Consolidated Financial Statements 2020

1&1 IONOS TopCo SE

The consolidated financial statements of 1&1 IONOS TopCo SE, Montabaur, as of and for the fiscal year ended December 31, 2020, 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, Montabaur
Consolidated statement of financial position as of December 31, 2020 in €k

ASSETS	Note	December 31, 2020	December 31, 2019
Current assets			
Cash and cash equivalents	17	105,805	39,823
Trade accounts receivable	18	35,572	33,491
Receivables from related parties	19	40,701	62,892
Contract assets	20	9,881	7,991
Inventories	21	13	35
Prepaid expenses	22	16,090	16,233
Other financial assets	23	11,983	11,491
Other non-financial assets	23	285	908
Income tax claims	24	10,934	3,277
		231,264	**176,141**
Non-current assets			
Investments in associated companies	25	2,208	2,051
Other financial assets	26	1,935	46,521
Property, plant and equipment	27	219,908	189,182
Intangible assets			
Other intangible assets	28	220,960	258,802
Goodwill	29	806,893	813,942
Contract assets	20	9	4
Prepaid expenses	22	4,361	4,116
Deferred tax assets	16	998	9,175
		1,257,272	**1,323,793**
Total assets		**1,488,536**	**1,499,934**
LIABILITIES			
Current liabilities			
Trade accounts payable	30	52,180	49,834
Liabilities to related parties	31	7,249	9,155
Liabilities due to banks	32	4	517
Income tax liabilities	33	17,858	18,723
Contract liabilities	34	71,238	75,024
Other provisions	35	426	5,327
Other financial liabilities	36	70,614	36,814
Other non-financial liabilities	36	11,586	11,942
		231,155	**207,336**
Non-current liabilities			
Liabilities to related parties	31	1,466,000	1,586,000
Deferred tax liabilities	16	54,122	84,534
Trade accounts payable	30	0	24
Contract liabilities	34	770	986
Other provisions	35	1,601	2,237
Other financial liabilities	36	61,054	49,193
		1,583,547	**1,722,974**
Total liabilities		**1,814,702**	**1,930,310**
EQUITY			
Issued capital	38	360	360
Reserves	39	-298,725	-459,635
Revaluation reserves	39	0	41,900
Currency translation adjustment	39	-30,286	-15,253
Equity attributable to shareholders of the parent company		**-328,651**	**-432,628**
Non-controlling interests	40	2,485	2,252
Total equity		**-326,166**	**-430,376**
Total liabilities and equity		**1,488,536**	**1,499,934**

Exhibit 2

1&1 IONOS TopCo SE, Montabaur
Consolidated statement of comprehensive income acc. to IFRS
for the period from January 1 to December 31, 2020 in €k

	Note	2020 January - December	2019 January - December
Revenue from contracts with customers	5	944,373	886,963
Revenue from contracts with related parties	6	43,908	37,058
Cost of sales	7	-450,675	-417,232
Gross profit		**537,606**	**506,789**
Selling expenses	8	-238,977	-232,957
General and administrative expenses	9	-70,128	-72,596
Impairment losses on receivables and contract assets	10	-6,057	-9,255
Other operating expenses	11	-15,255	-9,964
Other operating income	11	22,178	39,615
Operating result		**229,367**	**221,632**
Finance costs	14	-113,297	-121,357
Finance income	15	1,625	1,328
Share of the profit or loss of associates accounted for using th	25	265	231
Pre-tax result		**117,960**	**101,834**
Income taxes	16	-41,970	-47,586
Net income		**75,990**	**54,248**
thereof attributable to			
non-controlling interests	40	477	295
shareholders of 1&1 IONOS TopCo SE		75,513	53,953
Reconciliation to total comprehensive income			
Net income		**75,990**	**54,248**
Items that may be reclassified subsequently to profit or loss			
Currency translation adjustment – unrealized		-14,971	6,692
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		33,214	1,827
Tax effect		-1,749	-89
Other comprehensive income		**16,494**	**8,430**
Total comprehensive income		**92,484**	**62,678**
thereof attributable to			
non-controlling interests		625	314
shareholders of 1&1 IONOS TopCo SE		91,859	62,364

Exhibit 3

1&1 IONOS TopCo SE, Montabaur
Consolidated statement of changes in equity
from January 1, to December 31, 2020

	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	38	1 / 39	39	39		40	
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**
Balance as of January 1, 2020	**360**	**-459,635**	**41,900**	**-15,253**	**-432,628**	**2,252**	**-430,376**
Net income	0	75,513	0	0	75,513	477	75,990
Other comprehensive income	0	0	31,305	-14,959	16,346	148	16,494
Total comprehensive income	0	75,513	31,305	-14,959	91,859	625	92,484
Employee stock ownership program	0	12,530	0	0	12,530	9	12,539
Profit distributions	0	-19	0	0	-19	-401	-420
Reclassification of revaluation reserves related to equity instruments measured at fair value through other comprehensive income	0	73,205	-73,205	0	0	0	0
Other	0	-319	0	-74	-393	0	-393
Balance as of December 31, 2020	**360**	**-298,725**	**0**	**-30,286**	**-328,651**	**2,485**	**-326,166**

Exhibit 4

1&1 IONOS TopCo SE, Montabaur
Consolidated cash flow statement acc. to IFRS
for the period from January 1 to December 31 2020 in €k

	Note	2020 January - December	2019 January - December
Net income		75,990	54,248
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization of intangible assets and property, plant and equipment	12	79,011	78,868
Depreciation and amortization of assets resulting from business combinations	12	31,879	38,384
Write-ups(-)/impairment losses(+) on intangible assets and property, plant and equipment	12	0	-19,438
Employee expenses from share-based payment programs	37	9,469	7,424
Interest expense from the unwinding of the discount on lease liabilities	45	2,186	3,414
Share of the profit or loss of associates accounted for using the equity method	25	-265	-231
Distributed profits of associated companies	25	108	98
Other non-cash items from changes in deferred tax position	16	-16,133	-7,065
Income from the sale of intangible assets and property, plant and equipment	11	-178	-120
Other non-cash items		7,988	9,227
Operative cash flow		**190,055**	**164,809**
Change in assets and liabilities			
Change in receivables and other assets	18 / 23 / 26	-11,415	57,741
Change in inventories	21	22	27
Change in contract assets	20	-1,895	-2,158
Change in deferred expenses	22	-102	1,943
Change in trade accounts payable	30	2,322	-1,629
Change in receivables from/liabilities to related parties	19 / 31 / 42	-3,099	2,994
Change in other provisions	35	-5,537	336
Change in income tax liabilities	16	-5,646	-51,004
Change in other liabilities	36	5,922	-5,031
Change in contract liabilities	34	-4,002	-999
Changes in assets and liabilities, total		**-23,430**	**2,220**
Cash flow from operating activities		**166,625**	**167,029**
Cash flow from investing activities			
Cash payments to acquire property, plant and equipment and intangibles	27 / 28	-66,790	-74,557
Cash receipts from sales of property, plant and equipment and intangibles		2,799	5,611
Cash payments to acquire assets as part of a business combination	4	-316	0
Cash receipts from the sale of other financial assets	26 / 39	77,637	210
Payments within the framework of cash pooling		23,384	-61,043
Payments related to other financial assets		-36	0
Cash flow from investment activities		**36,678**	**-129,779**
Cash flow from financing activities			
Dividend payments to non-controlling interests		-401	-285
Repayment of cash pool liabilities to related parties	46	0	-6,157
Cash proceeds from loans	32 / 46	4	517
Repayment of loans	46	-120,517	-20,002
Redemption of lease liabilities	45	-15,315	-18,120
Dividend payments to shareholders		-19	0
Cash flow from financing activities		**-136,248**	**-44,047**
Net decrease in cash and cash equivalents		67,055	-6,797
Cash and cash equivalents at beginning of fiscal year		39,823	46,312
Currency translation adjustments of cash and cash equivalents		-1,073	308
Cash and cash equivalents at end of fiscal year		**105,805**	**39,823**

Exhibit 5

1&1 IONOS TOPCO SE, MONTABAUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2020

Exhibit 5

Exhibit 5

BASIS OF PREPARATION AND ACCOUNTING POLICIES

1. General information on the Company and the financial statements

The consolidated financial statements of 1&1 IONOS TopCo SE, Montabaur (hereinafter referred to as “1&1 IONOS TopCo SE,” “1&1 TopCo SE” or the “Company”), comprise various companies in Germany and abroad (hereinafter collectively referred to as the “1&1 IONOS TopCo Group”). The 1&1 IONOS TopCo Group is Europe’s leading internet specialist in the hosting segment and forms the Business Applications segment of the listed group United Internet AG, Montabaur. The 1&1 IONOS TopCo Group also develops applications for using the internet.

1&1 IONOS TopCo SE is domiciled in 56410 Montabaur, Elgendorfer Strasse 57, Germany, and is registered there at the District Court under HRB 25386.

As of December 31, 2020, 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/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) in conjunction with section 315e (3) sentence 2 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, 2020. 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 27, 2021 and subsequently submitted to the Supervisory Board. Theoretically, there may still be changes before the consolidated financial statements are approved by the Supervisory Board. However, the Management Board expects that the consolidated financial statements will be approved in the present version.

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

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

The following chart illustrates the corporate structure of the United Internet Group and the 1&1 IONOS TopCo Group as of December 31, 2020:

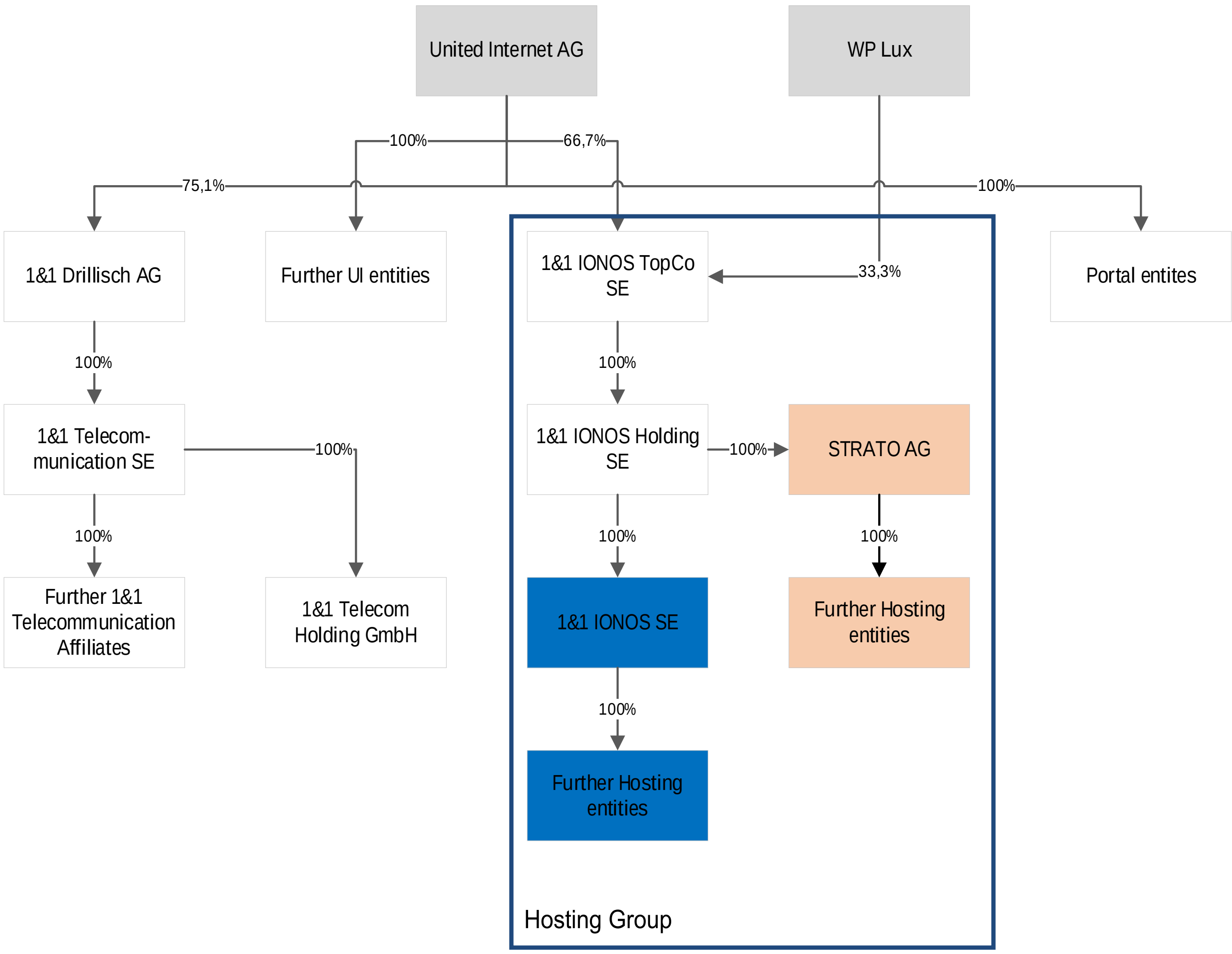

Exhibit 5

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 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

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 2020 (for the most part, the same as in the prior year):
1&1 IONOS Holding SE, Montabaur (100.0%)

- STRATO AG, Berlin (100.0%)
  - Cronon GmbH, Berlin (100.0%)
  - STRATO Customer Service GmbH, Berlin (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, Pennsylvania/USA (100.0%)
    - A1 Media USA LLC, Chesterbrook, Pennsylvania/USA (100.0%)
    - 1&1 Cardgate LLC, Chesterbrook, Pennsylvania/USA (100.0%)
  - 1&1 IONOS Ltd., Gloucester/UK (100.0%)
  - 1&1 IONOS S.à 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 IONOS UK Holdings Ltd., Gloucester/UK (100.0%)
    - Fasthosts Internet Ltd., Gloucester/UK (100.0%)
  - Arsys Internet S.L.U., 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%)

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        - PSI-USA Inc., Las Vegas, Nevada/USA (100.0%)
        - InterNetX Corp., Miami, Florida/USA (100.0%)
    - Sedo GmbH, Cologne (100.0%)
        - DomCollect International GmbH, Montabaur (100.0%)
        - Sedo.com LLC, Cambridge, Massachusetts/USA (100.0%)
- united-domains AG, Starnberg (100.0%)
    - united-domains Reselling GmbH, Starnberg (100.0%)
    - United Domains Inc., Cambridge, Massachusetts/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%)

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, Delaware/USA (49.0%)
- DomainsBot S.r.l, Rome/Italy (49.0%)

Changes in the 1&1 IONOS TopCo Group

The following business operation was acquired in an asset deal in fiscal year 2020:

- Asci Consulting Gesellschaft für Management-Informationssysteme mbH, Berlin

The following companies were liquidated in fiscal year 2020:

- 1&1 Internet Sp. z o.o., Warsaw/Poland in liquidation (100.0%)
- Fasthosts Internet Inc., Chesterbrook, Pennsylvania/USA in liquidation (100.0%)

Exhibit 5

Going concern

In its separate financial statements prepared in accordance with German commercial law as of December 31, 2020, 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 € -326,166k (prior year: € -430,376k). The negative equity of the 1&1 IONOS TopCo Group is primarily due to the group reorganization in fiscal year 2017:

In 2017, United Internet AG, which previously held all common stock and preferred shares in 1&1 IONOS SE, Montabaur, contributed the latter to its subsidiary 1&1 IONOS Holding SE, Montabaur, in return for the issue of new common stock and one preferred share as well as a long-term vendor loan granted to defer payment of the purchase price. As such, the contribution resulted in negative equity. For a short time, 1&1 IONOS Holding SE was the parent of the Group. The vendor loan amounts to € 1,040 million as of December 31, 2020 (prior year: € 1,160 million). In a second step, WP Lux, a subsidiary belonging to private equity funds to which Warburg Pincus LLC, New York/USA (“WP”), provides advisory services, acquired a 33.33% interest in the 1&1 IONOS TopCo Group, as a result of which 1&1 IONOS TopCo SE became the parent of the Group.

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 and measurement principles

This section first presents all accounting policies which have been applied consistently in the periods presented in these consolidated financial statements. Following this, the accounting standards applied for the first time in these financial statements are explained, as are those accounting standards recently published but not yet applied.

2.1 Significant accounting policies

Consolidation principles

The consolidated financial statements comprise the annual financial statements of 1&1 IONOS TopCo SE and of all domestic and foreign subsidiaries (majority shareholdings) controlled by it. Control exists when the Group has exposure, or rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect those returns. Specifically, the Group controls an investee if, and only if, it has all of the following characteristics:

- Power over the investee (i.e., the Group has the current ability to direct those activities of the investee that have a significant effect on the investee’s returns based on existing rights
- Exposure to, or rights to, variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, holding a majority of the voting rights is presumed to result in control. To support this presumption, and when the Group does not have a majority of the voting rights or similar rights in an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over the investee. These include, but are not limited to:

- Contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- Voting rights and potential voting rights of the Group
- In the case of de facto control

De facto control is the case if the Group has the ability to influence the variable cash flows through its power over the investee. This assessment must be considered within the framework of the necessary overall evaluation. If the facts and circumstances indicate that one or more of the three elements of control have changed, the Group must reassess whether it controls an investee. A subsidiary is consolidated from the date on which the Group obtains control over the subsidiary. It ends when the Group loses control over the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the reporting period are recognized in the consolidated financial statements from the date on which the Group obtains control over the subsidiary until the date on which control ends. All intercompany assets and liabilities, equity, income, and expenses, as well as cash flows from business transactions conducted between Group companies are fully eliminated during consolidation.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

A change in the stake held in a subsidiary without loss of control is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interests, and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Upon loss of control, any gain or loss from the disposal of the subsidiary is recognized in the consolidated statement of comprehensive Income. This gain or loss is calculated as the difference between (i) the proceeds from the disposal of the subsidiary, the fair value of the remaining shares, the carrying amount of the non-controlling interests, and the cumulative amounts of other comprehensive income attributable to the subsidiary, and (ii) the carrying amount of the subsidiary's net assets to be disposed of.

Non-controlling interests represent the portion of the profit or loss for the period and net assets not attributable to the Group's shareholders. Non-controlling interests 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 United Internet AG. 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.

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.

Exhibit 5

In this segment, the 1&1 IONOS TopCo Group is primarily 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.

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 certain products, thereby recognizing sales commission as revenue when the service is rendered. Revenue from these products 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.”

Exhibit 5

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 are presented in the financial result (see explanations on the financial result).

Gains from the sale of such investments are always reported under other operating income, losses under other operating expenses.

Foreign currency translation

The consolidated financial statements 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, 2020	Dec. 31, 2019	2020	2019
US dollar	1.228	1.123	1.140	1.119
UK pound	0.900	0.850	0.889	0.877
Polish zloty	4.557	4.260	4.438	4.298

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	Useful life in years
▪ Leasehold improvements	up to 33
▪ Motor vehicles	4 to 6
▪ Operating and office equipment	2 to 15
▪ Office furniture and fixtures	3 to 15
▪ Servers	3 to 5

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.

Exhibit 5

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.

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.

Goodwill arising from a business combination is initially measured at cost, being the excess of the acquisition cost of the operation over the fair value of the identifiable assets, liabilities, and contingent liabilities acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. 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 which are 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. The Group performs its annual impairment test for goodwill at the end of the reporting period.

Intangible assets

The Group has control over an asset if it is able to obtain the future economic benefits flowing from the underlying resource and can restrict the access of third parties to these benefits. 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.

Development costs for a single project are only capitalized as intangible assets if the Group can demonstrate the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The Group intends to complete the intangible asset and to use or sell it;
- The Group has the ability to use or sell the intangible asset;
- The way in which the intangible asset is expected to generate future economic benefits; 1&1 IONOS TopCo may demonstrate, for example, the existence of a market for the products of the intangible asset or for the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- Adequate technical, financial, and other resources are available so that the development can be completed and the intangible asset can be used or sold;
- The Group has the ability to reliably measure the expenditure attributable to the intangible asset during its development.

In the fiscal year, an amount of € 906k (prior year: € 818k) was capitalized in this regard.

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

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment if there is an indication that the intangible assets may be impaired. The impairment test is conducted in the same way as for goodwill. The useful life 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.

Amortization of capitalized development costs begins from the point in time at which the asset can be used. It is recognized in cost of sales over the period during which future benefits are expected. An impairment test is performed annually during the development phase.

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.

The useful lives are summarized below:

	Useful life in years
▪ Trademarks	indefinite
▪ Customer base	5 to 10
▪ Software/technology and licenses	3 to 7

Exhibit 5

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 Group 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.

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 Company'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 Company 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.

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 annual financial statements of the associated company are generally prepared as to the same reporting date as those of the parent company. Where necessary, adjustments are made to bring the methods in line with standard group-wide accounting policies.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Company's investments in associated companies. If there is objective evidence that an impairment has occurred, an impairment test is carried out in the same way as for goodwill. 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.

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.

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.

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.

Costs to obtain 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 period of use. 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.

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.

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.

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.

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.

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. The Group determines the lease term as the non-cancelable basic term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

Exhibit 5

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 15
Operating and office equipment	1 to 5

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 15 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.

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.

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

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: 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 the statement of comprehensive income. Dividends are recognized as other income in the statement of comprehensive income 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.

Financial assets – 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.

The gains and losses recognized in other comprehensive income for a financial asset measured at fair value in other comprehensive income are reclassified to reserves. In the event of a pro rata disposal, a pro rata reclassification is made.

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 which are not measured at fair value through profit or loss and are not trade accounts receivable. 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

Exhibit 5

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 18. 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.

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 18)
- Contract assets (Note 20)
- Objectives and methods of financial risk management (Note 43)

Financial 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.

Financial liabilities – 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.

Financial liabilities – 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.

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value comprises the estimated selling price in the ordinary course of business 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.

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.

Cash and cash equivalents are measured at cost.

Exhibit 5

Pensions and other post-employment benefits

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

Provisions

Provisions are recognized when the Group 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, for example under an insurance contract, 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.

Share-based payment

Group employees and Management Board members receive share-based payments as a reward for their work in the form of equity instruments and the granting of appreciation rights, which may be settled in cash or via equity instruments at the Company’s discretion. As the United Internet Group has no agreements with a current obligation for cash settlement, all share-based payment transactions are accounted for in the statement of financial position as equity-settled payment transactions.

The cost of granting equity instruments is measured at the fair value of such equity instruments on the date of grant. Fair value is measured using a suitable option pricing model. Applying the respective valuation technique, the value component is determined at the date of grant and for subsequent measurement until the end of the term. On every measurement date, however, the expected exercise volume is reassessed, with a corresponding adjustment to fair value considering additions already made. Any necessary adjustments are made in the period in which new information about the exercise volume becomes available. The cost of equity-settled transactions is recognized, together with the corresponding increase in equity, over the period in which the exercise or performance conditions have to be satisfied (vesting period). This period ends after the vesting date, i.e., the date on which the employee concerned has gained an irrevocable entitlement. The cumulative expenses recognized on each reporting date for equity-settled transactions until the vesting date reflect the extent to which the vesting period has expired and the number of equity instruments which, according to the Group’s best estimate, will actually vest after the vesting period. The income or expense recognized in profit or loss for the period represents the development of cumulative expenses recognized at the beginning and end of the reporting period. No expense is recognized for payment rights which are not vested.

When new equity instruments are granted as a result of the cancelation of previously granted equity instruments, IFRS 2.28(c) requires an entity to assess whether the newly granted equity instruments are a replacement for the previously granted or canceled instruments.

If they are classified as a replacement, the new equity instruments are accounted for in the same way as an amendment to the original instruments granted. New equity instruments that are not granted as a replacement for canceled equity instruments are accounted for as newly granted equity instruments. The benefits received are recognized at least at the fair value determined on the grant date (of the original instruments). If the amendments are beneficial to the employee, the additional fair value of the new equity instruments is measured and allocated over the vesting period as an additional expense. The additional fair value is measured as the difference between the fair value of the equity instruments identified as a replacement and the net fair value of the canceled equity instruments on the date on which the replacement instruments are granted.

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.

Current and deferred 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 tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

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.

Exhibit 5

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 or substantively enacted as of the reporting date.

Deferred tax assets and deferred tax liabilities are offset against each other when the Group 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.

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

2.2 Summary of measurement principles

The Group's measurement principles, providing there is no impairment, can be summarized and simplified as follows:

Balance sheet item	Measurement
ASSETS	
Cash and cash equivalents	Amortized cost
Trade accounts receivable	Amortized cost
Receivables from related parties	Amortized cost
Contract assets	Amortized cost
Intangible assets	
with finite useful lives	Amortized cost
with indefinite useful lives	Impairment-only approach
Property, plant and equipment	Depreciated cost
Investments in associated companies	Equity method
Other financial assets	
Equity instruments	Financial assets designated at fair value through other comprehensive income without reclassification of cumulative gains and losses on derecognition
Derivatives	Fair value through profit or loss
Other	Amortized cost
Inventories	Lower of cost and net realizable value
Prepaid expenses	Amortized cost
Income tax claims	Expected payment from the tax authorities based on tax rates enacted or substantively enacted on the reporting date
Other non-financial assets	Amortized cost
Deferred tax assets	Undiscounted measurement at tax rates valid in the period in which an asset is realized or a liability settled
LIABILITIES	
Liabilities due to banks	Amortized cost
Deferred tax liabilities	Undiscounted measurement at tax rates valid in the period in which an asset is realized or a liability settled
Income tax liabilities	Expected payment to the tax authorities based on tax rates enacted or substantively enacted on the reporting date
Trade accounts payable	Amortized cost
Liabilities to related parties	Amortized cost
Contract liabilities	Amortized cost
Other provisions	Expected discounted amount that will lead to outflow of resources
Other financial liabilities	Amortized cost
Derivatives	Fair value through profit or loss
Other	Amortized cost
Other non-financial liabilities	Amortized cost

Exhibit 5

2.3 Effects of new or amended IFRSs

For the fiscal year beginning on January 1, 2020, the following standards were applied for the first time:

Standard		Effective for fiscal years beginning on or after	Endorsed by EU Commission
Conceptual Framework	Revised definitions of assets and liabilities as well as new guidance on measurement and derecognition, presentation and disclosure	Jan. 1, 2020	yes
IFRS 3	Definition of a Business	Jan. 1, 2020	yes
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform (Phase 1)	Jan. 1, 2020	yes
Amendments to IAS 1 and IAS 8	Definition of Material	Jan. 1, 2020	yes
Amendments to IFRS 16	Covid-19-Related Rent Concessions	Jan. 1, 2020	yes

These amendments had no significant impact on the consolidated financial statements and are not expected to have a material impact on the Group in the future.

2.4 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
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform (Phase 2)	Jan. 1, 2021	yes
Amendments to IFRS 16	Covid-19-Related Rent Concessions extending beyond June 30, 2021	Apr. 1, 2021	no
IFRS 3	Amendment: Reference to the Conceptual Framework	Jan. 1, 2022	no
IAS 37	Amendment: Onerous Contracts – Cost of Fulfilling a Contract	Jan. 1, 2022	no
IAS 16	Amendment: Property, Plant and Equipment – Proceeds before Intended Use	Jan. 1, 2022	no
IAS 1	Amendment: Clarification as to the Criteria for the Classification of Liabilities as Current or Non-current	Jan. 1, 2023	no

IAS 1	Amendment: Guidance on disclosures of accounting policies in the financial statements	Jan. 1, 2023	no
IAS 8	Amendment: Distinction between changes in accounting policies and changes in accounting estimates	Jan. 1, 2023	no
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements 2018-2020	Jan. 1, 2022	no

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

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, estimates and assumptions

In the process of applying the entity's accounting policies, management made the following judgments that have a significant effect on the amounts recognized in the financial statements.

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.

Impact of the coronavirus pandemic

Due to its long-term subscription business, the Group is well positioned and has only been affected by the coronavirus pandemic to a manageable extent, depending on the business segment.

The impact on revenue from contracts with customers and on earnings before finance costs and income, depreciation and amortization ("EBITDA") is explained in the corresponding sections of the management report.

The recoverability of trade accounts receivable as a result of the coronavirus pandemic has remained essentially unchanged compared to December 31, 2019.

At present, the coronavirus pandemic has not had any significant impact on the value of intangible assets and property, plant and equipment. An impairment test is performed in this context (Note 29).

The effects and consequences of the coronavirus pandemic are still subject to uncertainties, as it is currently not possible to precisely estimate the duration and further effects of the coronavirus pandemic.

Exhibit 5

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 € 10,257k as of December 31, 2020 (prior year: € 10,926k).

Measurement of non-listed equity instruments

Measuring the fair value of a non-listed equity instrument not only takes into account past experience of the company in question but also expectations of its probable future development. These expectations are based on numerous assumptions and the measurement of fair value is therefore subject to significant uncertainties. As of the reporting date, there were no non-listed equity instruments (prior year: € 44,622k).

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. The carrying amount of goodwill amounts to € 806,893k (prior year: € 813,942k). As of December 31, 2020, the carrying amount of intangible assets with indefinite useful lives amounts to € 50,244k (prior year: € 51,208k).

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 29.

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.

Share-based payment

The Group measures the cost of granting equity instruments to employees by reference to the fair value of these equity instruments at the date they were 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. Any change in these assumptions may result in a material personnel expense in subsequent years.

In the fiscal year, costs of share-based payment (Long Term Incentive Plan) of € 9,467k (prior year: € 7,424k) were incurred.

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, 2020, the carrying amount of income tax liabilities was € 17,858k (prior year: € 18,723k), most of which was attributable to current income taxes for fiscal year 2020.

Deferred tax assets are recognized for unused interest carryforwards to the extent that it is probable that taxable profit will be available against which the carryforwards can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. As of December 31, 2020, deferred tax assets on interest carryforwards of € 10,901k (prior year: € 0) were capitalized.

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 expected credit losses determined by means of 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, 2020, the carrying amount of trade accounts receivable totaled € 35,572k (prior year: € 33,491k). The carrying amount of contract assets was € 9,890k as of December 31, 2020 (prior year: € 7,995k).

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, 2020, the carrying amount of property, plant and equipment and intangible assets with finite useful lives, excluding payments on account, is € 382,674k (prior year: € 394,206k).

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 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 15 years derived from risk-free interest rates for equivalent maturities, plus a credit risk premium.

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.

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, 2020, the carrying amount of provisions was € 2,027k (prior year: € 7,564k).

4. Business combinations and equity investments

In the fiscal year, the Group acquired the business operations of Asci Consulting Gesellschaft für Management-Informationssysteme mbH, Berlin ("ASCI"), for a purchase price of € 316k excluding the company's receivables and payables. The acquisition was made via the subsidiary Cronon GmbH. Control was acquired as of February 1, 2020.

As part of the acquisition, which is insignificant for the Group as a whole, the 1&1 IONOS TopCo Group also acquired extensive expertise in business intelligence (BI) and performance management. In particular, key employees were taken over by the Group. The purchase price was mainly allocated to goodwill and the customer base.

In fiscal year 2020, revenue from contracts with customers of ASCI amounted to € 224k. Due to the acquisition date, revenue from contracts with customers of ASCI would have been only marginally higher if the company had been consolidated by the 1&1 IONOS TopCo Group for the full fiscal year.

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

For acquisitions made after the end of fiscal year, but while these consolidated financial statements were being prepared, please refer to Note 47 Subsequent events.

Exhibit 5

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

5. Revenue from contracts with customers

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

	2020	2019
	€k	€k
Domestic	489,171	461,686
Foreign	455,202	425,277
Total	944,373	886,963

In fiscal year 2020, 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 € 635,446k (prior year: € 621,554k), professional hosting of € 130,092k (prior year: € 119,416k) and domain business under the InterNetX, Sedo, united-domains and home.pl brands of € 178,835k (prior year: € 145,993k).

Contract balances developed as follows in fiscal year 2020:

	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019
	€k	€k	€k
Trade accounts receivable (Note 18)	35,572	33,491	33,495
Contract assets (Note 20)	9,890	7,995	9,312
Contract liabilities (Note 34)	72,008	76,010	76,041

In fiscal year 2020, revenue of € 75,024k (prior year: € 75,691k) 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 € 3,958k as of December 31, 2020 (prior year: € 3,851k). 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, 2020	2021	2022	>2022
€k	€k	€k	€k
4,789	2,869	1,563	357

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

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.

6. 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 € 43,908k (prior year: € 37,058k) 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:

	2020	2019
	€k	€k
Domestic	34,368	26,999
Foreign	9,540	10,059
Total	43,908	37,058

Exhibit 5

7. Cost of sales

	2020	2019
	€k	€k
Cost of services	258,390	228,861
Personnel expenses	79,984	73,706
Depreciation and amortization	71,617	73,630
Costs for data center operation	38,659	39,426
Other	2,025	1,609
Total	450,675	417,232

8. Selling expenses

	2020	2019
	€k	€k
Personnel expenses	101,129	90,147
Purchased internet marketing services	50,757	28,489
Depreciation and amortization	32,800	32,933
Commission paid to third parties	17,224	18,752
Customer care	11,726	9,425
Purchased TV advertising/sponsoring services	11,948	41,181
Purchased new customer activities	2,801	1,468
Product management	2,368	2,045
Purchased marketing campaign services	1,208	259
Other	7,016	8,258
Total	238,977	232,957

The steep increase in expenses for purchased internet marketing services by € 22,268k is due to the stronger focus on the internet aimed at winning new customers. By contrast, expenses for purchased TV advertising/sponsoring services decreased by € 27,429k, after being influenced in particular by the brand marketing campaign for 1&1 IONOS in the prior year.

9. General and administrative expenses

	2020	2019
	€k	€k
Services provided by third parties	20,359	16,863
Personnel expenses	19,174	17,620
Payment transaction costs	8,589	8,356
Depreciation and amortization	6,473	10,689
Legal and consulting fees	3,740	5,307
Accounts receivable management	1,587	1,455
Lease expenses	1,416	3,733
Other	8,790	8,573
Total	70,128	72,596

10. 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:

	2020	2019
	€k	€k
Trade accounts receivable	6,054	9,208
Contract assets	3	47
Total	6,057	9,255

Exhibit 5

11. Other operating expenses/income

Other operating expenses

	2020	2019
	€k	€k
Expenses from foreign currency translation	11,498	5,633
Expenses relating to other periods	2,069	686
Other taxes	1,055	2,075
Miscellaneous	633	1,570
Total	15,255	9,964

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 profit of € 4,077k (prior year: net loss of € 2,601k).

Other operating income

	2020	2019
	€k	€k
Income from foreign currency translation	15,575	3,032
Income from dunning and return debit charges	2,440	2,657
Income from allocations to affiliated companies	1,394	10,137
Write-up of the STRATO brand	0	19,438
Proceeds from STRATO purchase price reduction	0	1,000
Miscellaneous	2,769	3,351
Total	22,178	39,615

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 income relating to other periods of € 601k (prior year: € 314k), income from the reversal of provisions for litigation risks of € 424k (prior year: € 99k), income from deconsolidation of € 269k and lease income of € 120k (prior year: € 450k).

Furthermore, an impairment test for the STRATO brand gave rise to a write-up of € 19,438k in the prior year. In 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.

12. 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:

	2020	2019
	€k	€k
Cost of sales	71,617	73,630
Selling expenses	32,800	32,933
General and administrative expenses	6,473	10,689
Total	110,890	117,252

Exhibit 5

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

	2020	2019
Intangible assets	€k	€k
Customer base	26,890	27,184
Software	4,989	9,933
Trademark	0	1,267
Total	31,879	38,384

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

	2020	2019
	€k	€k
STRATO	19,588	25,324
Arsys	3,653	3,653
1&1 IONOS SE (formerly 1&1 IONOS Cloud)	2,904	3,332
home.pl	3,225	3,330
World4You	2,498	2,536
ASCI	11	0
Fasthosts	0	209
Total	31,879	38,384

Exhibit 5

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

	2020	2019
	€k	€k
Selling expenses	26,890	28,450
Cost of sales	4,989	9,934
Total	31,879	38,384

In fiscal year 2019, the STRATO brand was amortized on a straight-line basis over its expected useful life. The related amount of € 1,267k was shown under selling expenses in the prior year. Due to the newly determined indefinite useful life (see Note 11 Other operating expenses/income), the STRATO brand was no longer amortized in fiscal year 2020.

13. Personnel expenses

Personnel expenses for fiscal year 2020 come to € 200,287k (prior year: € 181,473k) and break down by function as follows:

	2020	2019
	€k	€k
Selling expenses	101,129	90,147
Cost of sales	79,984	73,706
General and administrative expenses	19,174	17,620
Total	200,287	181,473

Personnel expenses include expenses for wages and salaries of € 172,410k (prior year: € 155,531k), social security costs of € 27,877k (prior year: € 25,942k) and pension costs of € 718k (prior year: € 695k).

The average headcount came to 3,540 in the fiscal year (prior year: 3,416) and is divided between domestic and foreign employees as follows:

Exhibit 5

	2020	2019
	Number	Number
Domestic	1,877	1,807
Foreign	1,663	1,609
Total	3,540	3,416

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 2020, they totaled € 8,784k (prior year: € 7,846k).

14. Finance costs

	2020	2019
	€k	€k
Intercompany interest and similar expenses	102,003	107,538
Subsequent measurement of a purchase price liability	5,547	8,613
Finance costs from leases	2,186	3,414
Subsequent measurement of the put option liabilities	2,441	1,288
Interest expense from the unwinding of the discount on non-current liabilities	54	339
Loans and current account facilities	235	86
Guarantee commissions	47	47
Interest expense from the tax audit	784	32
Total	113,297	121,357

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 42.

The expenses from the subsequent measurement of a purchase price liability of € 5,547k (prior year: € 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 36.

The expenses from the subsequent measurement of the put option liabilities of € 2,441k (prior year: € 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 36.

15. Finance income

	2020	2019
	€k	€k
Income from equity investments	942	924
Interest income from the tax audit	45	252
Interest and similar income from related parties	48	0
Interest income from discounting non-current provisions	181	28
Other finance income	409	124
Total	1,625	1,328

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

Interest and similar income from related parties mainly concerns interest in connection with 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 42.

Exhibit 5

16. Income taxes

Income taxes of € 41,970k (prior year: € 47,586k) of the 1&1 IONOS TopCo Group are comprised as follows:

	2020	2019
	€k	€k
Current income taxes		
- Germany	-47,973	-44,414
- Outside Germany	-10,130	-10,508
Total (current period)	-58,103	-54,922
Deferred taxes		
- Due to tax interest/loss carryforwards	8,857	-2,970
- Tax effect on temporary differences	7,084	10,306
- Due to tax rate changes	192	0
Total deferred taxes	16,133	7,336
Total tax expense	-41,970	-47,586

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 2020 for the tax group of 1&1 IONOS Holding SE amounted to approx. 14.64% (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 € 4,449k (prior year: tax income of € 5,722k).

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 2020, a deferred tax expense from the utilization of deferred tax assets on tax loss carryforwards of € 2,043k was recorded (prior year: tax expense from utilization of € 569k and tax income from the recognition of deferred tax assets on tax loss carry forwards of € 42k).

There are no longer any foreign tax loss carryforwards. In the prior year, there were foreign tax loss carryforwards for which no deferred taxes had been recognized (€ 295k in Poland).

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 € 118,520k (prior year: € 128,026k).

Due to the positive plans pointing to taxable profits as well as the reduction in interest-bearing liabilities and the related decrease in interest expenses, deferred tax assets on interest carryforwards were recognized for the first time in the fiscal year. The resulting tax benefit was € 10,901k in the fiscal year.

Exhibit 5

Deferred taxes resulted from the following items:

	Dec. 31, 2020		Dec. 31, 2019	
	Deferred tax assets €k	Deferred tax liabilities €k	Deferred tax assets €k	Deferred tax liabilities €k
Trade accounts receivable	670	2	1,007	538
Inventories	83	0	83	0
Contract assets	7	2,759	6	2,780
Other financial assets – current	408	0	456	0
Other financial assets – non-current	466	1,871	468	2,018
Other assets	0	0	1	43
Prepaid expenses	15,849	2,879	14,452	3,066
Property, plant and equipment	1,492	5,045	2,182	7,052
Right-of-use assets from leases	0	17,977	0	8,653
Intangible assets	5,980	67,950	4,468	71,690
Other provisions	16,050	171	8,806	0
Contract liabilities	15,378	39,945	17,582	40,544
Lease liabilities	18,620	4	9,081	0
Other liabilities	88	191	1,247	1,159
Gross value	75,091	138,794	59,839	137,543
Tax interest/loss carryforwards	10,901	0	2,043	0
Adjustments for consolidation	106	428	235	-67
Offsetting	-85,100	-85,100	-52,942	-52,942
Consolidated statement of financial position	998	54,122	9,175	84,534

Exhibit 5

The net balance of deferred tax liabilities of € 75,359k in the prior year decreased to a net balance of deferred tax liabilities of € 53,124k. As a result, the total change in the net balance of deferred taxes amounted to € 22,235k (prior year: € 12,755k). This change was mainly due to the following factors:

- Increase of € 10,901k in deferred tax assets on interest carryforwards.
- Decrease of € 7,554k in deferred tax liabilities from intangible assets in connection with the amortization of assets from company acquisitions.
- Decrease of € 2,338k in deferred tax assets from intangible assets in connection with a revaluation for tax purposes due to a contribution.
- Increase of € 5,925k in deferred tax assets from provisions for the LTIP.

Deferred tax assets on interest carryforwards of the tax group of 1&1 IONOS Holding SE were recognized for the first time as of December 31, 2020. In the prior year, deferred taxes on a loss carryforward of 1&1 IONOS Inc. were capitalized. These were fully utilized in fiscal year 2020.

The deferred tax liabilities on intangible assets of € 67,950k (prior year: € 71,690k) 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, 2020 came to € 17,058k (prior year: € 22,146k).

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

	2020	2019
	€k	€k
Deferred tax income	16,133	7,336
Deferred tax effects recognized in equity	6,102	5,419
Change in the net balance of deferred taxes	22,235	12,755

The deferred tax effects recognized in equity mainly relate to the employee stock ownership programs.

Exhibit 5

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

	2020	2019
	%	%
Anticipated tax rate	30.5	30.6
Current and deferred taxes for prior years	3.4	5.6
Effect from tax rate changes	-0.2	-0.2
Tax effects in connection with internal Group dividends and disposals	0.6	1.4
Non-deductible write-downs on intangible assets	0.0	0.9
Effect from the revaluation of taxes	-3.4	-4.9
Employee stock ownership program	0.0	-1.0
Non-deductible write-downs on financial assets	2.1	2.9
First-time capitalization of interest carryforwards that can be used in the future	-9.2	0.0
Tax losses and non-deductible interest of the fiscal year for which no deferred taxes were recognized	8.4	9.9
Trade tax add-back	2.5	2.7
Balance of other tax-free income and non-deductible expenses	0.9	-1.2
Effective tax rate	35.6	46.7

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 part of the interest carryforward that was unlikely to be used according to the earnings forecast when the statement of financial position was prepared.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

17. 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.

18. Trade accounts receivable

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

	Dec. 31, 2020	Dec. 31, 2019
	€k	€k
Trade accounts receivable	44,113	42,979
Less		
Bad debt allowances	-8,541	-9,488
Trade accounts receivable, net	35,572	33,491

Exhibit 5

The development of bad debt allowances can be seen below:

	2020	2019
	€k	€k
As of January 1	9,488	8,255
Utilization	-4,040	-4,634
Additions charged to profit or loss	4,780	6,328
Reversals	-1,341	-569
Exchange rate differences	-346	108
As of December 31	8,541	9,488

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 43. Collectively assessed specific bad debt allowances are charged on all overdue receivables not subject to a specific bad debt allowance.

As of December 31, 2020, the age structure of trade accounts receivable net of the abovementioned allowances was as follows:

	Dec. 31, 2020	Dec. 31, 2019
	€k	€k
< 5 days	29,115	26,674
6-15 days	1,907	2,284
16-30 days	1,621	2,499
31-180 days	1,976	1,316
181-365 days	393	268
> 365 days	560	450
	35,572	33,491

19. Receivables from related parties

As of the reporting date, receivables from related parties amounted to € 40,701k (prior year: € 62,892k) 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 42.

20. Contract assets

	2020	2019
	€k	€k
Contract assets	9,914	8,016
Less		
Bad debt allowances	-24	-21
Contract assets, net	9,890	7,995
thereof contract assets – current	9,881	7,991
thereof contract assets – non-current	9	4

21. Inventories

Inventories of € 13k as of the reporting date (prior year: € 35k) comprise the following items:

	Dec. 31, 2020	Dec. 31, 2019
	€k	€k
Domains	3,211	3,300
Other	1	1
Inventories, gross	3,212	3,301
Allowances	-3,199	-3,266
Inventories, net	13	35

The amount of inventories recognized as an expense in fiscal year 2020 amounted to € 35k (prior year: € 27k).

Exhibit 5

22. Prepaid expenses

Current prepaid expenses of € 16,090k (prior year: € 16,233k) consist mainly of costs to obtain a contract of € 6,600k (prior year: € 7,821k) 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 € 4,361k (prior year: € 4,116k) consist mainly of non-current prepaid costs to obtain a contract of € 3,657k (prior year: € 3,105k).

The amortization of capitalized costs to obtain a contract came to € 11,289k in fiscal year 2020 (prior year: € 12,208k).

23. Other current assets

Other current financial assets

Other current financial assets come to € 11,983k as of December 31, 2020 (prior year: € 11,491k) and are comprised as follows:

	Dec. 31, 2020	Dec. 31, 2019
	€k	€k
Payments on account	5,908	4,764
Creditors with debit balances	2,259	3,036
DENIC dividend	1,829	1,489
Security deposits	675	692
Miscellaneous	1,312	1,510
Other financial assets, net	11,983	11,491

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 € 285k (prior year: € 908k) primarily relate to VAT receivables.

24. Income tax claims

Income tax claims totaling € 10,934k (prior year: € 3,277k) mainly relate to 1&1 IONOS Holding SE (€ 5,615k) and united-domains AG (€ 4,378k) (prior year: 1&1 IONOS Inc. (€ 1,092k) and the InterNetX Holding GmbH Group (€ 2,144k)).

25. Investments in associated companies

Investments in associated companies amount to € 2,208k (prior year: € 2,051k) and developed as follows as of the reporting date:

	2020	2019
	€k	€k
As of January 1	2,051	1,918
Adjustments		
- Distributions	-108	-98
- Earnings contributions	265	231
As of December 31	2,208	2,051

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

	Dec. 31, 2020	Dec. 31, 2019
	€k	€k
DomainsBot S.r.l.	1,286	1,130
Intellectual Property Management Company Inc.	922	921
Investments in associated companies	2,208	2,051

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, 2020	Dec. 31, 2019
	€k	€k
Current assets	2,253	1,956
Non-current assets	125	122
Current liabilities	91	163
Non-current liabilities	-	260
Equity	2,287	1,655
Revenue	3,621	3,316
Net profit/loss	744	446

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.

26. Other non-current financial assets

The development of other non-current financial assets for the 2020 reporting year was as follows:

	Jan. 1, 2020	Additions	Currency effects	Change in fair value	Disposal	Dec. 31, 2020
	€k	€k	€k	€k	€k	€k
Afilias shares	44,622	0	-39	33,054	-77,637	0
Other	1,899	36	7	0	-7	1,935
	46,521	36	-32	33,054	-77,644	1,935

Exhibit 5

	Jan. 1, 2019	Additions	Currency effects	Change in fair value	Disposal	Dec. 31, 2019
	€k	€k	€k	€k	€k	€k
Afilias 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

Please refer to Note 41 for the method used to measure the shares in Afilias Inc.

Exhibit 5

27. Property, plant and equipment

Property, plant and equipment amounted to € 219,908k as of the reporting date (prior year: € 189,182k) and are comprised as follows:

	Dec. 31, 2020	Dec. 31, 2019
	€k	€k
Cost		
Land and buildings	9,318	9,318
Operating and office equipment	424,773	408,785
Payments on account	7,016	1,637
Right-of-use assets from leases (IFRS 16)	90,237	46,300
	531,344	466,040
Less		
Accumulated depreciation	-311,436	-276,858
Property, plant and equipment, net	219,908	189,182

Right-of-use assets from leases relate to land and buildings with an acquisition cost of € 82,702k (prior year: € 40,545k) and a net carrying amount of € 61,823k as of December 31, 2020 (prior year: € 30,103k) and operating and office equipment with an acquisition cost of € 7,535k (prior year: € 5,755k) and a carrying amount of € 2,651k as of December 31, 2020 (prior year: € 3,298k).

An alternative presentation of the development of property, plant and equipment in fiscal year 2020 can be found in the exhibit to the notes to the consolidated financial statements (development of non-current assets).

Exhibit 5

28. Intangible assets (without goodwill)

Intangible assets without goodwill amounted to € 220,960k as of December 31, 2020 (prior year: € 258,802k) and are comprised as follows:

	Dec. 31, 2020	Dec. 31, 2019
	€k	€k
Cost		
Software/licenses	115,150	116,209
Trademark	52,712	53,676
Customer base	300,665	303,657
Other intangible assets	7,651	7,263
	476,118	480,805
Less		
Accumulated amortization	-255,218	-222,003
Intangible assets, net	220,960	258,802

An alternative presentation of the development of intangible assets in fiscal year 2020 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 € 50,244k (prior year: € 51,208k). Intangible assets with indefinite useful lives were tested for impairment on the level of the cash-generating units as of the reporting date.

Exhibit 5

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

	Dec. 31, 2020	Dec. 31, 2019
	€k	€k
STRATO	109,833	128,284
World4You	19,631	21,479
home.pl	14,257	18,301
Arsys	7,004	10,677
Other	49	873
Customer base	150,774	179,614

The residual amortization period for the customer base from the acquisition of STRATO AG amounts to 1 to 10 years depending on the product groups (prior year: 1 to 11 years), with 8 years applicable to most product groups (prior year: 9 years). The residual amortization period for the customer base of the home.pl transaction amounts to 5 years (prior year: 6 years), for Arsys 2 years (prior year: 3 years) and for World4Ypu 11 years (prior year: 12 years).

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

	Dec. 31, 2020	Dec. 31, 2019
	€k	€k
STRATO	20,071	20,071
home.pl	10,618	11,359
Arsys	7,553	7,553
united-domains	4,198	4,198
Fasthosts	3,848	4,071
World4You	3,494	3,494
Cronon	462	462
Trademarks	50,244	51,208

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

29. 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.

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, 2020 is allocated to the cash-generating units as follows:

	Dec. 31, 2020	Dec. 31, 2019
	€k	€k
STRATO	401,570	401,570
home.pl	117,978	121,761
Arsys	100,495	100,495
Fasthosts	60,523	64,042
World4You	51,250	51,250
united-domains	35,924	35,924
1&1 Hosting	28,565	28,565
InterNetX	5,237	5,237
Sedo (domain marketing)	5,098	5,098
ASCI	253	0
Goodwill	806,893	813,942

Exhibit 5

Scheduled impairment test on December 31, 2020

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 2021. Due to the manageable consequences of the coronavirus pandemic in 2020, no significant effects were considered in the cash flow forecasts. These budget calculations were extrapolated by management for a period of up to nine years (prior year: up to nine years) on the basis of external market studies and internal assumptions. Following this period, management assumes an annual increase in cash flow of 0.0% to 0.8% (prior year: 0.1% to 0.9%) 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 5.1% and 6.7% (prior year: between 4.9% and 6.4%).

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	2020	49.8%	0.01%	5.2%
	2019	49.3%	0.12%	5.0%
home.pl	2020	14.6%	0.48%	6.2%
	2019	15.0%	0.52%	5.8%
Arsys	2020	12.5%	0.77%	6.7%
	2019	12.4%	0.89%	6.4%
Fasthosts	2020	7.5%	0.29%	5.8%
	2019	7.9%	0.34%	5.5%
World4You	2020	6.4%	0.19%	5.6%
	2019	6.3%	0.30%	5.3%
united-domains	2020	4.5%	0.00%	5.2%
	2019	4.4%	0.10%	5.0%

1&1 Hosting	2020	3.5%	0.16%	5.5%
	2019	3.5%	0.26%	5.2%
InterNetX	2020	0.6%	0.00%	5.2%
	2019	0.6%	0.10%	4.9%
Sedo (domain marketing)	2020	0.6%	0.00%	5.1%
	2019	0.6%	0.10%	4.9%

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 9% (prior year: between 2% and 5%).

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 0.6% and 3%).

In the 1&1 IONOS TopCo Group, trademarks recognized amount to € 50,244k (prior year: € 51,208k). 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. In the prior year, the test revealed a need to reverse impairment for the STRATO brand of € 19,438k. The residual useful life of the STRATO brand was therefore reclassified as indefinite, as originally assumed when it was acquired.

Exhibit 5

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 (unless a rate of 0% was already assumed) 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.

30. Trade accounts payable

Trade accounts payable amount to € 52,180k as of the reporting date (prior year: € 49,858k). Trade accounts payable comprise all payables to suppliers for goods delivered and services provided by third parties, all of which (prior year: € 49,834k) are due in up to one year.

31. Liabilities to related parties

Current and non-current liabilities to related parties amount to € 1,473,249k as of the reporting date (prior year: € 1,595,155k) 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 € 1,040,000k (prior year: € 1,160,000k), € 350,000k and € 76,000k, which stem from the upward expansion of the Group (see Note 1) 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 42.

32. Current liabilities due to banks

As of December 31, 2020, there are current liabilities of € 4k (prior year: € 517k) due to banks solely in the form of current account liabilities. No collateral was provided for any of the liabilities due to banks.

Exhibit 5

33. Income tax liabilities

Income tax liabilities amount to € 17,858k as of the reporting date (prior year: € 18,723k) and are comprised as follows:

	Dec. 31, 2020	Dec. 31, 2019
	€k	€k
Trade tax		
Germany	4,598	10,136
	4,598	10,136
Corporate income tax		
Germany	4,245	2,947
USA	3,635	82
Romania	612	304
Austria	467	10
Spain	253	1,262
Poland	146	736
Philippines	25	42
UK	0	1,239
France	0	59
	9,383	6,681
Other income taxes		
Germany	3,877	1,906
Income tax liabilities	17,858	18,723

Other income taxes comprise tax on investment income of € 3,727k payable by 1&1 IONOS SE. In the prior year, other income taxes comprised tax on investment income of € 1,548k on additional distributions by 1&1 IONOS SE to 1&1 IONOS Holding SE in periods before the tax group was formed.

Exhibit 5

34. Contract liabilities

	2020	2019
	€k	€k
Contract liabilities	72,008	76,010
thereof current	71,238	75,024
thereof non-current	770	986

35. Other provisions

Provisions amount to € 2,027k as of December 31, 2020 (prior year: € 7,564k) and developed as follows in the fiscal year:

	Compensation – home.pl	Litigation risks	Asset retirement obligation	Onerous contracts	Total
	€k	€k	€k	€k	€k
As of January 1	5,097	679	1,634	154	7,564
Utilization	4,892	202	0	11	5,105
Reversals	0	424	0	20	444
Interest effects	0	0	-125	0	-125
Addition	0	218	28	152	398
Currency effects	-205	-35	-18	-3	-261
As of December 31	0	236	1,519	272	2,027

Provisions for (share-based) payments of € 5,097k as of December 31, 2019 were current provisions. Provisions for asset retirement obligations of € 1,520k (prior year: € 1,634k) 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, all of which are classified as non-current as of December 31, 2020 (prior year: € 158k current and € 521k 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 granted the general managers the right to purchase shares in home.pl at a certain price and under certain conditions. The conditions related to the achievement of predefined performance targets, among other things. The stock options were exercised in the first quarter of fiscal year 2020 at the end of a vesting period of around three years. When the stock options were exercised, home.pl carried out a planned capital increase to fulfill its commitment under the plan. The shares to be purchased by general managers as part of the capital increase were then bought back by 1&1 IONOS SE.

The general managers ultimately received a payment equal to the difference between the strike price and the purchase price for the shares. This was measured based on a predefined multiple of EBITDA less the net financial debt for fiscal year 2018. The stock option plan was 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, no more obligations under the compensation plan were recognized (prior year: € 5,097k). They were measured using a Black-Scholes option pricing model.

Exhibit 5

36. Other liabilities

Other current financial liabilities

Other current financial liabilities are comprised as follows:

	Dec. 31, 2020	Dec. 31, 2019
	€k	€k
Contingent purchase price liabilities	24,723	0
Salary liabilities	15,217	11,179
Lease liabilities	13,757	10,374
Marketing and selling expenses/commissions	8,476	4,626
Debtors with credit balances	3,820	4,094
Legal and consulting fees, auditing fees	1,859	1,829
Service/maintenance	830	855
Miscellaneous	1,932	3,857
Other current financial liabilities	70,614	36,814

The contingent purchase price liabilities refer to variable purchase price components from the acquisition of STRATO AG amounting to € 20,307k (prior year: € 14,760k) and from the acquisition of 1&1 IONOS Cloud GmbH amounting to € 4,416k (prior year: € 4,416k). Since they are due within the next 12 months, they are recognized as current for the first time (prior year: non-current). The amount of the purchase price for the two put options depends largely on the development of the entity's earnings.

Please refer to Note 45 for information on current lease liabilities.

Other current non-financial liabilities

Other current non-financial liabilities of € 11,586k (prior year: € 11,942k) mainly relate to liabilities to tax authorities in connection with VAT of € 8,224k (prior year: € 9,207k) and wage and church tax of € 2,982k (prior year: € 2,661k).

Exhibit 5

Other non-current financial liabilities

	Dec. 31, 2020	Dec. 31, 2019
	€k	€k
Lease liabilities	52,981	24,546
Contingent purchase price liabilities	0	19,176
Put option liabilities (InterNetX)	7,721	5,280
Liabilities for bonuses and other personnel expenses	13	64
Miscellaneous	339	127
Other non-current financial liabilities	61,054	49,193

The lease liabilities stem from the lease accounting under IFRS 16 adopted as of January 1, 2019. For further information, please refer to Note 45.

In the prior year, the contingent purchase price liabilities referred to variable purchase price components from the acquisition of STRATO AG amounting to € 14,760k and from the acquisition of 1&1 IONOS Cloud GmbH amounting to € 4,416k. They were recognized as current as of December 31, 2020.

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 fair value adjustment through profit or loss of the put option liability, which relates to the minority interests in InterNetX Holding, amounted to € 2,441k (prior year: € 1,288k).

Exhibit 5

37. Share-based payment – employee stock ownership programs

In the reporting year 2020, the Group has an employee stock ownership program, the Long Term Incentive Plan (LTIP), which was introduced in 2017 and is aimed at the group of executives and employees in key positions in the Group.

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:

2020:

Issued on	Nov. 1, 2019	Jan. 1, 2020	Mar. 1, 2020	Apr. 1, 2020	Jul. 1, 2020
Number of MIP units granted	1,350	2,750	37,500	12,500	2,500
Strike price	€ 203.20	€ 205.50	€ 207.70	€ 208.50	€ 186.50
Fair value at time of issue	€ 77.96	€ 52.64	€ 58.62	€ 57.78	€ 57.45
Volatility	approx. 41%	approx. 40%	approx. 40%	approx. 40%	approx. 49%
Maturity at time of issue	approx. 2 years	approx. 2 years	approx. 2 years	approx. 2 years	approx. 1 year
Dividend yield	0%	0%	0%	0%	0%
Risk-free interest	0%	0%	0%	0%	0%

2019:

Issued on	Jan. 1, 2019	Apr. 1, 2019	Jul. 1, 2019	Oct. 1, 2019
Number of MIP units granted	10,000	90,750	21,500	37,500
Strike price	€ 153.60	€ 156.20	€ 182.00	€ 161.50
Fair value at time of issue	€ 54.06	€ 62.60	€ 54.55	€ 81.24
Volatility	approx. 36%	approx. 38%	approx. 38%	approx. 38%
Maturity at time of issue	approx. 3 years	approx. 3 years	approx. 2 years	approx. 2 years
Dividend yield	0%	0%	0%	0%
Risk-free interest	0%	0%	0%	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 a period of four years or until the anticipated occurrence of an event defined under the terms of the program if it is prior to the end of the four-year period. This assessment is reviewed on each reporting date. Based on current estimates, the total underlying period is approx. 1 to 4 years (prior year: 4 years).

The fair value of commitments classified as equity instruments in the current fiscal year totaled € 3,314k as of the grant date (prior year: € 10,405k).

The total expense from vested and future entitlements under the employee stock ownership program amounts to € 27,513k (prior year: € 25,622k). The cumulative expense as of December 31, 2020 amounted to € 21,748k (prior year: € 12,280k). Expenses for future years therefore account for € 5,765k (prior year: € 13,342k). The personnel expense recognized in connection with issued stock options amounted to € 9,468k in the fiscal year (prior year: € 7,424k).

Exhibit 5

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

	1&1 IONOS TopCo SE	Average strike price (€)
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
issued	56,600	206.73
expired/forfeited	-56,125	73.78
Outstanding as of December 31, 2020	380,225	146.42
Exercisable as of December 31, 2020	0	n/a
Exercisable as of December 31, 2019	0	n/a

38. Issued capital

The issued capital of the ultimate parent 1&1 IONOS TopCo SE stood at € 360k as of the reporting date December 31, 2020 (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. Until February 15, 2020, the preferred share entitled 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%. Since the vendor loan was not replaced by a refinancing instrument in the relevant period, the right to receive the profit share described above has expired.

39. Reserves

The change in reserves in fiscal year 2020 is mainly due to the net income of € 75,513k (prior year: € 53,953k) and the measurement of the LTIP of € 9,459k (prior year: € 7,416k). In addition, deferred tax assets of € 3,071k (prior year: € 4,424k) were recognized on the LTIP directly under reserves in the reporting year.

Revaluation reserves

As of December 31, 2019, the revaluation reserves related to available-for-sale financial instruments and comprised the equity investment in Afilias Inc. of € 41,900k.

The equity investment in Afilias Inc. was accounted for at fair value through other comprehensive income in accordance with IFRS 9 (see also Note 41). The equity investment was considered to be strategic and was therefore irrevocably classified as at fair value through other comprehensive income. The shares in Afilias Inc. were sold in the fiscal year. Translated into euros, the sales proceeds amounted to € 77,637k plus a contingent asset of a maximum of € 389k which depends on future events. After consideration of income taxes and non-controlling interests, the revaluation of the equity investment resulted in the recognition of € 73,205k in the revaluation reserve under equity. The profit of € 73,205k attributable to the shareholders of the parent was reclassified from the revaluation reserve to the reserves. In the fiscal year, the Group received dividends of € 942k (prior year: € 924k) 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.

40. Non-controlling interests

As of December 31, 2020, 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 held in premium.pl Sp. z o.o., Szczecin/Poland (25.00% of the issued capital).

Exhibit 5

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

	2020	2019
	€k	€k
Current assets	58,272	44,374
Non-current assets	107,460	122,137
Current liabilities	32,532	45,546
Non-current liabilities	14,239	15,028
Equity	118,961	105,937
Revenue from contracts with customers	152,424	121,309
Pre-tax result	26,583	20,163
Income taxes	-7,121	-5,029
Net income	19,462	15,134

Exhibit 5

41. Additional disclosures on financial instruments

The table below shows the carrying amounts for each category of financial assets and liabilities as of December 31, 2020:

	Measurement category acc. to IFRS 9	Carrying amount as of Dec. 31, 2020	Amortized cost	Fair value through profit or loss	Measurement acc. to IFRS 16	Fair value as of Dec. 31, 2020
		€k	€k	€k	€k	€k
Financial assets						
Cash and cash equivalents	ac	105,805	105,805			105,805
Trade accounts receivable	ac	35,572	35,572			35,572
Receivables from related parties	ac	40,701	40,701			40,701
Other current financial assets	ac	11,983	11,983			11,983
Other non-current financial assets	ac	1,935	1,935			1,935

Exhibit 5

	Measurement category acc. to IFRS 9	Carrying amount as of Dec. 31, 2020	Amortized cost	Fair value through profit or loss	Measurement acc. to IFRS 16	Fair value as of Dec. 31, 2020
		€k	€k	€k	€k	€k
Financial liabilities						
Trade accounts payable	flac	-52,180	-52,180			-52,180
Liabilities to related parties	flac	-1,473,249	-1,473,249			-1,791,474
Liabilities due to banks	flac	-4	-4			-4
Other financial liabilities						
Lease liabilities	n/a	-66,738			-66,738	n/a
Contingent purchase price liability	fvtpl	-24,723		-24,723		-24,723
Other	flac	-40,207	-40,207			-40,207
Thereof aggregated acc. to measurement categories:						
Financial assets at amortized cost	ac	195,996	195,996	0	0	195,996
Financial liabilities at amortized cost	flac	-1,565,640	-1,565,640	0	0	-1,883,865
Financial liabilities measured at fair value through profit or loss	fvtpl	-24,723	0	-24,723	0	-24,723

Exhibit 5

The following net results were stated for the individual categories of financial instruments according to IFRS 9 in fiscal year 2020:

	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	457		2,854	-6,054		-4,194
Financial assets at fair value							
- through other comprehensive income	fvoci	942					942
Financial liabilities at amortized cost	flac	-102,238		1,223		-2,441	-103,456
Financial liabilities measured at fair value							
- through profit or loss	fvtpl		-5,547				-5,547
		-100,839	-5,547	4,077	-6,054	-2,441	-112,255

Exhibit 5

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

	Measurement category acc. to IFRS 9	Carrying amount as of Dec. 31, 2019	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Measurement 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

	Measurement category acc. to IFRS 9	Carrying amount as of Dec. 31, 2019	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Measurement acc. to IFRS 16	Fair value as of Dec. 31, 2019
		€k	€k	€k	€k	€k	€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

Exhibit 5

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 following net results were stated for the individual categories of financial instruments according to IFRS 9 in fiscal year 2020:

			Net profits and losses from subsequent measurement				
	Measurement category acc. to IFRS 9	From interest and dividends	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

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. The same applies to current liabilities due to banks.
- Due to the changed level of interest rates, liabilities from finance leases show minor differences between the carrying amount and the fair value.
- 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.
- 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, 2020, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The fair value of other financial liabilities and fixed-rate non-current liabilities to related parties 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 in the prior year primarily related to the equity investment in Afilias Inc. The fair value of this equity investment was 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%; perpetual annuity growth 0.1%; cost of equity 5.1%.

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

Exhibit 5

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

Assets and liabilities measured at fair value

	As of Dec. 31, 2020	Level 1	Level 2	Level 3
	€k	€k	€k	€k
Financial liabilities measured at fair value through profit or loss				
Contingent purchase price liability	-24,723			-24,723

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

	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

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, 2020:

Dec. 31, 2020	Measurement method	Main non-observable inputs	Considered in measurement	Sensitivity of input on fair value	
Contingent purchase price liability	Black-Scholes	Maturity	0.75 years	+0.5 years € -2.0 million	-0.5 years € +4.9 million
		Volatility	43.8%	+1% € -0.2 million	-1% € +0.2 million
Contingent purchase price liability	Modified multiple	EBITDA growth	4%	+1% € +0.1 million	-1% € -0.1 million

Dec. 31, 2019	Measurement method	Main non-observable inputs	Considered in measurement	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%
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

Exhibit 5

42. 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.

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.

Management Board

In fiscal year 2020, 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 (resigned as of September 8, 2020)
- Hüseyin Dogan
- Dr. Martin Endress
- Anne Claudia Frese (since September 9, 2020)
- Hans-Henning Kettler
- Arthur Mai (since March 1, 2020)
- Matthias Steinberg
- Achim Weiss

Exhibit 5

1&1 IONOS SE:

- Dr. Christian Böing (resigned as of September 8, 2020)
- Hüseyin Dogan
- Dr. Martin Endress
- Anne Claudia Frese (since September 9, 2020)
- Hans-Henning Kettler
- Arthur Mai (since March 1, 2020)
- Matthias Steinberg
- Achim Weiss

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 2020. 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 2020 breaks down as follows according to fixed and variable compensation:

Management Board remuneration	2020	2019
	€k	€k
Fixed remuneration	2,346	1,902
Variable remuneration not including share-based payments	1,294	1,047
Total	3,640	2,949

There are no retirement benefits from 1&1 IONOS TopCo SE to members of the Management Board. Termination benefits amounted to € 688k in 2020.

Exhibit 5

In fiscal years 2019 and 2020, management board members were granted rights to receive share-based payments under the LTIP. 50,000 MIP units with a fair value of € 2,921k as of the issue date were issued to management board members in fiscal year 2020 (prior year: 105,000 MIP units with a fair value of € 7,272k as of the issue date).

The share-based payment expense for the management board members in connection with the LTIP recognized in the consolidated financial statements came to € 7,637k (prior year: € 5,970k).

See Note 37 Share-based payment for details of the LTIP.

Supervisory Board

In fiscal year 2020, the Supervisory Board of 1&1 IONOS TopCo SE (as the ultimate parent) and 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)
- Issam Abedin (deputy chair)
- Sebastian Heming
- Markus Kadelke
- Lutz Laffers
- Markus Langer (since June 24, 2020)
- Mike Schmidt (resigned as of June 24, 2020)

1&1 IONOS Holding SE:

- René Obermann (chair)
- Ralph Dommermuth (resigned as member of the Supervisory Board and deputy chair as of Dec. 3, 2020)
- Kurt Dobitsch
- Max Fowinkel
- Frank Krause (resigned as of September 30, 2020)
- Martin Mildner (since October 16, 2020)
- Michael Scheeren

1&1 IONOS SE:

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

Exhibit 5

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

	Fixed	Attendance fee	Total
2020	€k	€k	€k
René Obermann	0	0	0
Ralph Dommermuth	0	0	0
Frank Krause	0	0	0
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	30	4	34
Martin Mildner	0	0	0
Sebastian Heming	0	0	0
Markus Langer	0	0	0
Mike Schmidt	0	0	0
	60	8	68

	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

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 1&1 IONOS TopCo 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, 2020 and December 31, 2019, respectively:

	Dec. 31, 2020 €k	Dec. 31, 2019 €k
United Internet AG	33,282	56,357
1&1 Mail & Media GmbH	3,139	1,612
1&1 Telecom GmbH	1,583	1,995
United Internet Corporate Services GmbH	834	366
1&1 Mail & Media Inc.	610	500
United Internet Media GmbH	443	82
1&1 Telecommunication SE	392	1,298
1&1 De-Mail GmbH	201	59
A1 Marketing, Kommunikation und neue Medien GmbH	94	275
1&1 Energy GmbH	83	102
1&1 Mail & Media Service GmbH	26	3
1&1 Logistik GmbH	5	55
1&1 Versatel GmbH	2	5
United Internet Sourcing & Apprenticeship GmbH	0	68
United Internet Investment Holding AG & Co. KG GmbH	0	57
1&1 Mail & Media Applications SE	0	38
1&1 Berlin Telecom Service GmbH	0	10
1&1 Telecom Service Montabaur GmbH	0	9
1&1 Drillisch Aktiengesellschaft	0	1
Other	7	0
Receivables from related parties	40,701	62,892

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 2019 and 2020. 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, 2020 and December 31, 2019, respectively:

	Dec. 31, 2020 €k	Dec. 31, 2019 €k
A1 Marketing, Kommunikation und neue Medien GmbH	1,835	906
United Internet Corporate Services GmbH	1,737	2,736
1&1 Telecommunication SE	1,396	3,577
United Internet Sourcing & Apprenticeship GmbH	1,127	53
1&1 Mail & Media GmbH	723	0
1&1 Mail & Media Development & Technology GmbH	165	830
rankingCoach International GmbH	151	160
1&1 Telecom GmbH	46	367
United Internet AG	28	0
1&1 Mail & Media Applications SE	14	37
1&1 Telecom Service Zweibrücken GmbH	9	127
1&1 Telecom Sales GmbH	1	22
1&1 Mail & Media Inc.	0	228
1&1 De-Mail GmbH	0	54
United Internet Media GmbH	0	31
Other	17	27
Liabilities to related parties	7,249	9,155

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 € 1,466,000k (prior year: € 1,586,000k) that are owed to United Internet AG. As of December 31, 2020, non-current liabilities to related parties include

Exhibit 5

a vendor loan of € 1,040,000k (prior year: € 1,160,000k) 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 2020 and 2019:

Purchases/services from related parties	Sales/services to related parties	Purchases/services from related parties	Sales/services to related parties
2020	2020	2019	2019
€k	€k	€k	€k
77,356	45,303	92,565	38,802

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.

In the prior year, the 1&1 IONOS TopCo Group had 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 prior year, these lease agreements were modified and the cost allocation agreements terminated in the process.

Associated companies of United Internet AG also purchased services of € 7,968k (prior year: € 9,644k), mainly relating to Ranking Coach GmbH (€ 3,154k; prior year: € 2,911k), uberall GmbH (€ 2,369k; prior year: € 2,286k), ePages GmbH (€ 2,275k; prior year: € 3,905k) and Open Xchange GmbH (€ 93k; prior year: € 111k).

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

Interest income 2020	Interest expenses 2020	Interest income 2019	Interest expenses 2019
€k	€k	€k	€k
48	102,003	0	107,538

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 2020, 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 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])

Other disclosures on transactions with related parties

In 2020, 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 lease agreements are based on joint arrangements with United Internet Corporate Services GmbH, Montabaur, 1&1 Telecommunication SE, Montabaur, and 1&1 Mail & Media Applications SE, Montabaur. The relevant lease agreements have different terms ranging from March 2028 to June 2035. The related rental expenses are customary for the location and amounted to € 2,317k in fiscal year 2020 (prior year: € 3,874k) as a result of the modification of the lease agreements to reflect all the tenants that use each building.

Exhibit 5

The following tables present right-of-use assets in connection with related parties.

	Carrying amount as of Jan. 1, 2020	Addition in fiscal year	Disposal	Depreciation	Carrying amount as of Dec. 31, 2020
Right-of-use assets	7,568	34,265	-951	-2,264	38,618

	Carrying amount as of Jan. 1, 2019	Addition in fiscal year	Disposal	Depreciation	Carrying amount as of Dec. 31, 2019
Right-of-use assets	47,069	13	-36,561	-2,953	7,568

The following tables present lease liabilities in connection with related parties.

	Carrying amount as of Jan. 1, 2020	Addition in fiscal year	Disposal	Repayment/interest	Carrying amount as of Dec. 31, 2020
Lease liability	7,724	34,265	-954	-1,942	39,093

	Carrying amount as of Jan. 1, 2019	Addition in fiscal year	Disposal	Repayment/interest	Carrying amount as of Dec. 31, 2019
Lease liability	47,070	13	-37,113	-2,246	7,724

43. Objectives and methods of financial risk management

Principles of risk management

The risk management system introduced by the Hosting Group is based on the COSO ERM Framework and is further described in the management report.

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

The main financial liabilities used by the 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.

Liquidity risk

Liquidity risk refers to the risk that a company encounters difficulties in fulfilling the payment obligations resulting from its financial liabilities. As in the prior year, 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, 2020 and 2019:

	Carrying amount	Cash outflow for redemption and interest in the fiscal year					
	Dec. 31, 2020	2021	2022	2023	2024	> 2024	Total
	€k	€k	€k	€k	€k	€k	€k
Liabilities due to banks	4	4	0	0	0	0	4
Trade accounts payable	52,180	52,180	0	0	0	0	52,180
Lease liabilities	66,738	13,757	9,082	7,526	6,790	39,457	76,612
Other financial liabilities	64,930	56,857	7,721	25	0	327	64,930
Liabilities to related parties	1,473,249	181,190	93,506	169,506	89,899	1,489,306	2,023,407

	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

Market risk

The Group’s activities are primarily exposed to financial risks relating to changes in interest rates and exchange rates as well as the credit and default risk.

Interest rate risk

Interest rate risk refers to the risk that fair values or future interest payments on current and future financial liabilities will fluctuate because of changes in market interest rates. As of December 31, 2020, 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 fair values 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.

		2020	2019
Change in USD rate		Effect on net income (€k)	Effect on net income (€k)
	+10%	1,897	2,992
	-10%	-1,897	-2,992
Change in GBP rate		Effect on net income (€k)	Effect on net income (€k)
	+10%	2,929	3,029
	-10%	-2,929	-3,029

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.

Credit and default risk

As a result of its business activities, the Hosting Group is exposed to default risk. In order to reduce default risks, a sophisticated and preventive fraud management system has been established and is constantly enhanced. Outstanding amounts are monitored locally and on a continual basis. Unavoidable 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 18, trade accounts receivable which are not impaired as of the reporting date are categorized according to the time bands in which they become overdue.

The Hosting Group does not have any significant credit concentrations.

For potential risks relating to the coronavirus pandemic, please refer to Note 3.

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.

44. Contingent liabilities and other obligations

As of December 31, 2020, the Company had the following other financial obligations which do not represent a lease:

	2020 €k	2019 €k
Up to 1 year	2,853	1,622
1 to 5 years	7,598	3,809
Over 5 years	3,571	1,966
Total*	14,022	7,397

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

Other financial obligations mainly contain service charges for building leases.

Exhibit 5

As of the reporting date, there are commitments to purchase property, plant and equipment of € 9,738k (prior year: € 3,554k) and intangible assets of € 797k (prior year: € 427k) in total.

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.

45. Leases

The 1&1 IONOS TopCo Group enters into leases solely as a 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 Company currently intends to exercise all material renewal options. The Company does not intend to exercise any material termination options.

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

	2020 €k	2019 €k
Depreciation of right-of-use assets		
- Land and buildings	11,196	14,356
- Operating and office equipment	2,410	2,498
Total depreciation of right-of-use assets	13,606	16,854
Interest expense from lease liabilities	2,186	3,414
Expense for short-term leases	159	97
Expense for low-value leases	176	55

As of December 31, 2020, the carrying amounts of right-of-use assets by class of underlying asset are as follows:

	Carrying amount as of Dec. 31, 2020 €k	Carrying amount as of Dec. 31, 2019 €k
Land	61,823	30,103
Operating and office equipment	2,651	3,298
Total right-of-use assets	64,474	33,401

Exhibit 5

As of December 31, 2020, lease obligations have the following terms:

	Carrying amount as of Dec. 31, 2020	Carrying amount as of Dec. 31, 2019
	€k	€k
Up to 1 year	13,757	10,374
1 to 5 years	22,513	17,644
Over 5 years	30,468	6,902
Total	66,738	34,920

As of December 31, 2020, lease obligations developed as follows:

	2020	2019
	€k	€k
As of January 1	34,920	89,903
Additions	45,556	7,389
Interest effect	2,186	3,409
Payments	-15,315	-18,120
Disposals	-509	-47,661
Income from foreign currency translation	-100	0
As of December 31	66,738	34,920
thereof current	13,757	10,374
thereof non-current	52,981	24,546

Payments as a result of lease obligations are recognized in cash flow from financing activities.

46. Cash flow statement

In fiscal year 2020, cash flow from operating activities includes interest paid of € 102,645k (prior year: € 107,838k) and interest received of € 408k (prior year: € 44k). Income tax payments in fiscal year 2020 amounted to € 72,796k (prior year: € 103,951k), while cash receipts from income taxes came to € 6,278k (prior year: € 58,116k).

Net cash inflows from investment activities mainly relate to the cash receipts from the sale of the shares in the Afilias Group.

In the reporting year, the cash flow from financing activities mainly related to the repayment of loan components (€ 120,517k) and the redemption of lease liabilities (€ 15,315k).

Changes in cash pool receivables from related parties are allocated to investing activities due to their nature.

Exhibit 5

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

	Financial liabilities				Total
	Vendor loan	Loan from STRATO/ World4You	Lease liabilities	Other financial liabilities	
As of January 1, 2020	1,160,000	426,000	34,920	517	1,621,437
Cash flow from financing activities					
Cash proceeds from loans	0	0	0	4	4
Cash outflows from the repayment of loans	-120,000	0	0	-517	-120,517
Cash outflows from the redemption of lease liabilities	0	0	-15,315	0	-15,315
Total change in cash and cash equivalents	-120,000	0	-15,315	-513	-135,828
Non-cash changes	0	0	47,133	0	47,133
As of December 31, 2020	1,040,000	426,000	66,738	4	1,532,742

Exhibit 5

	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

47. Subsequent events

On February 1, 2021, 1&1 IONOS SE, an indirect subsidiary of 1&1 IONOS TopCo SE, agreed with the shareholders of the German software company we22 Aktiengesellschaft, Cologne, on the acquisition of all of the shares in the company and its subsidiaries.

we22 Aktiengesellschaft, having its registered office in Cologne, was incorporated in 1999 under the name of Content Management AG. The company currently has more than 140 employees located in Cologne, Berlin and Erfurt. The company develops highly scalable software and infrastructure solutions aimed at creating, maintaining and hosting websites. Central to its offering is the white-label software CM4all which is used by more than 10,000 business customers and three million end consumers worldwide to create websites. Since 2000, CM4all, with its more than 25 language versions, has been an integral part of the product offering of more than 50 hosting providers worldwide. Under the Web4Business brand, we22 also provides website creation and online marketing services for small businesses in Germany. In 2020, the company and its subsidiaries (hereinafter collectively referred to as “we22”) generated revenue of approx. € 11,982k from service contracts with third-parties.

we22’s full service offering relating to the creation of websites ideally supplements the hosting business of 1&1 IONOS TopCo SE and builds on its strategy of making acquisitions to complement organic growth.

The products and services of we22 are to be made available to customers of all 1&1 IONOS TopCo Group companies in the future. The company’s expertise will be used in particular to expand the business of professionally creating websites for end customers. CM4all will also continue to be offered as a white-label solution to other internet providers and business customers. Customers and partners of we22 benefit from even faster development and the expertise of the 1&1 IONOS TopCo Group.

The Company paid € 25,675k in cash for the acquisition of the shares in we22. Net of the cash acquired and plus the loan liabilities to former shareholders assumed (€ 2,378k in total), the Group’s net cash outflow was € 28,053k.

With effect from February 1, 2021 (acquisition date), 1&1 IONOS SE gained control over we22 Aktiengesellschaft and its subsidiaries.

we22 Aktiengesellschaft and its subsidiaries will be included in the 2021 consolidated financial statements of 1&1 IONOS TopCo SE for the first time as of the acquisition date. First-time consolidation of we22 will be in accordance with IFRS 3 Business Combinations and use the acquisition method.

The purchase price is composed of a basic purchase price and certain other purchase price components.

At the beginning of February 2021, approx. € 22,561k of the purchase price was paid to the former shareholders of we22 Aktiengesellschaft. The payment of other purchase price components of a maximum of € 3,114k depends on further conditions precedent in 2021 and 2022. Until then, this part of the cash purchase price will be held in an escrow account.

In addition to the cash purchase price components described above, there is another purchase price component for the former shareholders whose amount is based on the future equity value of the 1&1 IONOS TopCo Group as of December 31, 2024. The related payment will be made in 2025 at the earliest.

The assets and liabilities of we22 will be recognized on the basis of a purchase price allocation. At the time of preparing the consolidated financial statements of 1&1 IONOS TopCo SE, neither the purchase price allocation nor the preparation of the separate financial statements of we22 Aktiengesellschaft and its subsidiaries had been completed. It is therefore not possible to provide disclosures on the preliminary values of assets and liabilities as of the acquisition date.

As of December 31, 2019, we22 Aktiengesellschaft recognized aggregate carrying amounts of € 4,524k for assets and € 4,272k for liabilities.

Currently, activities are underway that may impact the adjustment of estimation parameters used to measure the purchase price derivative and to allocate and measure the LTIP expense in the years after 2020.

Apart from this, 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, 2020.

48. Auditor’s fees

In fiscal year 2020, auditor’s fees of € 1,767k were recognized in the consolidated financial statements. Of this amount, € 979k relates to audit services, € 762k to tax services and € 26k to other services.

Montabaur, April 27, 2021

Achim Weiss Hüseyin Dogan

Development of intangible assets and property, plant and equipment 2020

	Acquisition and production cost							Accumulated amortization, depreciation and impairment					Carrying amounts	
	Dec. 31, 2019 T€	Additions T€	Disposals T€	Reclassi-fications T€	Addtions from acuqisions T€	Exchange rate differences T€	Dec. 31, 2020 T€	Dec. 31, 2019 T€	Additions T€	Disposals T€	Exchange rate differences T€	Dec. 31, 2020 T€	**Dec. 31, 2020 T€**	**Dec. 31, 2019 T€**
I. Intangbile assets														
1. Software/licenses	116,209	3,294	3,731	0	0	-622	115,150	92,797	11,428	3,672	-469	100,084	**15,066**	**23,412**
2. Trademarks	53,676	0	0	0	0	-964	52,712	2,468	0	0	0	2,468	**50,244**	**51,208**
3. Customer base	303,657	0	0	0	60	-3,052	300,665	124,043	27,783	0	-1,935	149,891	**150,774**	**179,614**
4. Goowill	871,621	0	0	0	253	-7,952	863,922	57,679	0	0	-650	57,029	**806,893**	**813,942**
5. Other intangible assets	7,263	865	133	0	0	-344	7,651	2,695	317	104	-133	2,775	**4,876**	**4,568**
Total (I)	**1,352,426**	**4,159**	**3,864**	**0**	**313**	**-12,934**	**1,340,100**	**279,682**	**39,528**	**3,776**	**-3,187**	**312,247**	**1,027,853**	**1,072,744**
II. Property, plant and equipment														
1. Land and buildings	9,318	0	0	0	0	0	9,318	5,238	809	0	0	6,047	**3,271**	**4,080**
2. Operating and office equipment	408,785	56,584	31,598	119	3	-9,120	424,773	258,721	56,947	29,083	-6,959	279,626	**145,147**	**150,064**
3. Payments on account	1,637	5,523	16	-119	0	-9	7,016	0	0	0	0	0	**7,016**	**1,637**
4. Right-of-use assets	46,300	45,556	984	0	0	-635	90,237	12,899	13,606	474	-268	25,763	**64,474**	**33,401**
Total (II)	**466,040**	**107,663**	**32,598**	**0**	**3**	**-9,764**	**531,344**	**276,858**	**71,362**	**29,557**	**-7,227**	**311,436**	**219,908**	**189,182**
Sum total	**1,818,466**	**111,822**	**36,462**	**0**	**316**	**-22,698**	**1,871,444**	**556,540**	**110,890**	**33,333**	**-10,414**	**623,683**	**1,247,761**	**1,261,926**

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**