trademark-relevant royalty rates. These amount to 0.5% to 2.5% (prior year: 0.5% to 2.5%). The forecast of trademark-relevant cash flows was based on the same assumptions regarding market development and discount rates as used for the calculation of fair values less costs of disposal. The test revealed a need to reverse impairment for the STRATO brand of € 19,438k (prior year: € 1,300k). The fair value of the STRATO brand at the end of the reporting period amounts to € 31,500k. The residual useful life of the STRATO brand was therefore reclassified as indefinite, as originally assumed when it was acquired.

Sensitivity of assumptions

The sensitivity of the assumptions made with respect to the impairment of goodwill or trademarks depends on the respective cash-generating units.

In the course of analyzing sensitivity for cash-generating units to which goodwill or trademarks have been allocated, an increase in the discount rates (after taxes) of 1.0 percentage points and a decline in the long-term growth rate in perpetuity of 0.10 to 0.25 percentage points and a decline in the royalty rate of 0.25 to 1.0 percentage points was assumed. These assumptions would not result in any changes to the impairment test.

As in the previous year, the Company's management believes that, on the basis of reasonable judgment, no generally possible change in one of the basic assumptions used to determine fair value less costs of disposal of a cash-generating unit could cause the carrying value to significantly exceed the recoverable amount.

6.14 Trade accounts payable

Trade accounts payable amount to € 49,858k as of the reporting date (prior year: € 61,677k). Trade accounts payable comprise all payables to suppliers for goods delivered and services provided by third parties, € 49,834k of which (prior year: € 61,631k) is due in up to one year.

6.15 Liabilities to related parties

Current and non-current liabilities to related parties amount to € 1,595,155k as of the reporting date (prior year: € 1,656,441k) and relate to Group entities of the United Internet Group that do not belong to the basis of consolidation of the 1&1 IONOS TopCo Group. They include three long-term loans from United Internet AG of € 1,160,000k (prior year: € 1,180,000k), € 350,000k and € 76,000k, which stem from the upward expansion of the Group (see Note 1.2) and the acquisition of the shares in STRATO AG and World4You Internet Service GmbH.

For information on transactions with related parties, please refer to Note 8.2.

Exhibit 5

6.16 Current liabilities due to banks

As of December 31, 2019, there are current liabilities of € 517k (prior year: € 2k) due to banks solely in the form of current account liabilities. No collateral was provided for any of the liabilities due to banks.

6.17 Income tax liabilities

Income tax liabilities amount to € 18,723k as of the reporting date (prior year: € 69,727k) and are comprised as follows:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
Trade tax		
Germany	10,136	5,815
	10,136	5,815
Corporate income tax		
Germany	2,947	3,035
Spain	1,262	1,072
UK	1,239	1,273
Poland	736	1,462
Romania	304	305
USA	82	101
France	59	519
Philippines	42	0
Austria	10	265
	6,681	8,032
Other income taxes		
Germany	1,906	55,880
Income tax liabilities	18,723	69,727

Exhibit 5

Other income taxes comprise tax on investment income of € 1,548k (prior year: € 55,880k) on additional distributions by 1&1 IONOS SE to 1&1 IONOS Holding SE in periods before the tax group was formed.

6.18 Contract liabilities

	2019	2018
	€k	€k
Contract liabilities	76,010	76,041
thereof current	75,024	75,691
thereof non-current	986	350

6.19 Other provisions

Provisions amount to € 7,564k as of December 31, 2019 (prior year: € 7,228k) and developed as follows in the fiscal year:

	Compens ation – home.pl	Litigation risks	Asset retirement obligation	Onerous contract s	Total
		€k	€k	€k	€k
As of January 1	5,052	690	1,332	154	7,228
Utilization	0	75	0	6	81
Reversals	0	99	56	0	155
Effects from the unwinding of discounts	0	0	311	0	311
Addition	0	157	33	3	193
Currency effects	45	6	14	3	68
As of December 31	5,097	679	1,634	154	7,564

Provisions for (share-based) payments of € 5,097k are current provisions (prior year: € 5,052k in current provisions). Provisions for asset retirement obligations of € 1,634k (prior year: € 1,332k) are non-current provisions with terms of two to five years.

Litigation risks comprise various legal disputes involving different entities of the 1&1 IONOS TopCo Group, of which € 521k (prior year: € 478k) is classified as non-current.

Of the provisions for onerous contracts, an amount of € 82k (prior year: € 82k) is non-current.

Exhibit 5

Compensation plan for home.pl

A compensation plan for the general managers of home.pl was set up in connection with the acquisition of home.pl in fiscal year 2015 with the aim of promoting the performance of the general managers. The stock option plan was implemented on December 30, 2015 when home.pl was acquired by 1&1 IONOS SE.

The share-based compensation plan grants the general managers the right to purchase shares in home.pl at a certain price and under certain conditions. The conditions relate to the achievement of predefined performance targets, among other things. The stock options can be exercised at the end of a vesting period of around three years. When the stock options are exercised, home.pl will carry out a capital increase to fulfill its commitment under the plan. The shares to be purchased by general managers as part of the capital increase will then be bought back by 1&1 IONOS SE.

The general managers ultimately receive a payment equal to the difference between the strike price and the purchase price for the shares. This is measured based on a predefined multiple of EBITDA less the net financial debt for fiscal year 2018. The stock option plan is accounted for in accordance with the rules of IAS 19.

A total of 606 stock options were issued when home.pl was acquired. As of the reporting date, an obligation of € 5,097k (prior year: € 5,052k) with a term of less than one year was reported. It was measured using a Black-Scholes option pricing model. The options were exercised in the first quarter of fiscal year 2020.

6.20 Other current financial liabilities

Other current financial liabilities are comprised as follows:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
Salary liabilities	11,179	13,334
Lease liabilities	10,374	0
Marketing and selling expenses/commissions	4,626	5,933
Debtors with credit balances	4,094	3,752
Legal and consulting fees, auditing fees	1,829	1,300
Service/maintenance	855	739
Miscellaneous	3,857	4,844
Other current financial liabilities	36,814	29,902

Please refer to Note 2.18 for information on current lease liabilities.

6.21 Other current non-financial liabilities

Other current non-financial liabilities of € 11,942k (prior year: € 13,233k) mainly relate to liabilities to tax authorities in connection with VAT of € 9,207k (prior year: € 10,709k) and wage and church tax of € 2,661k (prior year: € 2,441k).

Exhibit 5

6.22 Other non-current financial liabilities

Other non-current financial liabilities are comprised as follows:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
Lease liabilities	24,546	25
Contingent purchase price liabilities	19,176	10,563
Put option liabilities (InterNetX)	5,280	3,992
Liabilities for bonuses and other personnel expenses	64	185
Miscellaneous	127	318
Other non-current financial liabilities	49,193	15,083

The lease liabilities stem from the lease accounting under IFRS 16 adopted as of January 1, 2019. For further information, please refer to Note 2.2.

The contingent purchase price liabilities refer to variable purchase price components from the acquisition of STRATO AG amounting to € 14,760k (prior year: € 6,147k) and from the acquisition of 1&1 IONOS Cloud GmbH amounting to € 4,416k (prior year: € 4,416k).

Under an agreement dated July 19, 2018, it was decided to contribute all of the InterNetX shares in a non-cash capital increase to Sedo Holding GmbH in return for the issue of new shares in the latter. As part of this internal restructuring, the entity’s name was changed to InterNetX Holding GmbH.

The amount of the purchase price for the two put options described above depends largely on the development of the entity’s earnings. The fair value adjustment through profit or loss of the put option liability, which relates to the minority interests in InterNetX Holding, amounted to € 1,288k (prior year: € 2,650k; recognized directly in equity).

Exhibit 5

6.23 Share-based payment

Employee stock ownership programs

There was one employee stock ownership program in the reporting period 2019. The program, the Long Term Incentive Plan (LTIP), was introduced in the second half of 2017 and is aimed at the group of executives and employees in key positions in the Group.

In 2018, there were three different employee stock ownership programs, the Long Term Incentive Plan (LTIP), the Stock Appreciation Rights (SAR) plan and the employee stock ownership program (MAP).

Stock Appreciation Rights (SARs)

Executive staff of the Hosting Group receive share-based payments as a reward for their work. The payments are granted by the Group entity that employs the executive (employer entity). The share-based payment is made in the form of rights to growth in the value of the United Internet AG stock (stock appreciation rights, SARs), which United Internet AG can opt to settle either in cash or in the form of United Internet AG shares.

If the obligation of an entity of the 1&1 IONOS TopCo Group is settled in the form of United Internet shares issued by United Internet AG to the employee, United Internet AG charges the equivalent amount to the respective entity of the 1&1 IONOS TopCo Group (employer entity).

The SAR plan was replaced by the Long Term Incentive Plan (LTIP) introduced in 2017. The last units from the tranche granted on June 4, 2013 were exercised in fiscal year 2018. The outstanding SARs from the tranche granted on June 4, 2013 were exercised at a strike price of € 21.95 per option.

In fiscal year 2018, total expenses from share-based payments came to € 159k. The cumulative expense as of December 31, 2018 amounted to € 1,646k.

Consequently, there were no obligations from the SAR plan in fiscal year 2019.

In addition, an individual commitment to transfer 100,000 United Internet AG shares was granted in fiscal year 2012. The commitment had a total value of € 1,593k at the time of issue; on expiry of the vesting period the shares were transferred at the beginning of 2018; the share transfer was not linked to any exercise conditions.

Exhibit 5

Employee stock ownership program (MAP)

In fiscal year 2016, United Internet AG introduced an employee stock ownership program (MAP) for active permanent employees of the Group companies in which United Internet AG holds at least 50% of the shares. The MAP is designed to allow employees to participate more closely in the development of the United Internet Group and the United Internet AG share and reward their loyalty. In fiscal year 2018, the Group issued a total of 19,462 additional free shares to employees who had achieved the agreed targets. The MAP expired as of June 30, 2018.

In fiscal year 2018, expenses from the employee stock ownership program amounted to € 29k.

Long Term Incentive Plan (LTIP)

An additional employee stock ownership program (Long Term Incentive Plan, LTIP) was introduced by 1&1 IONOS TopCo SE in fiscal year 2017. The LTIP is designed to align the long-term interests of the members of the Management Board and other key employees of the Hosting Group with the interests of the Company in order to raise the equity value of the Company (1&1 IONOS TopCo SE) and other companies of the Hosting Group.

Within the LTIP, qualifying employees are allocated so-called Management Incentive Plan (MIP) units. The grant is made on a straight-line basis over a period of four years (beginning with the date of issue) and provided that the respective employee has not terminated their contract at the end of each year.

Entitlements under the LTIP can be settled in the form of shares or cash. If they are settled in shares, entitlements can be settled by issuing shares or stock options. As there is no current obligation for cash settlement, the plan is accounted for as equity-settled.

Using an option pricing model (Black-Scholes model) in accordance with IFRS 2, the fair value of the options issued was calculated using the following material measurement inputs:

Issued on October 1, 2017

Number of MIP units granted	300,000
Strike price	€ 114.70 per MIP
Fair value at time of issue	€ 71.70 per MIP
Volatility	approx. 28%
Maturity	approx. 4 years
Dividend yield	of 0%
Risk-free interest	of 0%

Exhibit 5

Issued on July 1, 2018	
Number of MIP units granted	37,500
Strike price	€ 114.70 per MIP
Fair value at time of issue	€ 55.91 per MIP
Volatility	approx. 30%
Maturity	approx. 3 years
Dividend yield	of 0%
Risk-free interest	of 0%

Issued on January 1, 2019	
Number of MIP units granted	10,000
Strike price	€ 153.60 per MIP
Fair value at time of issue	€ 54.06 per MIP
Volatility	approx. 36%
Maturity	approx. 3 years
Dividend yield	of 0%
Risk-free interest	of 0%

Issued on April 1, 2019	Part 1	Part 2
Number of MIP units granted	23,250	67,500
Strike price	€ 156.20 per MIP	€ 114.70 per MIP
Fair value at time of issue	€ 62.60 per MIP	€ 126.53 per MIP
Volatility	approx. 38%	approx. 38%
Maturity	approx. 3 years	approx. 3 years
Dividend yield	of 0%	of 0%
Risk-free interest	of 0%	of 0%

Exhibit 5

Issued on July 1, 2019

Number of MIP units granted	21,500
Strike price	€ 182.00 per MIP
Fair value at time of issue	€ 54.55 per MIP
Volatility	approx. 38%
Maturity	approx. 2 years
Dividend yield	of 0%
Risk-free interest	of 0%

Issued on October 1, 2019

Number of MIP units granted	37,500
Strike price	€ 161.50 per MIP
Fair value at time of issue	€ 81.24 per MIP
Volatility	approx. 38%
Maturity	approx. 2 years
Dividend yield	of 0%
Risk-free interest	of 0%

The volatility used to determine fair value was calculated using the price fluctuations of the past 180 days or last 360 days of the peer group of 1&1 IONOS TopCo.

Expense is recognized on a straight-line basis over the variable period until the anticipated occurrence of an event defined under the LTIP. This assessment is reviewed on each reporting date. Based on current estimates, the total underlying period is 4 years starting from October 1, 2017.

The fair value of commitments issued in the fiscal year and classified as equity instruments amounted to € 10,405k as of the grant date (prior year: € 2,097k).The cumulative fair value of commitments classified as equity instruments amounted to € 25,622k as of the grant date (prior year: € 15,540k).

The total expense from the employee stock ownership program amounts to € 25,622k (prior year: € 15,540k). The cumulative expense as of December 31, 2019 amounted to € 12,280k (prior year: € 4,856k). Expenses for future years therefore account for € 13,342k (prior year: € 10,684k). The personnel expense in connection with issued stock options amounted to € 7,424k in the fiscal year (prior year: € 3,512k).

The changes in the MIP units granted and outstanding are shown in the following table:

	1&1 IONOS TopCo SE	Average strike price (€)
issued	300,000	114.70
Outstanding as of December 31, 2017	300,000	114.70
issued	37,500	114.70
expired/forfeited	-112,500	114.70
Outstanding as of December 31, 2018	225,000	114.70
issued	159,750	143.20
expired/forfeited	-5,000	114.70
Outstanding as of December 31, 2019	379,750	126.70
Exercisable as of December 31, 2019	0	n/a
Exercisable as of December 31, 2018	0	n/a

6.24 Equity

Issued capital

The issued capital of the ultimate parent 1&1 IONOS TopCo SE stood at € 360k as of the reporting date December 31, 2019 (prior year: € 360k).

Issued capital comprises 360,001 shares including one preferred share. United Internet AG holds 240,001 of these shares including the preferred share. The remaining shares are held by WP Lux. The preferred share entitled United Internet AG to a one-time profit share of € 19,958k, which was disbursed in fiscal year 2018. In addition, until February 15, 2020, the preferred share entitles United Internet AG to a profit share equal to any advantageous interest difference arising in the fiscal year whose net retained profit is available for appropriation. Such an advantageous interest difference will arise if 1&1 IONOS Holding SE, a direct subsidiary of 1&1 IONOS TopCo SE, repays the vendor loan granted by United Internet AG using a refinancing instrument with an effective interest rate of less than 6.75% p.a. The preferred dividend would be equal to the difference between the lower effective interest rate and the current interest of 6.75%.

Reserves

Exhibit 5

The change in reserves in fiscal year 2019 is mainly due to the net income of € 53,953k (prior year: € 47,177k) and the measurement of the LTIP of € 7,416k (prior year: € 3,512k). In addition, deferred tax assets of € 4,424k were recognized on the LTIP directly under reserves in the reporting year.

Revaluation reserves

The revaluation reserves relate to available-for-sale financial instruments and comprise the equity investment in Afilias Inc. of € 41,900k as of the reporting date (prior year: € 40,177k).

The equity investment in Afilias Inc. is accounted for at fair value through other comprehensive income in accordance with IFRS 9 (see also Note 2.2). The equity investment is considered to be strategic and was therefore irrevocably classified as at fair value through other comprehensive income. In the fiscal year, the Group received dividends of € 924k (prior year: € 3,542k) from Afilias Inc.

Currency translation adjustment

Translation differences from the annual financial statements of foreign subsidiaries without an effect on profit or loss are recognized in the currency translation adjustment.

6.25 Non-controlling interests

As of December 31, 2019, non-controlling interests largely relate to the shares held by unrelated shareholders in InterNetX Holding GmbH, Regensburg, (4.44% of the issued capital) and minority interests in subsidiaries of home.pl S.A. Group, Szczecin/Poland.

The following financial information comprises summarized details on consolidated assets, liabilities and profits or losses of the subsidiaries with material non-controlling interests.

	2019	2018
	€k	€k
Current assets	44,374	31,929
Non-current assets	122,137	25,653
Current liabilities	45,546	16,875
Non-current liabilities	15,028	3,049
Equity	105,937	37,658
Revenue	121,309	80,789
Pre-tax result	20,163	9,355
Income taxes	-5,029	-2,149
Net income	15,134	7,206

Exhibit 5

7. Additional disclosures on financial instruments

The table below shows the carrying amounts for each category of financial assets and liabilities as of December 31, 2019:

	Measure-ment category acc. to IFRS 9	Carrying amount as of Dec. 31, 2019	Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value through profit or loss	Measure-ment acc. to IFRS 16	Fair value as of Dec. 31, 2019
		€k	€k	€k	€k	€k	€k
Financial assets							
Cash and cash equivalents	ac	39,823	39,823				39,823
Trade accounts receivable	ac	33,491	33,491				33,491
Receivables from related parties	ac	62,892	62,892				62,892
Other current financial assets	ac	11,491	11,491				11,491
Other non-current financial assets							
Equity investments	fvoci	44,622		44,622			44,622
Other	ac	1,899	1,899				1,899

Exhibit 5

	Measurement category acc. to IFRS 9	Carrying amount as of Dec. 31, 2019 €k	Amortized cost €k	Fair value through other comprehensive income without recycling to profit or loss €k	Fair value through profit or loss €k	Measurement acc. to IFRS 16 €k	Fair value as of Dec. 31, 2019 €k
Financial liabilities							
Trade accounts payable	flac	-49,858	-49,858				-49,858
Liabilities to related parties	flac	-1,595,155	-1,595,155				-1,688,898
Liabilities due to banks	flac	-517	-517				-517
Other financial liabilities							
Lease liabilities	n/a	-34,920				-34,920	n/a
Contingent purchase price liability	fvtpl	-19,176			-19,176		-19,176
Other	flac	-31,911	-31,911				-31,911
Thereof aggregated acc. to measurement categories:							
Financial assets at amortized cost	ac	149,596	149,596	0	0	0	149,596
Financial assets at fair value through other comprehensive income without recycling to profit or loss	fvoci	44,622	0	44,622	0	0	44,622
Financial liabilities at amortized cost	flac	-1,677,441	-1,677,441	0	0	0	-1,771,184
Financial liabilities measured at fair value through profit or loss	fvtpl	-19,176	0	0	-19,176	0	-19,176

Exhibit 5

The table below shows the carrying amounts for each category of financial assets and liabilities as of December 31, 2018:

	Measure-ment category acc. to IFRS 9	Carrying amount as of Dec. 31, 2018	Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value through profit or loss	Measure-ment acc. to IAS 17	Fair value as of Dec. 31, 2018
		€k	€k	€k	€k	€k	€k
Financial assets							
Cash and cash equivalents	ac	46,312	46,312				46,312
Trade accounts receivable	ac	33,495	33,495				33,495
Receivables from related parties	ac	39,972	39,972				39,972
Other current financial assets	ac	12,600	12,600				12,600
Other non-current financial assets							
Equity investments	fvoci	42,795		42,795			42,795
Other	ac	2,109	2,109				2,109

	Measure-ment category acc. to IFRS 9	Carrying amount as of Dec. 31, 2018	Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value through profit or loss	Measure-ment acc. to IAS 17	Fair value as of Dec. 31, 2018
		€k	€k	€k	€k	€k	€k
Financial liabilities							
Trade accounts payable	flac	-61,677	-61,677				-61,677
Liabilities to related parties	flac	-1,656,441	-1,656,441				-1,709,270
Liabilities due to banks	flac	-2	-2				-2
Other financial liabilities							
Finance leases	n/a	-25				-25	n/a
Contingent purchase price liability	fvtpl	-10,563			-10,563		-10,563
Other	flac	-34,397	-34,397				-34,397
Thereof aggregated acc. to measurement categories:							
Financial assets at amortized cost	ac	134,487	134,487	0	0	0	134,487
Financial assets at fair value through other comprehensive income without recycling to profit or loss	fvoci	42,795	0	42,795	0	0	42,795
Financial liabilities at amortized cost	flac	-1,752,517	-1,752,517	0	0	0	-1,805,346
Financial liabilities measured at fair value through profit or loss	fvtpl	-10,563	0	0	-10,563	0	-10,563

Exhibit 5

The following net results were stated for the individual categories of financial instruments according to IFRS 9 in fiscal year 2019:

	Measurement category acc. to IFRS 9	From interest and dividends	Net profits and losses from subsequent measurement					
			At fair value	Currency translation	Allowance	Other	Net result
		€k	€k	€k	€k	€k	€k
Financial assets at amortized cost	ac	123		-1,820	-9,208		-10,905
Financial assets at fair value							
- through other comprehensive income	fvoci	924	1,827				2,751
Financial liabilities at amortized cost	flac	-107,624		-780		-1,288	-109,692
Financial liabilities measured at fair value							
- through profit or loss	fvtpl		-8,613				-8,613
		-106,577	-6,786	-2,600	-9,208	-1,288	-126,459

Exhibit 5

The following net results were stated for the individual categories of financial instruments according to IFRS 9 in fiscal year 2019:

			Net profits and losses from subsequent measurement			
	Measure-ment category acc. to IFRS 9	From interest and dividends	At fair value	Currency translation	Allowance	Net result
		€k	€k	€k	€k	€k
Financial assets at amortized cost	ac	372		-257	-8,836	-8,721
Financial assets at fair value						
- through other comprehensive income	fvoci	3,542	76			3,618
Financial liabilities at amortized cost	flac	-107,992		-110		-108,102
Financial liabilities measured at fair value						
- through profit or loss	fvtpl		-877			-877
		-104,078	-801	-367	-8,836	-114,082

The fair value of the financial assets and liabilities is stated at the amount at which the instrument could be exchanged in a current transaction between willing parties, except in a forced or liquidation sale.

The methods and assumptions used to determine fair values are shown below:

- Cash and cash equivalents, trade accounts receivable, trade accounts payable, current assets and liabilities from/to related parties as well as other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Non-current fixed and variable-rate receivables/borrowings are evaluated by the 1&1 IONOS TopCo Group based on parameters such as interest rates, specific country risk factors and creditworthiness of the individual debtors. Based on this evaluation, allowances are recognized for expected losses on these receivables. As of December 31, 2019, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The fair value of non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. Option pricing models are largely used to measure contingent purchase price liabilities.
- The fair value of unquoted financial assets and liabilities measured at fair value is estimated using appropriate valuation techniques. The financial assets measured at fair value primarily relate to the equity investment in Afilias Inc. The fair value of this equity investment is determined using the discounted cash flow (DCF) method. Estimating the fair value requires management to make an estimate of the future cash flows expected to be derived from the equity investment and apply an appropriate discount rate to determine the present value of those cash flows. Management's key assumptions for determining fair value include assumptions regarding revenue development, margin development, the discount rate and the growth rate. The following assumptions were used for the equity investment in Afilias Inc. as of December 31, 2019: average revenue growth 4.1% (prior year: 7.4%); perpetual annuity growth 0.1% (prior year: 0.5%); cost of equity 5.1% (prior year: 6.6%). The financial liabilities measured at fair value relate to contingent purchase price payments. The above also applies to the determination of the fair value of the financial liabilities measured at fair value.

7.1 Fair value hierarchy

The 1&1 IONOS TopCo Group uses the following hierarchy for determining and recognizing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

	As of Dec. 31, 2019	Level 1	Level 2	Level 3
	€k	€k	€k	€k
Financial assets at fair value through other comprehensive income without recycling to profit or loss				
Equity investments	44,622			44,622
Financial liabilities measured at fair value through profit or loss				
Contingent purchase price liability	-19,176			-19,176

As in the prior year, there were no transfers between the measurement levels during the reporting period.

Assets and liabilities measured at fair value

	As of Dec. 31, 2018	Level 1	Level 2	Level 3
	€k	€k	€k	€k
Financial assets at fair value through other comprehensive income without recycling to profit or loss				
Equity investments	42,795			42,795
Financial liabilities measured at fair value through profit or loss				
Contingent purchase price liability	-10,563			-10,563

The valuation of shares in non-listed companies is based mainly on present value models.

Exhibit 5

The following table shows the main non-observable inputs for the fair value measurements categorized in Level 3 of the fair value hierarchy and a quantitative sensitivity analysis as of December 31, 2019:

Dec. 31, 2019	Measure-ment method	Main non-observable inputs	Considered in measure-ment	Sensitivity of input on fair value	
Non-listed equity instruments	DCF method	Long-term growth rate of cash flows for subsequent years	0.10%	+0.25% € +1.9 million	-0.10% € -0.7 million
Contingent purchase price liability	Black-Scholes	Maturity	2 years	+1 year € -1.16 million	-1 year € +1.94 million
		Volatility	40.07%	+1% € -0.1 million	-1% € +0.1 million
Contingent purchase price liability	Modified multiple	EBITDA growth	5%	+1% € +0.1 million	-1% € -0.1 million

Dec. 31, 2018	Measure-ment method	Main non-observable inputs	Considered in measure-ment	Sensitivity of input on fair value	
Non-listed equity instruments	DCF method	Long-term growth rate of cash flows for subsequent years	0.50%	+0.25% € +1.0 million	-0.25% € -0.95 million
Contingent purchase price liability	Black-Scholes	Maturity	3 years	+1 year € +0.35 million	-1 year € -0.85 million
		Volatility	35.80%	+1% € +0.1 million	-1% € -0.1 million
Contingent purchase price liability	Modified multiple	EBITDA growth	5%	+1% € +0.1 million	-1% € -0.1 million

8. Related party disclosures

IAS 24 defines related parties as those persons and companies that control or can exert a significant influence over the other party.

The 1&1 IONOS TopCo Group's related parties include the Management Board and the Supervisory Board of 1&1 IONOS TopCo SE and the management boards and supervisory boards of 1&1 IONOS Holding SE and 1&1 IONOS SE as well as the Group companies of the United Internet AG Group, which are not included in the 1&1 IONOS TopCo Group's basis of consolidation. In addition, the equity investments over which the companies of the Hosting Group can exert a significant influence (associated companies) are classified as related parties. Furthermore, Mr. Ralph Dommermuth, the major shareholder of United Internet AG is classified as a related party.

8.1 Management Board and Supervisory Board

The members of the Management Board and Supervisory Board of 1&1 IONOS TopCo SE and of the management boards and supervisory boards of 1&1 IONOS Holding SE and 1&1 IONOS SE have key positions in the Hosting Group and are therefore considered related parties.

In fiscal year 2019, the Management Board of 1&1 IONOS TopCo SE (as the ultimate parent) and the management boards of 1&1 IONOS Holding SE and 1&1 IONOS SE had the following members:

1&1 IONOS TopCo SE:

- Hüseyin Dogan
- Achim Weiss

1&1 IONOS Holding SE:

- Dr. Christian Böing
- Hans-Henning Kettler
- Hüseyin Dogan
- Achim Weiss
- Matthias Steinberg
- Dr. Martin Endress (since October 1, 2019)

Exhibit 5

1&1 IONOS SE:

- Hans-Henning Kettler
- Matthias Steinberg
- Hüseyin Dogan
- Achim Weiss
- Dr. Christian Böing
- Dr. Martin Endress (since October 1, 2019)

The Supervisory Board is responsible for determining the remuneration of Management Board members. 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 2019. 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 revenue and earnings figures.

The target attainment corridor is generally between 90% and 120%. No bonus is paid below 90% of the agreed target and the bonus calculation ends at 120% of the agreed target. No subsequent amendment of the performance targets is allowed. There is no minimum guaranteed bonus. Payment is made after the annual financial statements have been adopted by the Supervisory Board.

The compensation of members of the Management Board of 1&1 IONOS TopCo SE and of the management boards of 1&1 IONOS SE and 1&1 IONOS Holding SE for fiscal year 2019 breaks down as follows according to fixed and variable compensation:

Management Board remuneration	2019	2018
	€k	€k
Fixed remuneration	1,902	2,217
Variable remuneration not including share-based payments	1,047	2,071
Total	2,949	4,288

There are no retirement benefits from 1&1 IONOS TopCo SE to members of the Management Board.

In addition to fixed and variable remuneration, the members of the Management Board of 1&1 IONOS TopCo SE and of the management boards of 1&1 IONOS Holding SE and 1&1 IONOS SE receive share-based payments under the LTIP. See Note 6.23 Share-based payment for details of the LTIP.

The share-based payment expense for the management board members in connection with the LTIP recognized in the consolidated financial statements came to € 5,970k (prior year: € 3,671k, including SAR). 105,000 MIP units with a fair value of € 7,272k as of the issue date were issued to management board members in fiscal year 2019 (prior year: 37,500 MIP units with a fair value of € 2,097k as of the issue date).

Supervisory Board

In fiscal year 2019, the Supervisory Board of 1&1 IONOS TopCo SE (as the ultimate parent) and of the supervisory boards of 1&1 IONOS Holding SE and 1&1 IONOS SE had the following members:

1&1 IONOS TopCo SE:

- Max Fowinkel (chair)
- Verena Amann (withdrew as of July 31, 2019)
- Mike Schmidt
- Issam Abedin (deputy chair)
- Markus Kadelke
- Lutz Laffers
- Sebastian Heming (since September 10, 2019)

1&1 IONOS Holding SE:

- Max Fowinkel
- Frank Krause
- René Obermann (chair)
- Ralph Dommermuth (deputy chair)
- Michael Scheeren
- Kai-Uwe Ricke (removed as of March 27, 2019)
- Kurt Dobitsch (since March 27, 2019)

Exhibit 5

1&1 IONOS SE:

- Markus Kadelke (chair)
- Issam Abedin (deputy chair)
- Lutz Laffers

The Supervisory Board members of 1&1 IONOS TopCo SE do not receive any remuneration. The table below shows the remuneration of the supervisory board members of 1&1 IONOS Holding SE and 1&1 IONOS SE:

	Fixed	Attendance fee	Total
2019	€k	€k	€k
René Obermann	0	0	0
Ralph Dommermuth	0	0	0
Frank Krause	0	0	0
Kai-Uwe Ricke	30	4	34
Max Fowinkel	0	0	0
Michael Scheeren	30	4	34
Markus Kadelke	0	0	0
Issam Abedin	0	0	0
Lutz Laffers	0	0	0
Kurt Dobitsch	0	0	0
	60	8	68

Exhibit 5

2018	Fixed €k	Attendance fee €k	Total €k
René Obermann	0	0	0
Ralph Dommermuth	0	0	0
Frank Krause	0	0	0
Kai-Uwe Ricke	30	4	34
Max Fowinkel	0	0	0
Michael Scheeren	30	4	34
Markus Kadelke	0	0	0
Issam Abedin	0	0	0
Jan-Ole Gerschefski	0	0	0
Verena Amann	0	0	0
Guido Mannshausen	0	0	0
Mike Schmidt	0	0	0
Lutz Laffers	0	0	0
	60	8	68

There are no subscription rights or share-based payments for supervisory board members.

Exhibit 5

8.2 Transactions with related parties

All companies included in the consolidated financial statements of United Internet AG which are not included in the basis of consolidation of the Hosting Group and associated companies are regarded as related parties of the 1&1 IONOS TopCo Group.

Current receivables from related parties are comprised as follows as of December 31, 2019 and December 31, 2018, respectively:

	Dec. 31, 2019 €k	Dec. 31, 2018 €k
United Internet AG	56,357	2,100
1&1 Telecom GmbH	1,995	1,738
1&1 Mail & Media GmbH	1,612	342
1&1 Telecommunication SE	1,298	26,717
1&1 Mail & Media Inc.	500	1,599
United Internet Corporate Services GmbH	366	2,310
A1 Marketing, Kommunikation und neue Medien GmbH	275	452
1&1 Energy GmbH	102	261
United Internet Media GmbH	82	0
United Internet Sourcing & Apprenticeship GmbH	68	649
1&1 De-Mail GmbH	59	1,525
United Internet Investment Holding AG & Co. KG GmbH	57	0
1&1 Logistik GmbH	55	186
1&1 Mail & Media Applications SE	38	232
1&1 Berlin Telecom Service GmbH	10	0
1&1 Telecom Service Montabaur GmbH	9	0
1&1 Versatel GmbH	5	0
1&1 Mail & Media Service GmbH	3	232
1&1 Drillisch Aktiengesellschaft	1	135
1&1 Telecom Service Zweibrücken GmbH	0	598
1&1 Mail & Media Development & Technology GmbH	0	529
1&1 Telecom Sales GmbH	0	290
MIP Multimedia Internet Park GmbH	0	37
Other	0	40

Exhibit 5

Receivables from related parties	62,892	39,972

Receivables from related parties mainly comprise cash pool receivables and trade accounts receivable. 1&1 IONOS TopCo SE serves as an intermediate consolidation company for the cash pool arrangement in place with United Internet AG and its subsidiaries. Outstanding balances from cash pooling at the year-end are unsecured and interest-bearing and settlement generally occurs in cash. No guarantees have been provided for receivables from related parties. The Group did not record any impairment of receivables from related parties in fiscal years 2018 and 2019. An annual impairment test is performed, examining the financial position of the related party and the market in which the related party operates.

Current liabilities to related parties are comprised as follows as of December 31, 2019 and December 31, 2018, respectively:

	Dec. 31, 2019 €k	Dec. 31, 2018 €k
1&1 Telecommunication SE	3,577	25,860
United Internet Corporate Services GmbH	2,736	2,583
A1 Marketing, Kommunikation und neue Medien GmbH	906	1,711
1&1 Mail & Media Development & Technology GmbH	830	485
1&1 Telecom GmbH	367	6,138
1&1 Mail & Media Inc.	228	0
rankingCoach International GmbH	160	0
1&1 Telecom Service Zweibrücken GmbH	127	0
1&1 De-Mail GmbH	54	142
United Internet Sourcing & Apprenticeship GmbH	53	0
1&1 Mail & Media Applications SE	37	0
United Internet Media GmbH	31	252
1&1 Telecom Sales GmbH	22	0
United Internet AG	0	11,149
1&1 Mail & Media GmbH	0	1,083
United Internet Investments Holding AG & Co. KG GmbH	0	593
e-Pages GmbH	0	204
1&1 Telecom Service Montabaur GmbH	0	113
Other	27	128

Exhibit 5

Liabilities to related parties	9,155	50,441

Liabilities to related parties comprise trade accounts payable, profit and loss transfer agreements and cash pool arrangements. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. No guarantees have been issued.

1&1 IONOS Holding SE has non-current liabilities to related parties of € 1,586,000k (prior year: € 1,606,000k) that are owed to United Internet AG. As of December 31, 2018, non-current liabilities to related parties include a vendor loan of € 1,160,000k (prior year: € 1,180,000k) for the acquisition of the shares in 1&1 IONOS SE and a loan of € 350,000k for the acquisition of the shares in STRATO AG. Both loans bear interest at a rate of 6.75% p.a. and have a term until December 26, 2026. Both loans are unsecured. A non-current loan liability of € 76,000k to United Internet AG is also in place, which was issued for the acquisition of the shares in World4You Internet Service GmbH. The loan has a term until December 31, 2023 and bears interest at 5.0% p.a.

The following table presents the total amount of transactions entered into with related parties in fiscal years 2019 and 2018:

Purchases/services from related parties	Sales/services to related parties	Purchases/services from related parties	Sales/services to related parties
2019	2019	2018	2018
€k	€k	€k	€k
92,565	38,802	49,545	38,758

Services purchased from related parties chiefly concern SAP licenses provided by 1&1 Telecommunication SE to the 1&1 IONOS TopCo Group and marketing services purchased by the 1&1 IONOS TopCo Group from A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur. 1&1 Telecom GmbH and A1 Marketing, Kommunikation und neue Medien GmbH provide the invoicing services for the 1&1 IONOS TopCo Group.

1&1 IONOS TopCo SE and its subsidiaries own and operate the United Internet Group's six data centers. Sales/services to related parties include the provision of data center services for the United Internet Group's Consumer Access and Consumer Applications segments.

The 1&1 IONOS TopCo Group has cost allocation agreements in place with related parties for the buildings leased from Mr. Dommermuth or companies related to him as well as other buildings leased from third parties. The costs were allocated to the respective related parties on the basis of the number of employee workspaces used in the building. In the second half of the fiscal year, these lease agreements were modified and the cost allocation agreements terminated in the process. See Note 2.2 for further information.

In 2019, associated companies of United Internet AG also purchased services of € 9,644k (prior year: € 16,780k), mainly relating to ePages GmbH (€ 3,905k; prior year: € 3,002k), Ranking Coach GmbH (€ 2,911k; prior year: € 2,427k), uberall GmbH (€ 2,286k; prior year: € 1,809k) and Open Xchange GmbH (€ 111k; prior year: € 8,961k).

The following table shows interest expenses and income with related parties for the relevant fiscal year:

Interest income	Interest expenses	Interest income	Interest expenses
2019	2019	2018	2018
€k	€k	€k	€k
0	107,538	142	107,887

Interest income and interest expenses with related parties particularly relate to interest on cash pool balances and loans.

Services between the Group and related parties were provided on arm's length terms.

In fiscal year 2019, 1&1 IONOS TopCo SE had profit and loss transfer agreements, voluntary loss absorption arrangements, letters of comfort and domination agreements with the following companies that were not included in the Hosting Group's basis of consolidation:

- United Internet AG (letter of comfort, [parent])

In fiscal year 2018, 1&1 IONOS TopCo SE had profit and loss transfer agreements, voluntary loss absorption arrangements, letters of comfort and domination agreements with the following companies that were not included in the Hosting Group's basis of consolidation:

- United Internet AG (letter of comfort, [parent])

Exhibit 5

Other disclosures on transactions with related parties

In 2019, some of the business premises of the 1&1 IONOS TopCo Group in Montabaur and other group locations were leased from Mr. Ralph Dommermuth or companies related to him. The relevant lease agreements have different terms ranging from June 2019 to June 2028. The related rental expenses are customary for the location and amounted to € 3,874k in fiscal year 2019 (prior year: € 8,541k) as a result of the modification of the lease agreements to reflect all the tenants that use each building.

The following table presents right-of-use assets in connection with related parties.

	Addition from first-time adoption	Addition in fiscal year	Disposal in fiscal year	Depreciation	Carrying amount
Right-of-use assets	47,069	13	-36,561	-2,953	7,568

The following table presents lease liabilities in connection with related parties.

	Addition from first-time adoption	Addition in fiscal year	Disposal in fiscal year	Repayment/ interest	Carrying amount
Lease liability	47,070	13	-37,113	-2,246	7,724

The disposal relates to the modification of the lease agreements described above and in Note 2.2. Consequently, the 1&1 IONOS TopCo Group is no longer the sole tenant of the buildings leased from Mr. Dommermuth and companies related to him. As a result, the right-of-use asset and lease liability is reduced to the part of the buildings leased by the 1&1 IONOS TopCo Group.

Exhibit 5

9. Objectives and methods of financial risk management

9.1 Principles of risk management

The risk management system introduced by the Hosting Group is based on the COSO ERM Framework. The principles of finance policy are set by the Management Board and monitored by the Supervisory Board. Certain transactions require the prior approval of the Supervisory Board.

The main financial liabilities used by the Hosting Group include liabilities to related parties, trade accounts payable and other financial liabilities.

The Hosting Group holds various financial assets which result directly from its business activities. They consist mainly of trade accounts receivable and current receivables from related parties. It also has financial assets in the form of non-current loans and investments in other entities.

As of the reporting date, the Hosting Group mainly held primary financial instruments. The aim of financial risk management is to limit these risks through ongoing operating and financial activities. The Hosting Group is particularly subject to liquidity risk and market risk with regard to its assets, liabilities and planned transactions, as described below.

9.2 Liquidity risk

The liquidity risk of the Hosting Group largely relates to the risk that the entities belonging to the Group cannot meet their financial obligations.

The Hosting Group is integrated in the United Internet Group’s central cash management system, which manages global cash requirements and surpluses. By netting the cash requirements and surpluses within the Group, the amount of external banking transactions can be minimized. The amounts are netted through the cash pooling process. 1&1 IONOS TopCo SE has established standardized processes and systems to manage its bank accounts and internal netting accounts, as well as for the execution of automated payment transactions. In addition to operating liquidity, the Hosting Group also holds other liquidity reserves, which are available at short notice.

Exhibit 5

The following table shows all contractually fixed payments for redemptions, repayments and interest for financial liabilities in the statement of financial position as of December 31, 2019 and 2018:

	Carrying amount	Cash outflow for redemption and interest in the fiscal year					
	Dec. 31, 2019	2020	2021	2022	2023	> 2023	Total
	€k	€k	€k	€k	€k	€k	€k
Liabilities due to banks	517	517	0	0	0	0	517
Trade accounts payable	49,858	49,834	24	0	0	0	49,358
Lease liabilities	34,920	10,374	9,704	4,884	3,887	10,757	39,606
Other financial liabilities	51,087	26,440	19,258	5,347	0	109	51,154
Liabilities to related parties	1,595,155	163,415	103,758	103,758	179,758	1,758,421	2,309,110

	Carrying amount	Cash outflow for redemption and interest in the fiscal year					
	Dec. 31, 2018	2019	2020	2021	2022	> 2022	Total
	€k	€k	€k	€k	€k	€k	€k
Liabilities due to banks	2	2	0	0	0	0	2
Trade accounts payable	61,677	61,631	46	0	0	0	61,677
Other financial liabilities	44,985	29,902	437	10,563	4,111	92	45,105
Liabilities to related parties	1,656,441	177,912	107,487	107,193	107,193	2,003,499	2,503,284

9.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The market risk particularly includes interest rate and currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of December 31, 2019, the Group primarily had fixed-interest liabilities to related parties, which are not subject to any interest rate risk with an effect on income.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Hosting Group operates internationally and is therefore exposed to currency risk that results from exchange rate fluctuations in various foreign currencies, primarily the US dollar, UK pound, Polish zloty and the euro. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency), loans, liabilities to related parties and the Group's net investments in foreign subsidiaries.

The Hosting Group's currency risk relates to investments, financing and operating activities. Currency risks which do not affect the Company's cash flows (i.e., risks from translating the assets and liabilities of foreign companies into the Group reporting currency) are not hedged against.

Exhibit 5

The following table shows the sensitivity to a reasonably possible change in the US dollar and UK pound exchange rates, with all other variables held constant. The impact on the Group's net income is due to changes in the fair value of monetary assets and liabilities. The table below demonstrates the effects of a 10% rate fluctuation.

		2019	2018
Change in USD rate		Effect on net income (€k)	Effect on net income (€k)
	+10%	2,992	2,112
	-10%	-2,992	-2,112

Change in GBP rate		Effect on net income (€k)	Effect on net income (€k)
	+10%	3,029	3,349
	-10%	-3,029	-3,349

Currency risks arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group currency are not taken into consideration.

9.4 Default risk

As a result of its operating activities, the Hosting Group is exposed to default risk. Consequently, a sophisticated and preventive fraud management system has been established and is constantly enhanced. Outstanding amounts are monitored locally and on a continual basis. Default risks are taken into account by means of specific bad debt allowances and collectively assessed specific bad debt allowances.

With regard to trade accounts receivable, the maximum credit risk is the gross amount recognized in the statement of financial position before bad debt allowances. In Note 6.2, trade accounts receivable are categorized according to the time bands in which they become overdue.

The Hosting Group does not have any significant credit concentrations.

9.5 Capital management

Above and beyond the requirements of stock corporation law, as the Hosting Group's ultimate parent, 1&1 IONOS TopCo SE has no further obligations to maintain capital according to its Articles of Association or other agreements. The key financial indicators used by the Company for corporate management are mainly performance-oriented. The targets, methods, and processes of capital management are subordinate to these performance-oriented financial indicators.

10. Auditor's fees in accordance with section 314 I No. 9 German Commercial Code

In fiscal year 2019, auditor's fees of € 1,494k were recognized in the consolidated financial statements. Of this amount, € 1,028k relates to audit services, € 421k to tax services and € 45k to other services.

Exhibit 5

11. Leases, other financial obligations, commitments and contingencies

11.1 Group as lessee

The obligations mainly comprise obligations under building and vehicle leases.

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

The following expenses from leases were incurred in the fiscal year:

	2019
	€k
Depreciation of right-of-use assets	
- Land and buildings	14,356
- Operating and office equipment	2,498
Total depreciation of right-of-use assets	16,854
Interest expense from lease liabilities	3,414
Expense for short-term leases	97
Expense for low-value leases	55

As of December 31, 2019, the carrying amounts of right-of-use assets by class of underlying asset are as follows:

	Carrying amount as of Dec. 31, 2019
	€k
Land	30,103
Operating and office equipment	3,298
Total right-of-use assets	33,401

As of December 31, 2019, existing lease obligations have the following terms:

	Carrying amount as of Dec. 31, 2019
	€k
Up to 1 year	10,374
1 to 5 years	17,644
Over 5 years	6,902
Total	34,920

For further information, refer to Note 2.2 Effects of new or amended IFRSs.

11.2 Contingent liabilities and other financial obligations

As of December 31, the Company had the following other financial obligations:

	2019 €k	2018 €k
Up to 1 year	1,622	22,852
1 to 5 years	3,809	54,278
Over 5 years	1,966	10,364
Total*	7,397	87,494

*The disclosures are made on the basis of minimum agreed maturities.

As of December 31, 2019, other financial obligations mainly contain service charges for building leases. As of December 31, 2018, other financial obligations included expenses from operating leases which were recognized as lease liabilities as of December 31, 2019 under IFRS 16.

The integration of 1&1 IONOS TopCo SE in the two-tier cash pooling system of the parent United Internet AG gives rise to a positive balance from the netting of the United Internet Group companies' cash pool liabilities with the credit balance of the parent. As a result, there is no risk of joint and several liability.

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.

Exhibit 5

12. Consolidated cash flow statement

In fiscal year 2019, cash flow from operating activities includes interest paid of € 107,838k (prior year: € 103,190k) and interest received of € 44k (prior year: € 223k). Income tax payments in fiscal year 2019 amounted to € 103,951k (prior year: € 67,772k), while cash receipts from income taxes came to € 58,116k (prior year: € 545k).

The decrease in the cash flow from investment activities is largely the result of the acquisition of World4You Internet Service GmbH in the prior year (see Note 4).

In the reporting year, the cash flow from financing activities mainly related to the repayment of loan components (€ 20,002k) and the redemption of lease liabilities (€ 18,120k).

The increase in cash pool receivables from related parties was allocated to investing activities due to their nature, while the repayment of cash pool liabilities from the prior year was allocated to financing activities.

Exhibit 5

Reconciliation of changes in financial liabilities in the statement of financial position:

	Financial liabilities					Total
	Vendor loan	Loan from STRATO/ World4You	Cash pool liabilities*	Lease liabilities	Other financial liabilities	
As of January 1, 2019	1,180,000	426,000	6,157	n/a	2	1,612,159
Cash flow from financing activities						
Cash proceeds from loans	0	0	0	0	517	517
Cash outflows from the repayment of loans	-20,000	0	0	0	-2	-20,002
Cash outflows from the redemption of lease liabilities	0	0	0	-18,120	0	-18,120
Cash receipts from the change in cash pool liabilities	0	0	-6,157	0	0	-6,157
Total change in cash and cash equivalents	-20,000	0	-6,157	-18,120	515	-43,762
Non-cash changes	0	0	0	53,040	0	53,040
As of December 31, 2019	1,160,000	426,000	0	34,920	517	1,621,437

*Not included as a separate item in the consolidated statement of financial position

Exhibit 5

	Financial liabilities						Total
	Vendor loan	Loan from STRATO/ World4You	Liabilities from a written call option	Liabilities from a written put option	Cash pool liabilities*	Other financial liabilities	
As of January 1, 2018	1,200,000	350,000	894,180	155,820	41,994	7,241	2,649,235
Cash flow from financing activities							
Cash proceeds from loans	0	76,000	0	0	0	0	76,000
Cash outflows from the repayment of loans	-20,000	0	0	0	0	-7,239	-27,239
Cash outflows from the change in cash pool balances	0	0	0	0	-35,837	0	-35,837
Total change in cash and cash equivalents	-20,000	76,000	0	0	-35,837	-7,239	12,924
Non-cash changes	0	0	-894,180	-155,820	0	0	-1,050,000
As of December 31, 2018	1,180,000	426,000	0	0	6,157	2	1,612,159

*Not included as a separate item in the consolidated statement of financial position

13. Subsequent events

The 1&1 IONOS TopCo Group has experienced increasing changes in its risk situation, including in risk fields such as procurement market risk and force majeure risk as a result of the increasing global spread of the coronavirus (Sars-CoV-2). Should the virus continue to spread over an extended period, this may also have a negative impact on customer demand, the purchase of wholesale services (e.g., server or network technology), or the health and fitness of employees, and thus ultimately on the performance of the 1&1 IONOS TopCo Group.

No further significant events having a substantial effect on the assets, liabilities, financial position and financial performance of the Company or the Group with consequences for their financial reporting occurred in the 1&1 IONOS TopCo Group after the reporting date of December 31, 2019.

Montabaur, April 24, 2020

Achim Weiss Hüseyin Dogan

Development of intangible assets and property, plant and equipment 2019

	Acquisition and production cost								Accumulated amortization, depreciation and impairment								Carrying amounts	
	Dec. 31, 2018 T€	IFRS 16 adjustments T€	Jan. 1, 2019 T€	Additions T€	Disposals T€	Reclassi-fications T€	Exchange rate differences T€	Dec. 31, 2019 T€	Dec. 31, 2018 T€	IFRS 16 adjustments T€	Jan. 1, 2019 T€	Additions T€	Disposals T€	Reversal of impairments T€	Exchange rate differences T€	Dec. 31, 2019 T€	**Dec. 31, 2019 T€**	**Dec. 31, 2018 T€**
I. Intangbile assets																		
1. Software/licenses	113,397	0	113,397	6,409	3,784	60	127	116,209	76,707	0	76,707	17,751	1,776	0	115	92,797	**23,412**	**36,690**
2. Trademarks	53,361	0	53,361	0	0	0	315	53,676	20,639	0	20,639	1,267	0	19,438	0	2,468	**51,208**	**32,722**
3. Customer base	302,457	0	302,457	0	0	0	1,200	303,657	94,934	0	94,934	28,077	0	0	1,032	124,043	**179,614**	**207,523**
4. Goowill	867,657	0	867,657	0	0	0	3,964	871,621	57,590	0	57,590	0	0	0	89	57,679	**813,942**	**810,067**
5. Other intangible assets	6,307	0	6,307	950	43	0	49	7,263	2,513	0	2,513	165	8	0	25	2,695	**4,568**	**3,794**
6. Payments on account	60	0	60	0	0	-60	0	0	0	0	0	0	0	0	0	0	**0**	**60**
Total (I)	**1,343,239**	**0**	**1,343,239**	**7,359**	**3,827**	**0**	**5,655**	**1,352,426**	**252,383**	**0**	**252,383**	**47,260**	**1,784**	**19,438**	**1,261**	**279,682**	**1,072,744**	**1,090,856**
II. Property, plant and equipment																		
1. Land and buildings	10,497	0	10,497	63	1,242	0	0	9,318	4,944	0	4,944	810	516	0	0	5,238	**4,080**	**5,553**
2. Operating and office equipment	395,343	0	395,343	55,759	47,589	2,024	3,248	408,785	248,786	0	248,786	52,328	44,867	0	2,474	258,721	**150,064**	**146,557**
3. Payments on account	2,467	0	2,467	1,186	0	-2,024	8	1,637	0	0	0	0	0	0	0	0	**1,637**	**2,467**
4. Right-of-use assets	0	89,904	89,904	7,985	51,626	0	37	46,300	0	0	0	16,854	3,966	0	11	12,899	**33,401**	**0**
Total (II)	**408,307**	**89,904**	**498,211**	**64,993**	**100,457**	**0**	**3,293**	**466,040**	**253,730**	**0**	**253,730**	**69,992**	**49,349**	**0**	**2,485**	**276,858**	**189,182**	**154,577**
Sum total	**1,751,546**	**89,904**	**1,841,450**	**72,352**	**104,284**	**0**	**8,948**	**1,818,466**	**506,113**	**0**	**506,113**	**117,252**	**51,133**	**19,438**	**3,746**	**556,540**	**1,261,926**	**1,245,433**

Development of intangible assets and property, plant and equipment 2018

	Acquisition and production cost							Accumulated amortization, depreciation and impairment							Carrying amounts	
	Jan. 1, 2018	Additions T€	Disposals T€	Reclassi-fications T€	Addtions from acuqisions T€	Exchange rate differences T€	Dec. 31, 2018 T€	Jan. 1,2018 T€	Additions T€	Disposals T€	Reversal of impairments T€	Reclassi-fications T€	Exchange rate differences T€	Dec. 31, 2018 T€	**Dec. 31, 2018 T€**	**Dec. 31, 2017 T€**
I. Intangbile assets																
1. Software/licenses	125,116	12,658	26,432	7	2,123	-75	113,397	80,303	22,052	25,617	0	5	-36	76,707	**36,690**	**44,813**
2. Trademarks	50,262	0	0	0	3,494	-395	53,361	20,739	1,200	0	1,300	0	0	20,639	**32,722**	**29,523**
3. Customer base	276,406	2,680	0	0	24,014	-643	302,457	68,744	26,396	0	0	0	-206	94,934	**207,523**	**207,662**
4. Goowill	819,386	0	0	0	51,250	-2,979	867,657	57,882	0	0	0	0	-292	57,590	**810,067**	**761,504**
5. Other intangible assets	5,274	1,095	157	59	0	36	6,307	1,718	810	146	0	59	72	2,513	**3,794**	**3,556**
6. Payments on account	22	60	22	0	0	0	60	0	0					0	**60**	**22**
Total (I)	**1,276,466**	**16,493**	**26,611**	**66**	**80,881**	**-4,056**	**1,343,239**	**229,386**	**50,458**	**25,763**	**1,300**	**64**	**-462**	**252,383**	**1,090,856**	**1,047,080**
II. Property, plant and equipment																
1. Land and buildings	10,170	103	37	261	0	0	10,497	4,657	804	21	688	192	0	4,944	**5,553**	**5,513**
2. Operating and office equipment	472,119	68,032	150,686	1,219	761	3,898	395,343	343,262	45,682	143,257	0	-256	3,355	248,786	**146,557**	**128,857**
3. Payments on account	1,506	2,512	8	-1,546	6	-3	2,467	0	1	1	0	0	0	0	**2,467**	**1,506**
Total (II)	**483,795**	**70,647**	**150,731**	**-66**	**767**	**3,895**	**408,307**	**347,919**	**46,487**	**143,279**	**688**	**-64**	**3,355**	**253,730**	**154,577**	**135,876**
Sum total	**1,760,261**	**87,140**	**177,342**	**0**	**81,648**	**-161**	**1,751,546**	**577,305**	**96,945**	**169,042**	**1,988**	**0**	**2,893**	**506,113**	**1,245,433**	**1,182,956**

The following English-language translation of the German-language independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers) refers to the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB ("Handelsgesetzbuch": German Commercial Code), as well as the group management report, prepared on the basis of German commercial law (HGB), of 1&1 IONOS TopCo SE (now IONOS Group SE, formerly 1&1 Internet TopCo SE), Montabaur, as of and for the fiscal year ended December 31, 2019 as a whole and not solely to the consolidated financial statements presented in this document on the preceding pages. The group management report is not part of this document.

Translation of the German independent auditor's report concerning the audit of the consolidated financial statements and group management report prepared in German

Independent auditor's report

To 1&1 IONOS TopCo SE (formerly 1&1 Internet TopCo SE)

Opinions

We have audited the consolidated financial statements of 1&1 IONOS TopCo SE (formerly 1&1 Internet TopCo SE), Montabaur, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the fiscal year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of 1&1 IONOS TopCo SE (formerly 1&1 Internet TopCo SE) for the fiscal year from January 1 to December 31, 2019. We have not audited the content of the following disclosures as they are extraneous to management reports:

- The information contained in section 1.4 "Research and development" of the group management report

- The information on "Green IT" contained in section 2.4 "Non-financial performance indicators" of the group management report

Disclosures extraneous to management reports are such disclosures that are not required pursuant to Secs. 315, 315a HGB or Secs. 315b to 315d HGB ["Handelsgesetzbuch": German Commercial Code].

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2019, and of its financial performance for the fiscal year from January 1 to December 31, 2019, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the aforementioned parts of sections 1.4 and 2.4 "Green IT" of the group management report.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Other information

The executive directors are responsible for the other information. The other information comprises the aforementioned parts of sections 1.4 and 2.4 of the group management report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group’s position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Eschborn/Frankfurt am Main, April 27, 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Kemmerich	Steinweger
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]