Consolidated Financial Statements 2021

IONOS TopCo SE
(formerly 1&1 IONOS TopCo SE

The consolidated financial statements of IONOS TopCo SE (formerly 1&1 IONOS TopCo SE), Montabaur, as of and for the fiscal year ended December 31, 2021, 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.

Translation from the German language

IONOS TopCo SE (formerly 1&1 IONOS TopCo SE), Montabaur
Consolidated statement of financial position as of December 31, 2021 in €k

	Note	December 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents	17	49,520	105,805
Trade accounts receivable	18	49,526	35,572
Receivables from related parties	19	15,830	40,701
Contract assets	20	7,894	9,881
Inventories		14	13
Prepaid expenses	21	18,127	16,090
Other financial assets	22	15,390	11,983
Other non-financial assets	22	145	285
Income tax claims	23	5,141	10,934
		161,587	**231,264**
Non-current assets			
Investments in associated companies	24	3,589	2,208
Other financial assets	25	1,946	1,935
Property, plant and equipment	26	271,782	219,908
Intangible assets			
Other intangible assets	27	201,437	220,960
Goodwill	28	825,261	806,893
Contract assets	20	2	9
Prepaid expenses	21	5,962	4,361
Deferred tax assets	16	102	998
		1,310,081	**1,257,272**
Total assets		**1,471,668**	**1,488,536**
LIABILITIES			
Current liabilities			
Trade accounts payable	29	63,427	52,180
Liabilities to related parties	30	5,935	7,249
Liabilities due to banks		0	4
Income tax liabilities	31	14,046	17,858
Contract liabilities	32	71,629	71,238
Other provisions	33	314	426
Other financial liabilities	34	100,262	70,614
Other non-financial liabilities	34	21,998	11,586
		277,611	**231,155**
Non-current liabilities			
Liabilities to related parties	30	1,315,000	1,466,000
Deferred tax liabilities	16	25,209	54,122
Contract liabilities	32	561	770
Other provisions	33	2,344	1,601
Other financial liabilities	34	82,651	61,054
		1,425,765	**1,583,547**
Total liabilities		**1,703,376**	**1,814,702**

Translation from the German language

	Note	December 31, 2021	December 31, 2020
EQUITY			
Issued capital	36	360	360
Reserves	37	-213,903	-298,725
Currency translation adjustment	37	-20,760	-30,286
Equity attributable to shareholders of the parent company		**-234,303**	**-328,651**
Non-controlling interests	38	2,595	2,485
Total equity		**-231,708**	**-326,166**
Total liabilities and equity		**1,471,668**	**1,488,536**

Translation from the German language

IONOS TopCo SE (formerly 1&1 IONOS TopCo SE), Montabaur
Consolidated statement of comprehensive income
for the period from January 1 to December 31, 2021 in €k

	Note	2021 January - December	2020 January - December
Revenue from contracts with customers	5	1,059,990	944,373
Revenue from contracts with related parties	6	43,307	43,908
Cost of sales	7	-535,401	-450,675
Gross profit		**567,896**	**537,606**
Selling expenses	8	-265,132	-238,977
General and administrative expenses	9	-77,037	-70,128
Impairment losses on receivables and contract assets	10	-8,523	-6,057
Other operating expenses	11	-15,904	-15,255
Other operating income	11	12,351	22,178
Operating result		**213,651**	**229,367**
Finance costs	14	-115,433	-113,297
Finance income	15	707	1,625
Share of the profit or loss of associates accounted for using the equity method	24	-784	265
Pre-tax result		**98,141**	**117,960**
Income taxes	16	-36,203	-41,970
Net income		**61,938**	**75,990**
thereof attributable to			
non-controlling interests	38	1,015	477
shareholders of IONOS TopCo SE		60,923	75,513
Reconciliation to total comprehensive income			
Net income		**61,938**	**75,990**
Items that may be reclassified subsequently to profit or loss			
Currency translation adjustment – unrealized		9,579	-14,971
Items that are not reclassified subsequently to profit or loss			
Result from equity instruments measured at fair value through other comprehensive income		0	33,214
Tax effect		0	-1,749
Other comprehensive income		**9,579**	**16,494**
Total comprehensive income		**71,517**	**92,484**
thereof attributable to			
non-controlling interests		1,068	625
shareholders of IONOS TopCo SE		70,449	91,859

Translation from the German language

IONOS TopCo SE (formerly 1&1 IONOS TopCo SE), Montabaur
Consolidated statement of changes in equity
for the period from January 1 to December 31, 2021

	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	36	1/37	37	37		38	
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**
Balance as of January 1, 2021	**360**	**-298,725**	**0**	**-30,286**	**-328,651**	**2,485**	**-326,166**
Net income	0	60,923	0	0	60,923	1,015	61,938
Other comprehensive income	0	0	0	9,526	9,526	53	9,579
Total comprehensive income	**0**	**60,923**	**0**	**9,526**	**70,449**	**1,068**	**71,517**
Employee stock ownership program	0	22,645	0	0	22,645	5	22,650
Profit distributions	0	-16	0	0	-16	-963	-979
Other	0	1,270	0	0	1,270	0	1,270
Balance as of December 31, 2021	**360**	**-213,903**	**0**	**-20,760**	**-234,303**	**2,595**	**-231,708**

Translation from the German language

IONOS TopCo SE (formerly 1&1 IONOS TopCo SE), Montabaur
Consolidated cash flow statement
for the period from January 1 to December 31, 2021 in €k

	Note	2021 January - December	2020 January - December
Net income		61,938	75,990
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization of intangible assets and property, plant and equipment	12	82,646	79,011
Depreciation and amortization of assets resulting from business combinations	12	30,004	31,879
Employee expenses from share-based payment programs	35	12,788	9,469
Interest expense from the unwinding of the discount on lease liabilities	43	2,433	2,186
Share of the profit or loss of associates accounted for using the equity method	24	-216	-265
Distributed profits of associated companies	24	229	108
Other non-cash items from changes in deferred tax position	16	-22,161	-16,133
Income from the sale of intangible assets and property, plant and equipment	11	-481	-178
Other non-cash items		20,536	7,988
Operative cash flow		**187,716**	**190,055**
Change in assets and liabilities			
Change in receivables and other assets	18/22/25	-5,286	-11,415
Change in inventories		-1	22
Change in contract assets	20	1,994	-1,895
Change in prepaid expenses	21	-3,437	-102
Change in trade accounts payable	29	10,679	2,322
Change in receivables from/liabilities to related parties	19/30/40	-1,811	-3,099
Change in other provisions	33	-38	-5,537
Change in income tax liabilities	16	-3,825	-5,646
Change in other liabilities	34	14,745	5,922
Change in contract liabilities	32	-189	-4,002
Change in assets and liabilities, total		**12,831**	**-23,430**
Cash flow from operating activities		**200,547**	**166,625**

Translation from the German language

	Note	2021 January - December	2020 January - December
Cash flow from investing activities			
Cash payments to acquire property, plant and equipment and intangibles	27/28	-93,018	-66,790
Cash receipts from sales of property, plant and equipment and intangibles		2,276	2,799
Cash payments for business combinations, net of cash acquired	4	-21,197	0
Payments for the acquisition of associated companies	24	-2,394	0
Cash payments to acquire assets as part of a business combination	4	0	-316
Cash receipts from the sale of other financial assets	25/37	372	77,637
Payments within the framework of cash pooling		25,370	23,384
Payments related to other financial assets		0	-36
Cash flow from investing activities		**-88,591**	**36,678**
Cash flow from financing activities			
Dividend payments to non-controlling interests		-963	-401
Cash proceeds from loans	44	0	4
Repayment of loans	44	-153,141	-120,517
Redemption of lease liabilities	43	-15,963	-15,315
Dividend payments to shareholders		-16	-19
Cash flow from financing activities		**-170,083**	**-136,248**
Net decrease in cash and cash equivalents		**-58,127**	**67,055**
Cash and cash equivalents at beginning of fiscal year		**105,805**	**39,823**
Currency translation adjustments of cash and cash equivalents		**1,842**	**-1,073**
Cash and cash equivalents at end of fiscal year		**49,520**	**105,805**

Translation from the German language

IONOS TOPCO SE (FORMERLY 1&1 IONOS TOPCO SE)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2021

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BASIS OF PREPARATION AND ACCOUNTING POLICIES

1. General information on the Company and the financial statements

The consolidated financial statements of IONOS TopCo SE (formerly 1&1 IONOS TopCo SE), Montabaur (hereinafter referred to as "IONOS TopCo SE," "TopCo SE" or the "Company"), comprise various companies in Germany and abroad (hereinafter collectively referred to as the "IONOS TopCo Group" or the "Group"). The IONOS TopCo Group is Europe's leading internet specialist in the hosting segment and also develops applications for using the internet. According to internal management reporting, the Group has only one operating segment.

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, 2021, United Internet AG held 75.10% of the shares in IONOS TopCo SE. The remaining 24.90% of the shares in IONOS TopCo SE are held by WP XII Venture Holdings II SCSp, Luxembourg/Luxembourg ("WP Lux"). United Internet AG also holds a preferred share in IONOS TopCo SE.

The consolidated financial statements of 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, 2021. The fiscal year is the calendar year.

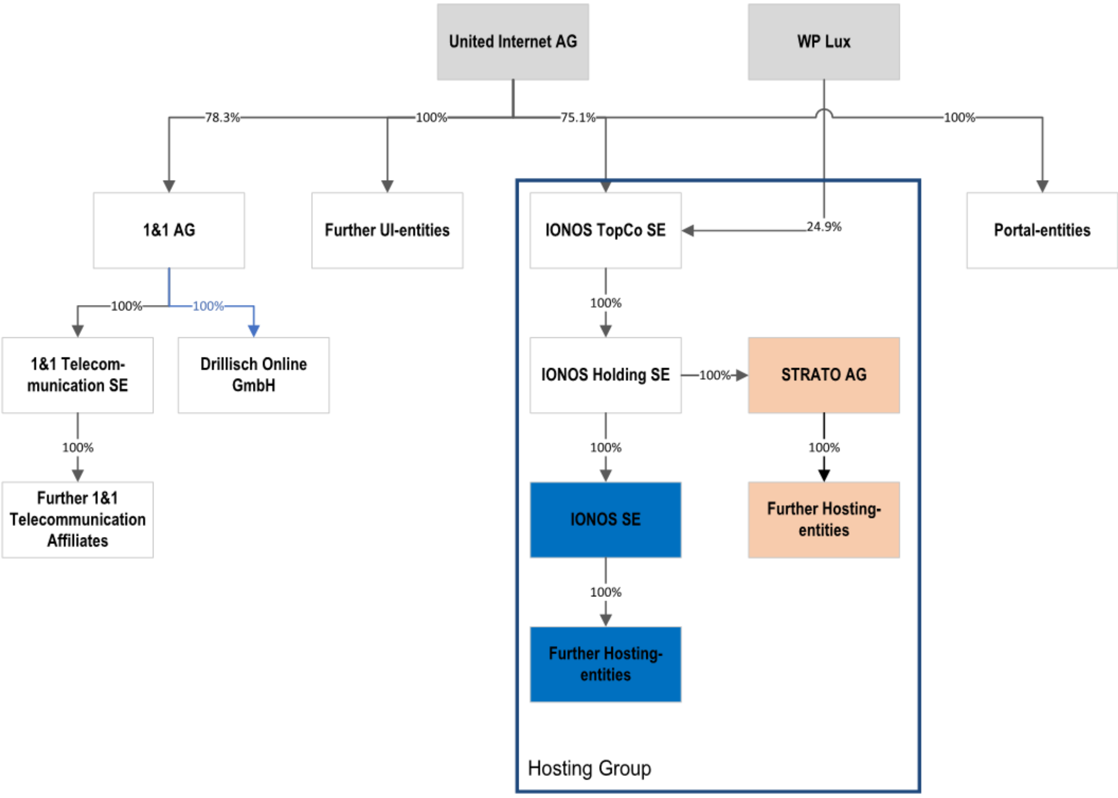
The consolidated financial statements were prepared by the Management Board of IONOS TopCo SE on March 30, 2022 and subsequently submitted to the Supervisory Board. Theoretically, there may still be changes before the consolidated financial statements are approved by the Supervisory Board. However, the Management Board expects that the consolidated financial statements will be approved in the present version.

TopCo SE prepares consolidated financial statements for the smallest group of companies and publishes them in the German Federal Gazette ("Bundesanzeiger"). 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").

Translation from the German language

Corporate relationship between the IONOS TopCo Group and the United Internet Group

The following chart illustrates the corporate structure of the United Internet Group and the IONOS TopCo Group as of December 31, 2021:



Basis of consolidation

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

As the contribution of the shares in IONOS SE to IONOS Holding SE and the contribution of the shares in IONOS Holding SE to IONOS TopCo SE in 2017 led to an expansion of the IONOS SE Group, the consolidated financial statements of 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

As of December 31, 2021, the Group comprises the following subsidiaries in which IONOS TopCo holds a direct or indirect majority interest (as indicated by the shareholdings in brackets). Unless otherwise stated, the shareholding corresponds to the share of voting rights.

IONOS Holding SE (formerly 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%)

- IONOS SE (formerly 1&1 IONOS SE), Montabaur (100.0%)
  - IONOS Datacenter SAS (formerly 1&1 IONOS Datacenter SAS), Niederlauterbach/France (100.0%)
  - 1&1 Internet Development SRL, Bucharest/Romania (100.0%)
  - IONOS Cloud S.L.U. (formerly 1&1 IONOS España S.L.U.) Madrid/Spain (100.0%)
  - IONOS Inc. (formerly 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%)
  - IONOS Cloud Ltd. (formerly 1&1 IONOS Ltd.), Gloucester/UK (100.0%)
  - IONOS S.à r.l. (formerly 1&1 IONOS S.à r.l.), Sarreguemines/France (100.0%)
  - IONOS Service GmbH (formerly 1&1 IONOS Service GmbH), Montabaur (100.0%)
  - 1&1 IONOS (Philippines) Inc., Cebu City/Philippines (100.0%)
  - IONOS Cloud Holdings Ltd. (formerly 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%)

  - InterNetX Holding GmbH, Regensburg (95.56%)
    - InterNetX GmbH, Regensburg (100.0%)
      - Schlund Technologies GmbH, Regensburg (100.0%)
      - 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. (i.L.), Cambridge, Massachusetts/USA (100.0%)
  - Immobilienverwaltung AB GmbH, Montabaur (100.0%)
  - Immobilienverwaltung NMH GmbH (i.L.), 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%)
  - IONOS Cloud Inc. (formerly 1&1 IONOS Cloud Inc.), Newark, Delaware/USA (100.0%)
  - World4You Internet Services GmbH, Linz/Austria (100.0%)
  - we22 Aktiengesellschaft, Cologne (100.0%)
    - we22 Solutions GmbH, Berlin (100.0%)
    - CM4all GmbH, Cologne (100.0%)
      - Content Management Support GmbH (i.L.), Cologne (100.0%)
      - Content Management Inc., Boston, Massachusetts/USA (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%)
- Stackable GmbH, Wedel (25.1%)

Translation from the German language

Changes in the IONOS TopCo Group

The following companies were acquired in fiscal year 2021 (Notes 4 and 25):

- we22 Aktiengesellschaft, Cologne (100.0%)
  - we22 Solutions GmbH, Berlin (100.0%)
  - CM4all GmbH, Cologne (100.0%)
    - Content Management Support GmbH (i.L.), Cologne (100.0%)
    - Content Management Inc., Boston, Massachusetts/USA (100.0%)
- Stackable GmbH, Wedel (25.1%)

The following companies were liquidated in fiscal year 2021:

- Nicline Internet S.L., Logroño/Spain (100.0%)

Going concern

In its separate financial statements prepared in accordance with German commercial law as of December 31, 2021, IONOS TopCo SE reports positive equity.

The consolidated equity (including amounts attributable to non-controlling interests) of the IONOS TopCo Group is negative, at € -231,708k (prior year: € -326,166k). The negative equity of the 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 IONOS SE, Montabaur, contributed the latter to its subsidiary 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, IONOS Holding SE was the parent of the Group. The vendor loan amounts to € 889 million as of December 31, 2021 (prior year: € 1,040 million). In a second step, WP Lux, a subsidiary belonging to private equity funds to which Warburg Pincus LLC, New York/USA, provides advisory services, acquired a 33.33% interest in the IONOS TopCo Group and established IONOS TopCo SE as the parent of the Group. On May 1, 2021, United Internet AG increased its shareholding in IONOS TopCo SE to 75.10%, as a result of which the shareholding of WP Lux declined to 24.90%.

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

- the IONOS TopCo Group and the former IONOS SE Group (prior to the upward expansion of the Group) have been profitable in the past;
- according to its budgets and forecasts, the IONOS TopCo Group will also be profitable in the future; and
- the IONOS TopCo Group and the former 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 IONOS TopCo Group is expected to be able to meet its financial obligations at all times.

2. Accounting 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.

Translation from the German language

2.1 Significant accounting policies

Consolidation principles

The consolidated financial statements comprise the annual financial statements of 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

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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

The item "Revenue from contracts with customers" exclusively comprises revenue from third parties.

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

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

In this segment, the IONOS TopCo Group is primarily active in Germany, as well as in the USA, the UK, Spain, France, Poland, Austria, Switzerland, Italy, Canada and Mexico. It is one of the leading companies in all the countries mentioned. The services are rendered by various subsidiaries of 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 IONOS TopCo Group. SaaS refers to the customer's use of software (e.g., to create websites) hosted on servers of the 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 IONOS 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 IONOS TopCo Group grants its customers special monetary discounts for a limited period on the basic hosting fee and/or on domains. These discounts are recognized over the lifetime of the agreed performance obligations under the contracts with customers as are the related performance obligations. 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 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.

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, 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 in the areas of development, sales, data center, administrative and product management as well as from allocations to subsidiaries of the IONOS TopCo Group and Group companies of the United Internet Group that are not included in the basis of consolidation of the IONOS TopCo Group is recognized in accordance with IFRS 15 as soon as the performance obligations have been satisfied. Revenue is generally recognized over time with the time the service is rendered corresponding to the time it is billed. For the sake of clarity, it is presented in the consolidated statement of comprehensive income under "Revenue from contracts with related parties."

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.

Translation from the German language

Foreign currency translation

The consolidated financial statements are prepared in euros, the Company's functional and presentation currency. Each company within the 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:

	Closing rate		Average rate	
(in relation to € 1)	Dec. 31, 2021	Dec. 31, 2020	2021	2020
US dollar	1.133	1.228	1.183	1.140
UK pound	0.840	0.900	0.860	0.889
Polish zloty	4.600	4.557	4.565	4.438

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	5 to 6
Operating and office equipment	2 to 15
Office furniture and fixtures	3 to 15
Servers	3 to 5

Leasehold improvements are included in the exhibit “Development of intangible assets and property, plant and equipment” in item “1. Land and buildings” and motor vehicles, operating and office equipment, office furniture and fixtures and servers in item “2. Operating and office equipment.”

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.

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.

Translation from the German language

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; 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 € 1,529k (prior year: € 906k) 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	4 to 14
Software/licenses	3 to 5
Internally generated intangible assets	6 to 15
Other intangible assets (domain addresses)	indefinite

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.

Translation from the German language

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 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 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 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 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 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

Translation from the German language

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.

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 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)

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

Translation from the German language

at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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 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 accounting judgments, estimates, and assumptions (Note 3)
- Trade accounts receivable (Note 18)
- Contract assets (Note 20)
- Objectives and methods of financial risk management (Note 41)

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.

Relationships with related parties

The IONOS TopCo Group offers administrative services and also its hosting products to related parties. These include services in the areas of development, sales, data center, administration and product management. The Group also cooperates with Group Cash Management of United Internet AG, Montabaur, for the provision of short-term funds and the investment of surplus liquidity. This cash pool is generally used to obtain short-term finance and invest surplus liquidity for a short term. The loans granted and the funds invested as part of this business relationship are recognized as liabilities due to or receivables from related parties and are generally due or available on demand. Pursuant to the cash pooling agreement, IONOS Holding SE, as cash pool leader of the IONOS TopCo Group, is entitled to use liquidity to finance its ongoing business. As a result, the cash pooling transactions are considered by the IONOS TopCo Group to be akin to financing, which must therefore be classified as financing activities, and presents them in the cash flow statement under cash flow from financing activities. If there is a receivable from cash pooling at the end of the period, this surplus liquidity, which is remunerated by United Internet AG, is invested with the same and thus disclosed in the cash flow statement under cash flow from investing activities.

Translation from the German language

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 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 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.

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 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. Agreements on appreciation rights to be settled in cash were only concluded with participants in the payment plan that was launched in fiscal year 2021. The obligation of the Group is accounted for as an other provision in accordance with IFRS 2. As the IONOS TopCo Group currently has no other agreements with an obligation for cash settlement, the related share-based payment transactions are accounted for in the statement of financial position as equity-settled payment transactions.

Translation from the German language

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

Translation from the German language

Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

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

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

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

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

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	
Derivatives	Fair value through profit or loss
Other	Amortized cost
Other non-financial liabilities	Amortized cost

2.3 Effects of new or amended IFRS

For the fiscal year beginning on January 1, 2021, the following standards were applied for the first time:

Translation from the German language

Standard		Effective for fiscal years beginning on or after	Endorsed by EU Commission
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	Jan. 1, 2021	yes
Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39	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	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 IFRS mentioned above whose application is mandatory, the IASB has issued further IFRS and IFRICs, some of which have already been endorsed by the EU endorsement but which will become effective at a later date. IONOS TopCo SE is not planning to implement these standards in its consolidated financial statements before they become effective.

Standard		Effective for fiscal years beginning on or after	Endorsed by EU Commission
IFRS 17	Insurance Contracts	Jan. 1, 2023	yes
Amendments to IAS 1	Amendment: Guidance on disclosures of accounting policies in the financial statements	Jan. 1, 2023	yes
Amendments to IAS 8	Amendment: Distinction between changes in accounting policies and changes in accounting estimates	Jan. 1, 2023	yes
Amendments to IFRS 3	Amendment: Reference to the Conceptual Framework	Jan. 1, 2022	yes
Amendments to IAS 16	Amendment: Property, Plant and Equipment – Proceeds before Intended Use	Jan. 1, 2022	yes
Amendments to IAS 37	Amendment: Onerous Contracts – Cost of Fulfilling a Contract	Jan. 1, 2022	yes
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements 2018-2020	Jan. 1, 2022	yes
Amendments to IAS 1	Amendment: Clarification as to the Criteria for the Classification of Liabilities as Current or Non-current	Jan. 1, 2023	no
Amendments to IAS 12	Amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Jan. 1, 2023	no
Amendments to IFRS 17	Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	Jan. 1, 2023	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.

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.

Trade accounts receivable
As in the prior year, the recoverability of trade accounts receivable as a result of the coronavirus pandemic has remained essentially unchanged.

Intangible assets and property, plant and equipment
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 28).

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.

Impact of climate change

Environmental and social issues can impact the value of the Group's assets in various ways. These risks include rising energy prices for renewable energies to operate our data centers. An increase in extreme weather events at specific locations could also lead to damage at the data centers as well as potential customer service disruptions. The Company currently assumes that any impact caused by environmental and social issues will not have a material effect on impairment tests or the consolidated financial statements.

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

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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 € 12,018k as of December 31, 2021 (prior year: € 10,257k).

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 € 825,261k (prior year: € 806,893k). As of December 31, 2021, the carrying amount of intangible assets with indefinite useful lives amounts to € 51,830k (prior year: € 51,626k).

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 28.

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 € 12,788k (prior year: € 9,468k) 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, 2021, the carrying amount of income tax liabilities was € 14,824k (prior year: € 17,858k), most of which was attributable to current income taxes for fiscal year 2021.

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, 2021, deferred tax assets on interest carryforwards of € 19,919k (prior year: € 10,901k) 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, 2021, the carrying amount of trade accounts receivable totaled € 49,526k (prior year: € 35,572k). The carrying amount of contract assets was € 7,896k as of December 31, 2021 (prior year: € 9,890k).

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, 2021, the carrying amount of property, plant and equipment and intangible assets with finite useful lives, excluding payments on account, is € 397,665k (prior year: € 381,293k).

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.

Translation from the German language

4. Business combinations and equity investments

On February 1, 2021, the Group agreed with the shareholders of the German software company we22 Aktiengesellschaft on the acquisition of 100% of the shares in the company and its subsidiaries (the “we22 Group”) by the Group’s subsidiary IONOS SE.

we22 Aktiengesellschaft (“we22”), headquartered in Cologne, was incorporated in 1999 under the name of Content Management Aktiengesellschaft. As of December 31, 2021, the we22 Group employed more than 160 people at its locations in Cologne, Berlin, Erfurt and Boston. 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, the we22 Group also provides website creation and online marketing services for small businesses in Germany.

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

The products and services of the we22 Group are to be made available to customers of all 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 the we22 Group benefit from even faster development and the expertise of IONOS.

The Company agreed to pay € 22,561k for the acquisition of the shares in we22. The payment of additional obligations of a maximum of € 3,113k was also agreed depending on further conditions precedent in 2021 and 2022. Furthermore, an additional payment obligation was agreed in the form of a pro rata participation in the appreciation of IONOS TopCo SE until the end of 2024 or any earlier change of control at IONOS TopCo SE. This payment obigation is also subject to specific conditions and has a fair value of € 2,762k. The consideration related to the additional payment obligations is a separate transaction or consideration for post-combination services and therefore not part of the consideration transferred for obtaining control of we22.

With effect from February 1, 2021 (acquisition date), IONOS SE obtained control over the we22 Group.

Transaction costs totaling € 216k were recognized as an expense in connection with the business combination.

The we22 Group will be included in the consolidated financial statements of IONOS TopCo for the first time as of the acquisition date. First-time consolidation of the we22 Group will be in accordance with IFRS 3 Business Combinations and use the acquisition method.

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

	€k
Cash purchase price	22,561
Net of cash acquired	-1,364
Net cash outflow	**21,197**

The fair values of the identifiable assets and liabilities of the we22 Group at the date of acquisition were as follows:

	Fair value at the date of acquisition €k
Assets	
Current	
Cash and cash equivalents	1,364
Trade accounts receivable	2,048
Other current assets	504
Non-current	
Property, plant and equipment	1,848
Internally generated/purchased software products	10,547
Customer base	1,881
Other	18
Intangible assets	12,446
Other financial assets	11
Assets	18,221
Liabilities	
Current	
Trade accounts payable	568
Liabilities due to banks	137
Other financial liabilities	2,550
Other non-financial liabilities	136
Non-current	
Liabilities due to banks	2,000
Other financial liabilities	968
Deferred taxes	3,878
Liabilities	10,237
Total identifiable net assets at fair value	**7,984**
Goodwill arising on acquisition	14,577
Purchase consideration transferred	**22,561**

The gross amount of trade accounts receivable was € 2,226k. The fair value of the trade accounts receivable acquired, together with the expected cash flows, amounted to € 2,048k.

The Group measured the acquired lease liabilities at the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities.

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of intangible assets.

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

Translation from the German language

The initial consolidation of the we22 Group led to an increase in revenue by € 8,026k and a decrease in earnings after taxes by € 1,332k in fiscal year 2021. Had the we22 Group been included in the basis of consolidation of the IONOS TopCo SE Group as of January 1, 2021, revenue would have been € 8,756k higher and earnings after taxes € 1,453k lower as of December 31, 2021.

Business combinations in the prior year: Acquisition of the business operations of ASCI Consulting Gesellschaft für Management-Informationssysteme mbH

In fiscal year 2020, 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 was insignificant for the Group as a whole, the 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 IONOS TopCo Group for the full fiscal year.

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

5. Revenue from contracts with customers

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

€k	2021	2020
Domestic	548,707	489,171
Foreign	511,283	455,202
Total	**1,059,990**	**944,373**

In fiscal year 2021, revenue from contracts with customers breaks down into product revenue from the business areas Web Presence & Productivity of € 950,130k (prior year: € 852,261k) and Cloud of € 109,860k (prior year: € 92,112k).

Contract balances developed as follows in fiscal year 2021:

€k	Dec. 31, 2021	Dec. 31, 2020	Jan. 1, 2020
Trade accounts receivable (Note 18)	49,526	35,572	33,491
Contract assets (Note 20)	7,896	9,890	7,995
Contract liabilities (Note 32)	72,190	72,008	76,010

In fiscal year 2021, revenue of € 71,238k (prior year: € 75,024k) 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 € 4,991k as of December 31, 2021 (prior year: € 4,789k). 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, 2021	2022	2023	>2023
€k	€k	€k	€k
4,991	3,010	1,523	458

Total as of Dec. 31, 2020	2021	2022	>2022
€k	€k	€k	€k
4,789	2,869	1,563	357

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 IONOS TopCo Group, come to € 43,307k (prior year: € 43,908k) and mainly stem from internal cost allocations. The entities of the 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 IONOS TopCo Group’s total revenue with related parties breaks down by region as follows:

€k	2021	2020
Domestic	35,194	34,368
Foreign	8,113	9,540
Total	**43,307**	**43,908**

7. Cost of sales

€k	2021	2020
Cost of services	303,910	258,390
Personnel expenses	100,308	79,984
Depreciation and amortization	76,665	71,617
Costs for data center operation	52,443	38,659
Other	2,075	2,025
Total	**535,401**	**450,675**

The increase in cost of services is mainly attributable to the purchase of services in connection with the sale of domains and in particular with the related lower-margin parking revenue as a result of which cost of sales increased at a higher rate than revenue.

Translation from the German language

8. Selling expenses

€k	2021	2020
Personnel expenses	110,984	101,129
Purchased marketing/advertising services	81,326	66,714
Depreciation and amortization	29,489	32,800
Commissions paid to third parties	17,241	17,224
Customer care	15,013	11,726
Product management	2,524	2,368
Other selling expenses	8,555	7,016
Total	**265,132**	**238,977**

9. General and administrative expenses

€k	2021	2020
Personnel expenses	23,662	19,174
Services provided by third parties	19,692	20,359
Payment transaction costs	9,082	8,589
Depreciation and amortization	6,496	6,473
Legal and consulting fees	5,200	3,740
Lease expenses	2,586	1,416
Accounts receivable management	1,368	1,587
Other	8,951	8,790
Total	**77,037**	**70,128**

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:

€k	2021	2020
Trade accounts receivable	8,539	6,054
Contract assets	-16	3
Total	**8,523**	**6,057**

Translation from the German language

11. Other operating expenses/income

Other operating expenses

€k	2021	2020
Expenses from foreign currency translation	10,587	11,498
Other taxes	2,320	1,055
Losses from the disposal of property, plant and equipment and intangible assets	945	222
Expenses relating to other periods	330	2,069
Miscellaneous	1,722	411
Total	**15,904**	**15,255**

Expenses from foreign currency translation mainly comprise losses from exchange rate changes between the date of origination and time of payment of foreign currency receivables and payables as well as losses from measurement as of the reporting date. Currency gains from these items are reported under other operating income. A net consideration of this item results in a net loss of € 4,244k (prior year: net profit of € 4,077k).

Other operating income

€k	2021	2020
Income from foreign currency translation	6,343	15,575
Income from dunning/return debit charges	2,172	2,440
Income from the disposal of property, plant and equipment and intangible assets	1,426	400
Income from allocations to affiliated companies	739	1,394
Miscellaneous	1,671	2,369
Total	**12,351**	**22,178**

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.

Translation from the German language

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:

€k	2021	2020
Cost of sales	76,665	71,617
Selling expenses	29,489	32,800
General and administrative expenses	6,496	6,473
Total	**112,650**	**110,890**

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

€k	2021	2020
Intangible assets		
Customer base	23,812	26,890
Software	6,192	4,989
Total	**30,004**	**31,879**

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

€k	2021	2020
STRATO	15,874	19,588
Arsys	3,653	3,653
IONOS SE	2,904	2,904
home.pl	3,105	3,225
World4You	2,248	2,498
we22	2,208	0
ASCI	12	11
Total	**30,004**	**31,879**

Amortization of assets resulting from business combinations breaks down by function as follows:

€k	2021	2020
Selling expenses	23,812	26,890
Cost of sales	6,192	4,989
Total	**30,004**	**31,879**

Translation from the German language

13. Personnel expenses

Personnel expenses for fiscal year 2021 come to € 234,954k (prior year: € 200,287k) and break down by function as follows:

€k	2021	2020
Selling expenses	110,984	101,129
Cost of sales	100,308	79,984
General and administrative expenses	23,662	19,174
Total	**234,954**	**200,287**

Personnel expenses include expenses for wages and salaries of € 202,539k (prior year: € 172,410k), social security costs of € 31,586k (prior year: € 27,159k) and pension costs of € 829k (prior year: € 718k).

The average headcount came to 3,946 in the fiscal year (prior year: 3,540) and is divided between domestic and foreign employees as follows:

	2021	2020
Domestic	2,173	1,877
Foreign	1,773	1,663
Total	**3,946**	**3,540**

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 2021, they totaled € 12,235k (prior year: € 8,784k).

14. Finance costs

€k	2021	2020
Intercompany interest and similar expenses	91,844	102,003
Subsequent measurement of a purchase price liability	11,373	5,547
Subsequent measurement of the put option liabilities	8,163	2,441
Finance costs from leases	2,433	2,186
Interest expense from the tax audit	1,279	784
Other	341	336
Total	**115,433**	**113,297**

Intercompany interest and similar expenses mainly relate to interest in connection with the vendor loan granted by United Internet AG and cash pool transactions with companies of United Internet AG and Group entities that do not belong to the basis of consolidation of the IONOS TopCo Group. For further information, please refer to Note 40.

The expenses from the subsequent measurement of a purchase price liability of € 11,373k (prior year: € 5,547k) stem from the subsequent measurement of the purchase price liability for the purchase of STRATO AG. For further information, please refer to Note 34.

The expenses from the subsequent measurement of the put option liabilities of € 8,163k (prior year: € 2,441k) stem from the subsequent measurement of the put option for the minority interests in InterNetX Holding GmbH. For further information, please refer to Note 34.

Translation from the German language

15. Finance income

€k	2021	2020
Interest income from the tax audit	499	45
Income from equity investments	113	942
Interest and similar income from related parties	25	48
Interest income from discounting non-current provisions	29	181
Other finance income	41	409
Total	**707**	**1,625**

In the prior year, income from equity investments arose almost exclusively from dividends from Afilias Inc., Horsham, Pennsylvania, USA (see also Note 37 Other provisions).

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 IONOS TopCo Group. For further information, please refer to Note 40.

16. Income taxes

Income taxes of € 36,203k (prior year: € 41,970k) of the IONOS TopCo Group are comprised as follows:

€k	2021	2020
Germany	-45,728	-47,973
Outside Germany	-12,636	-10,130
Total current taxes	**-58,364**	**-58,103**

€k	2021	2020
Due to tax interest carryforwards	9,019	10,901
Due to tax loss carryforwards	0	-2,044
Tax effect on temporary differences	12,989	7,084
Due to tax rate changes	153	192
Total deferred taxes	**22,161**	**16,133**
Total tax expense	**-36,203**	**-41,970**

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 2021 for the tax group of IONOS Holding SE amounted to approx. 14.60% (prior year: 14.64%).

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 € 1,201k (prior year: € 4,449k).

Deferred tax assets are recognized for tax loss carryforwards, tax interest 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 2021, there was no deferred tax expense from the utilization of deferred tax assets on tax loss carryforwards (prior year: € 2,043k).

The loss carryforwards in Germany, for which no deferred taxes were recognized, relate to IONOS TopCo SE and amount to € 4,069k for corporate income tax and € 4,076k for trade tax. There are no longer any foreign tax loss carryforwards.

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 € 112,962k (prior year: € 118,520k).

Due to the positive plans pointing to taxable profits, additional deferred tax assets were recognized on interest carryforwards in the fiscal year. The resulting tax benefit was € 9,019k in the fiscal year (prior year: € 10,901k). Of this amount, deferred tax assets of € 2,989k relate to interest carryforwards from prior years.

Translation from the German language

Deferred taxes resulted from the following items:

	Dec. 31, 2021		Dec. 31, 2020	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Trade accounts receivable	678	172	670	2
Inventories	83	0	83	0
Contract assets	3	2,042	7	2,759
Other financial assets - current	2,164	0	408	0
Other financial assets - non-current	28	915	466	1,871
Prepaid expenses	15,066	3,157	15,849	2,879
Property, plant and equipment	1,219	5,449	1,492	5,045
Right-of-use assets from leases	49	25,924	0	17,977
Intangible assets	4,090	65,438	5,980	67,950
Other provisions	31,080	0	16,050	171
Contract liabilities	14,631	38,045	15,378	39,945
Lease liabilities	26,709	59	18,620	4
Other liabilities	717	268	88	191
Gross value	**96,517**	**141,469**	**75,091**	**138,794**
Tax interest carryforwards	19,919	0	10,901	0
Adjustments for consolidation	0	74	106	428
Offsetting	-116,334	-116,334	-85,100	-85,100
Consolidated statement of financial position	**102**	**25,209**	**998**	**54,122**

The net balance of deferred tax liabilities of € 53,124k in the prior year decreased to a net balance of deferred tax liabilities of € 25,107k. As a result, the total change in the net balance of deferred taxes amounted to € 28,017k (prior year: € 22,235k). This change was mainly due to the following factors:

- Increase of € 9,019k in deferred tax assets on interest carryforwards.
- Decrease of € 3,720k in deferred tax liabilities from intangible assets in connection with company acquisitions (decrease of € 7,598k due to amortization and increase of € 3,878k due to capitalization of intangible assets from the acquisition of we22 Aktiengesellschaft).
- Increase of € 14,255k in deferred tax assets from provisions for the LTIP.

The deferred tax liabilities on intangible assets of € 65,438k (prior year: € 67,950k) largely arose from the different treatment of intangible assets recognized in connection with acquisitions in the consolidated financial statements and the tax accounts.

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

€k	2021	2020
Deferred tax income	22,161	16,133
Addition in connection with the acquisition of we22 Aktiengesellschaft	-3,878	0
Deferred tax effects recognized in equity	9,734	6,102
Change in the net balance of deferred taxes	**28,017**	**22,235**

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

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

	2021 %	2020 %
Anticipated tax rate	**30.4**	**30.5**
Current and deferred taxes for prior years	1.7	3.4
Effect from tax rate changes	-0.2	-0.2
Tax effects in connection with group-internal dividends and disposals	1.1	0.6
Write-downs on intangible assets deductible for tax purposes only	0.1	0.0
Effect from tax rate differences	-5.9	-3.4
Transaction costs in connection with acquisitions that must be capitalized for tax purposes	0.6	0.1
Non-deductible write-downs on financial assets	6.1	2.1
First-time capitalization of interest carryforwards that can be used in the future	-2.2	-9.2
Tax losses and non-deductible interest of the fiscal year for which no deferred taxes were recognized	0.2	8.4
Impairment of deferred tax assets	0.0	0.1
Trade tax add-back	2.8	2.5
Balance of other tax-free income and non-deductible expenses	2.2	0.7
Effective tax rate	**36.9**	**35.6**

The balance of other tax-free income and non-deductible expenses relates in particular to intragroup dividends.

The anticipated tax rate corresponds to the tax rate of the German tax group of 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 IONOS Holding 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:

Translation from the German language

€k	Dec. 31, 2021	Dec. 31, 2020
Trade accounts receivable	58,530	44,113
Less bad debt allowances	-9,004	-8,541
Trade accounts receivable, net	**49,526**	**35,572**

The development of bad debt allowances can be seen below:

€k	2021	2020
As of January 1	8,541	9,488
Utilization	-3,867	-4,040
Additions charged to profit or loss	4,983	4,780
Reversals	-807	-1,341
Exchange rate differences	154	-346
As of December 31	**9,004**	**8,541**

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

As of December 31, 2021, the age structure of trade accounts receivable net of the abovementioned allowances was as follows:

€k	2021	2020
0-5 days	43,536	29,115
6-15 days	1,943	1,907
16-30 days	2,065	1,621
31-180 days	1,215	1,976
181-365 days	729	393
> 365 days	38	560
Total	**49,526**	**35,572**

19. Receivables from related parties

As of the reporting date, receivables from related parties amounted to € 15,830k (prior year: € 40,701k) and relate to Group entities of the United Internet Group that do not belong to the basis of consolidation of the IONOS TopCo Group.

For information on transactions with related parties, please refer to Note 40.

Translation from the German language

20. Contract assets

€k	2021	2020
Contract assets	7,904	9,914
Less bad debt allowances	-8	-24
Contract assets, net	**7,896**	**9,890**
thereof contract assets – current	7,894	9,881
thereof contract assets – non-current	2	9

21. Prepaid expenses

Current prepaid expenses of € 18,127k (prior year: € 16,090k) consist mainly of costs to obtain a contract of € 7,215k (prior year: € 6,600k) 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 € 5,962k (prior year: € 4,361k) consist mainly of non-current prepaid costs to obtain a contract of € 4,803k (prior year: € 3,657k).

The amortization of capitalized costs to obtain a contract came to € 10,002k in fiscal year 2021 (prior year: € 11,289k).

22. Other current assets

Other current financial assets

Other current financial assets come to € 15,390k as of December 31, 2021 (prior year: € 11,983k) and are comprised as follows:

€k	Dec. 31, 2021	Dec. 31, 2020
Payments on account	6,422	5,908
Additional payment obligation II deposited in notary escrow accounts	2,076	0
Creditors with debit balances	1,895	2,259
Denic reimbursement	1,846	1,829
Security deposits	826	675
Miscellaneous	2,325	1,312
Other financial assets, net	**15,390**	**11,983**

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 € 145k (prior year: € 285k) primarily relate to VAT receivables.

Translation from the German language

23. Income tax claims

Income tax claims totaling € 5,141k (prior year: € 10,934k) mainly relate to IONOS Holding SE (€ 2,700k) and Fasthosts Internet Ltd. (€ 1,209k) (prior year: IONOS Holding SE (€ 5,615k) and united-domains AG (€ 4,378k)).

24. Investments in associated companies

Investments in associated companies amount to € 3,589k (prior year: € 2,208k) and developed as follows as of the reporting date:

€k	2021	2020
As of January 1	2,208	2,051
Addition due to acquisition	2,394	0
Impairment	-1,000	0
Distributions	-229	-108
Earnings contributions	216	265
As of December 31	**3,589**	**2,208**

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

€k	Dec. 31, 2021	Dec. 31, 2020
Stackable GmbH	1,343	0
DomainsBot S.r.l.	1,288	1,286
Intellectual Property Management Company Inc.	958	922
Investments in associated companies	**3,589**	**2,208**

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

€k	Dec. 31, 2021	Dec. 31, 2020
Current assets	2,994	2,253
Non-current assets	132	125
Current liabilities	484	91
Non-current liabilities	0	0
Equity	**2,642**	**2,287**
Revenue	4,006	3,621
Net profit/loss	419	744

Translation from the German language

As of December 16, 2021, the Group acquired 25.1% of the shares in Stackable GmbH, Wedel, which was included as an associated company in the consolidated financial statements for the first time. Stackable GmbH has developed an open source-based platform for analyzing and processing large data volumes.

All summarized financial information is based on local accounting standards as a reconciliation of this financial information to IFRS would incur disproportionately high costs.

25. Other non-current financial assets

The development of other non-current financial assets for the 2021 reporting year was as follows:

€k	Jan. 1, 2021	Additions	Currency effects	Change in fair value	Disposal	Dec. 31, 2021
Other non-current assets	1,935	30	-1	0	-18	1,946
	1,935	**30**	**-1**	**0**	**-18**	**1,946**

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

Please refer to Note 39 for the method used to measure the shares in Afilias Inc.

26. Property, plant and equipment

Property, plant and equipment amounted to € 271,782k as of the reporting date (prior year: € 219,908k) and are comprised as follows:

€k	Dec. 31, 2021	Dec. 31, 2020
Cost		
Land and buildings	11,804	9,318
Operating and office equipment	470,632	424,773
Payments on account	19,346	7,016
Right-of-use assets from leases (IFRS 16)	122,825	90,237
	624,607	**531,344**
Less		
Accumulated depreciation	-352,825	-311,436
Property, plant and equipment, net	**271,782**	**219,908**

Right-of-use assets from leases relate to land and buildings with an acquisition cost of € 113,431k (prior year: € 82,702k) and a net carrying amount of € 86,430k as of December 31, 2021 (prior year: € 61,823k) and operating and office equipment with an acquisition cost of € 9,394k (prior year: € 7,535k) and a carrying amount of € 3,254k as of December 31, 2021 (prior year: € 2,651k).

An alternative presentation of the development of property, plant and equipment in fiscal year 2021 can be found in the exhibit to the notes to the consolidated financial statements (development of intangible assets and property, plant and equipment).

27. Intangible assets (without goodwill)

Intangible assets without goodwill amounted to € 201,437k as of December 31, 2021 (prior year: € 220,960k) and are comprised as follows:

€k	Dec. 31, 2021	Dec. 31, 2020
Cost		
Software/licenses	122,885	115,150
Trademarks	52,886	52,712
Customer base	303,536	300,665
Internally generated intangible assets	4,745	4,220
Other intangible assets	3,522	3,431
Payments on account	1,014	0
	488,588	**476,178**
Less		
Accumulated amortization	-287,151	-255,218
Intangible assets, net	**201,437**	**220,960**

An alternative presentation of the development of intangible assets in fiscal year 2021 can be found in the exhibit to the notes to the consolidated financial statements (development of intangible assets and property, plant and equipment). The carrying amounts of intangible assets with indefinite useful lives (trademarks and domain licenses) totaled € 51,830k (prior year: € 51,626k). Intangible assets with indefinite useful lives were tested for impairment on the level of the cash-generating units as of the reporting date.

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

€k	Dec. 31, 2021	Dec. 31, 2020
STRATO	94,512	109,833
World4You	17,784	19,631
home.pl	11,299	14,257
Arsys	2,458	7,004
we22	1,748	0
Other	38	49
Customer base	**127,839**	**150,774**

The residual amortization period for the customer base from the acquisition of STRATO AG amounts to 1 to 9 years depending on the product groups (prior year: 1 to 10 years), with 7 years applicable to most product groups (prior year: 8 years). The residual amortization period for the customer base of the home.pl transaction amounts to 4 years (prior year: 5 years), for Arsys 1 year (prior year: 2 years) and for World4You 10 years (prior year: 11 years).

The following table provides an overview of the carrying amounts of the trademarks for each cash-generating unit as of the reporting date:

€k	Dec. 31, 2021	Dec. 31, 2020
STRATO	20,071	20,071
home.pl	10,519	10,618
Arsys	7,553	7,553
united-domains	4,198	4,198
Fasthosts	4,121	3,848
World4You	3,494	3,494
Cronon	462	462
Trademarks	**50,418**	**50,244**

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

28. 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.

Translation from the German language

Goodwill as of December 31, 2021 is allocated to the cash-generating units as follows:

€k	Dec. 31, 2021	Dec. 31, 2020
STRATO	401,570	401,570
home.pl	117,470	117,978
Arsys	100,495	100,495
Fasthosts	64,822	60,523
World4You	51,250	51,250
united-domains	35,924	35,924
IONOS	28,565	28,565
we22	14,577	0
InterNetX	5,237	5,237
Sedo (domain marketing)	5,098	5,098
ASCI	253	253
Goodwill	**825,261**	**806,893**

Scheduled impairment test as of December 31, 2021

With the exception of the cash-generating unit we22 (value in use), 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 or value in use 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 2022. Due to the manageable consequences of the coronavirus pandemic in 2021, 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 0.1% to 0.8% (prior year: 0.0% to 0.8%), 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 5.3% and 6.8% (prior year: between 5.1% and 6.7%).

Translation from the German language

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	2021	48.7%	0.1%	5.3%
	2020	49.8%	0.0%	5.2%
home.pl	2021	14.2%	0.5%	6.2%
	2020	14.6%	0.5%	6.2%
Arsys	2021	12.2%	0.8%	6.8%
	2020	12.5%	0.8%	6.7%
Fasthosts	2021	7.9%	0.3%	6.0%
	2020	7.5%	0.3%	5.8%
World4You	2021	6.2%	0.2%	5.7%
	2020	6.4%	0.2%	5.6%
united-domains	2021	4.4%	0.1%	5.3%
	2020	4.5%	0.0%	5.2%
IONOS	2021	3.5%	0.2%	5.6%
	2020	3.5%	0.2%	5.5%
we22	2021	1.8%	0.1%	7.3%*
	2020	-	-	-
InterNetX	2021	0.6%	0.1%	5.3%
	2020	0.6%	0.0%	5.2%
Sedo (domain marketing)	2021	0.6%	0.1%	5.3%
	2020	0.6%	0.0%	5.1%

*: Discount rate before taxes

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 3.4% and 11.8% (prior year: between 2% and 9%).

Fair value less costs of disposal is primarily 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 0.3% and 3.0% were assumed (prior year: between 0.6% and 3.0%).

In the IONOS TopCo Group, trademarks recognized amount to € 50,418k (prior year: € 50,244k). 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 at the level of the cash-generating units as of the reporting date.

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 was assumed. These assumptions would not result in any changes to the impairment test.

Translation from the German language

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.

29. Trade accounts payable

Trade accounts payable amount to € 63,427k as of the reporting date (prior year: € 52,180k). Trade accounts payable comprise all payables to suppliers for goods delivered and services provided by third parties, all of which are, as in the prior year, due in up to one year.

30. Liabilities to related parties

Current and non-current liabilities to related parties amount to € 1,320,935k as of the reporting date (prior year: € 1,473,249k) and relate to Group entities of the United Internet Group that do not belong to the basis of consolidation of the IONOS TopCo Group. They include three long-term loans from United Internet AG of € 889,000k (prior year: € 1,040,000k), € 350,000k (prior year: € 350,000k) and € 76,000k (prior year: € 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 40.

31. Income tax liabilities

Income tax liabilities amount to € 14,046k as of the reporting date (prior year: € 17,858k) and are comprised as follows:

€k	Dec. 31, 2021	Dec. 31, 2020
Trade tax		
Germany	6,728	4,598
	6,728	**4,598**
Corporate income tax		
Germany	6,167	4,245
Romania	602	612
Poland	356	146
France	61	0
Philippines	38	25
Austria	33	467
USA	0	3,635
Spain	0	253
	7,257	**9,383**
Other income taxes		
Germany	61	3,877
Income tax liabilities	**14,046**	**17,858**

In the prior year, other income taxes comprised tax on investment income of € 3,727k payable by IONOS SE.

32. Contract liabilities

	2021 €k	2020 €k
Contract liabilities	**72,190**	**72,008**
thereof current	71,629	71,238
thereof non-current	561	770

Translation from the German language

33. Other provisions

Provisions amount to € 2,658k as of December 31, 2021 (prior year: € 2,027k) and developed as follows in the fiscal year:

€k	Special remuneration	Litigation risks	Asset retirement obligation	Onerous contracts	Total
As of January 1	**0**	**236**	**1,519**	**272**	**2,027**
Utilization	0	149	0	31	180
Reversals	0	63	0	0	63
Interest effects	0	0	75	0	75
Addition	669	86	0	12	767
Currency effects	0	8	22	2	32
As of December 31	**669**	**118**	**1,616**	**255**	**2,658**

For information on provisions for special remuneration, please refer to Note 35.

Provisions for asset retirement obligations of € 1,616k (prior year: € 1,519k) are non-current provisions with terms of more than five years (prior year: two to five years).

Litigation risks comprise various legal disputes involving different entities of the IONOS TopCo Group, all of which are classified as current as of December 31, 2021 (prior year: € 236k current).

Of the provisions for onerous contracts, an amount of € 58k (prior year: € 82k) is non-current.

34. Other liabilities

Other current financial liabilities

Other current financial liabilities are comprised as follows:

€k	Dec. 31, 2021	Dec. 31, 2020
Contingent purchase price liabilities	36,096	24,723
Personnel related liabilities	16,448	15,217
Put option liabilities (InterNetX)	15,884	0
Lease liabilities	10,228	13,757
Marketing and selling expenses/commissions	7,748	8,476
Legal and consulting fees, auditing fees	4,811	1,859
Debtors with credit balances	3,564	3,820
Purchase price liability	2,076	0
Service/maintenance	844	830
Miscellaneous	2,563	1,932
Other current financial liabilities	**100,262**	**70,614**

The contingent purchase price liabilities refer to variable purchase price components from the acquisition of STRATO AG amounting to € 31,680k (prior year: € 20,307k) 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. The amount of the purchase price for the two put options depends largely on the development of the entity’s earnings. The exercise date depends on future events which have to be estimated. The estimate was adjusted in the course of the fiscal year.

The subsequent measurement of the put option liability, which relates to the minority interests in InterNetX Holding GmbH, amounted to € 8,163k (prior year: € 2,441k). Since the liability is due within the next 12 months, it is recognized as current for the first time (prior year: non-current).

Please refer to Note 43 for information on current lease liabilities.

Other current non-financial liabilities

Other current non-financial liabilities of € 21,998k (prior year: € 11,586k) mainly relate to liabilities to tax authorities in connection with VAT and sales tax of € 14,934k (prior year: € 8,224k) and wage and church tax of € 3,384k (prior year: € 2,982k).

Other non-current financial liabilities

€k	Dec. 31, 2021	Dec. 31, 2020
Lease liabilities	82,298	52,981
Put option liabilities (InterNetX)	0	7,721
Miscellaneous	353	352
Other non-current financial liabilities	**82,651**	**61,054**

The lease liabilities stem from lease accounting under IFRS 16. For further information, please refer to Note 43.

The prior-year put option liabilities comprise the put option liability, which relates to the minority interests in InterNetX Holding GmbH. They were recognized as current as of December 31, 2021.

35. Share-based payment – employee stock ownership programs

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

	Apr. 1, 2021	Jun. 1, 2021	Aug. 1, 2021
Number of MIP units granted	5,146	1,000	37,500
Strike price	€ 305.60	€ 307.10	€ 331.60
Fair value at time of issue	€ 30.30	€ 44.01	€ 56.75
Volatility	approx. 41%	approx. 43%	approx. 41%
Maturity at time of issue	up to 1 year	up to 1 year	up to 1 year
Dividend yield	0%	0%	0%
Risk-free interest	0%	0%	0%

	Jan. 1, 2021 (1)	Jan. 1, 2021 (2)	Jan. 1, 2021 (3)	Jan. 1, 2021 (4)	Jan. 1, 2021 (5)
Number of MIP units granted	1,000	2,200	1,000	37,500	1,250
Strike price	€ 191.40	€ 198.90	€ 206.90	€ 259.40	€ 358.80
Fair value at time of issue	€ 121.15	€ 114.82	€ 108.29	€ 71.21	€ 28.67
Volatility	approx. 44%	approx. 44%	approx. 44%	approx. 44%	approx. 44%
Maturity at time of issue	up to 1 year	up to 1 year	up to 1 year	up to 1 year	up to 1 year
Dividend yield	0%	0%	0%	0%	0%
Risk-free interest	0%	0%	0%	0%	0%

	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%

	Oct. 1, 2017	Apr. 1, 2019	Jul. 1, 2019	Oct. 1, 2019
Number of MIP units granted	300,000	90,750	21,500	37,500
Strike price	€ 114.70	€ 156.20	€ 182.00	€ 202.40
Fair value at time of issue	€ 71.70	€ 62.60	€ 54.55	€ 58.36
Volatility	approx. 28%	approx. 38%	approx. 38%	approx. 38%
Maturity at time of issue	approx. 4 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 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: 1 to 4 years).

The fair value of commitments classified as equity instruments in the current fiscal year totaled € 5,516k as of the grant date (prior year: € 3,314k).

The total expense from vested and future entitlements under the employee stock ownership program amounts to € 35,770k (prior year: € 27,513k). The cumulative expense as of December 31, 2021 amounted to € 33,867k (prior year: € 21,748k). Expenses for future years therefore account for € 1,903k (prior year: € 5,765k). The personnel expense recognized in connection with issued stock options amounted to € 12,119k in the fiscal year (prior year: € 9,468k).

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

	MIP units	Average strike price (€)
Outstanding as of December 31, 2020	**0**	**0.00**
issued	66,738	161.56
Outstanding as of December 31, 2021	**66,738**	**161.56**
Exercisable as of December 31, 2021	0	n/a

In addition, another 12,500 MIP units with an average strike price of € 125.30 are outstanding for former employees as of the reporting date.

In fiscal year 2021, another employee stock ownership program (Long Term Incentive Plan, LTIP) was introduced for selected members of the management board and the general managers of the we22 Group (we22 AG including subsidiaries and investees).

The LTIP is designed to align the long-term interests of the employees of the we22 Group with the interests of the Company in order to raise the equity value of the we22 Group and IONOS TopCo SE.

Within the LTIP, qualifying employees of the we22 Group are allocated so-called Management Incentive Plan (MIP) units. The grant is made on a straight-line basis over a period of around 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. The entitlements are settled in the form of cash.

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

Issued on	Feb. 1, 2021	Feb. 28, 2021
Number of MIP units granted	64,238	2,500
Strike price	€ 161.56	€ 161.56
Fair value at time of issue	€ 34.00	€ 33.90
Volatility	approx. 44%	approx. 43%
Maturity at time of issue	approx. 4 years	4 years
Dividend yield	0%	0%
Risk-free interest	0%	0%

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

	MIP units	Average Strike price (€)
Outstanding as of December 31, 2020	**0**	**0.00**
issued	66,738	161.56
Outstanding as of December 31, 2021	**66,738**	**161.56**
Exercisable as of December 31, 2021	0	n/a

The total expense from vested entitlements under this employee stock ownership program which is carried as cash-settled in the statement of financial position is expected to be € 2,872k (prior year: € 0k). The cumulative expense as of December 31, 2021 amounted to € 669k (prior year: € 0k). The personnel expense recognized in connection with issued stock options amounted to € 669k in the fiscal year (prior year: € 0k).

36. Issued capital

The issued capital of the ultimate parent IONOS TopCo SE stood at € 360k as of the reporting date December 31, 2021 (prior year: € 360k).

Issued capital comprises 360,001 shares including one preferred share. Having acquired an additional 30,360 shares from WP XII Venture Holdings II SCSp in fiscal year 2021, United Internet AG holds 270,361 of these shares including the preferred share (prior year: 240,001 shares including the preferred share). The remaining shares are held by WP Lux II Venture Holdings II SCSp. Until February 15, 2020, the preferred share entitled United Internet AG, among other things, 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 IONOS Holding SE, a direct subsidiary of 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.

37. Reserves

The change in reserves in fiscal year 2021 is mainly due to the net income of € 60,923k (prior year: € 75,513k) and the measurement of the LTIP of € 12,114k (prior year: € 9,459k). In addition, deferred tax assets of € 10,531k (prior year: € 3,071k) were recognized on the LTIP directly under reserves in the reporting year.

Revaluation reserves

As of January 1, 2020, 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 39). 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 prior year. Translated into euros, the sales proceeds amounted to € 77,637k. 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 accumulated profit. In the prior year, the Group received dividends of € 942k 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.

38. Non-controlling interests

As of December 31, 2021, 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).

Translation from the German language

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

€k	2021	2020
Current assets	62,237	58,272
Non-current assets	20,010	107,460
Current liabilities	30,100	32,532
Non-current liabilities	8,795	14,239
Equity	**43,352**	**118,961**
Revenue from contracts with customers	178,479	152,424
Pre-tax result	**32,440**	**26,583**
Income taxes	-9,861	-7,121
Net income	**22,579**	**19,462**

39. Additional disclosures on financial instruments

The table below shows the carrying amounts for each category of financial assets and liabilities as of December 31, 2021:

€k	Measurement category acc. to IFRS 9	Carrying amount as of Dec. 31, 2021	Amortized cost	Fair value through profit or loss	Measurement acc. to IFRS 16	Fair value as of Dec. 31, 2021
Financial assets						
Cash and cash equivalents	ac	49,520	49,520	0	0	49,520
Trade accounts receivable	ac	49,526	49,526	0	0	49,526
Receivables from related parties	ac	15,830	15,830	0	0	15,830
Other current financial assets	ac	15,390	15,390	0	0	15,390
Other non-current financial assets	ac	1,946	1,946	0	0	1,946

€k	Measurement category acc. to IFRS 9	Carrying amount as of Dec. 31, 2021	Amortized cost	Fair value through profit or loss	Measurement acc. to IFRS 16	Fair value as of Dec. 31, 2021
Financial liabilities						
Trade accounts payable	flac	-63,427	-63,427	0	0	-63,427
Liabilities to related parties	flac	-1,320,935	-1,320,935	0	0	-1,584,663
Other financial liabilities						
Lease liabilities	n/a	-92,526	0	0	-92,526	n/a
Contingent purchase price liability	fvtpl	-36,096	0	-36,096		-36,096
Other	flac	-54,291	-54,291	0	0	-54,291
Thereof aggregated acc. to measurement categories:						
Financial assets at amortized cost	ac	132,212	132,212	0	0	132,212
Financial liabilities at amortized cost	flac	-1,438,653	-1,438,653	0	0	-1,702,381
Financial liabilities measured at fair value through profit or loss	fvtpl	-36,096	0	-36,096	0	-36,096

Translation from the German language

The following net results were stated for the individual categories of financial instruments according to IFRS 9 in fiscal year 2021:

€k	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
Financial assets at amortized cost	ac	66	0	-2,971	-8,539	0	-11,444
Financial assets at fair value							
- through other comprehensive income	fvoci	113	0	0	0	0	113
Financial liabilities at amortized cost	flac	-92,035	0	-1,273	0	-8,163	-101,471
Financial liabilities measured at fair value							
- through profit or loss	fvtpl	0	-11,373	0	0	0	-11,373
		-91,856	-11,373	-4,244	-8,539	-8,163	-124,175

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

€k	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
Financial assets						
Cash and cash equivalents	ac	105,805	105,805	0	0	105,805
Trade accounts receivable	ac	35,572	35,572	0	0	35,572
Receivables from related parties	ac	40,701	40,701	0	0	40,701
Other current financial assets	ac	11,983	11,983	0	0	11,983
Other non-current financial assets	ac	1,935	1,935	0	0	1,935

Translation from the German language

€k	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
Financial liabilities						
Trade accounts payable	flac	-52,180	-52,180	0	0	-52,180
Liabilities to related parties	flac	-1,473,249	-1,473,249	0		-1,791,474
Liabilities due to banks	flac	-4	-4	0		-4
Other financial liabilities						
Lease liabilities	n/a	-66,738	0	0	-66,738	n/a
Contingent purchase price liability	fvtpl	-24,723	0	-24,723		-24,723
Other	flac	-40,207	-40,207	0	0	-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

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				
€k	Measurement category acc. to IFRS 9	From interest and dividends	At fair value	Currency translation	Allowance	Other	Net result
Financial assets at amortized cost	ac	457	0	2,854	-6,054	0	-2,743
Financial assets at fair value							
- through other comprehensive income	fvoci	942	0	0	0	0	942
Financial liabilities at amortized cost	flac	-102,238	0	1,223	0	-2,441	-103,456
Financial liabilities measured at fair value							
- through profit or loss	fvtpl	0	-5,547	0	0	0	-5,547
		-100,839	-5,547	4,077	-6,054	-2,441	-110,804

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.

Translation from the German language

- 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 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, 2021, 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.

Fair value hierarchy

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

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

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

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

Assets and liabilities measured at fair value

€k	As of Dec. 31, 2021	Level 1	Level 2	Level 3
Financial liabilities measured at fair value through profit or loss				
Contingent purchase price liability	-36,096			-36,096

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

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

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, 2021:

Dec. 31, 2021	Measurement method	Main non-observable inputs	Considered in measurement	Sensitivity of input on fair value	
Contingent purchase price liability	Black-Scholes	Maturity	0.5 years	+0.25 years	+1 year
				€ -1.9 million	€ -5.8 million
		Volatility	36.58%	+1%	-1%
				€ -0.2 million	€ +0.2 million

Another purchase price liability measured at fair value is already due. As only the related payment is outstanding, no sensitivity analysis was prepared.

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	-0.5 years
				€ -2.0 million	€ +4.9 million
		Volatility	43.80%	+1%	-1%
				€ -0.2 million	€ +0.2 million
Contingent purchase price liability	Modified multiple	EBITDA growth	4%	+1%	-1%
				€ +0.1 million	€ -0.1 million

40. 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 IONOS TopCo Group's related parties include the Management Board and the Supervisory Board of IONOS TopCo SE and the management boards and supervisory boards of IONOS Holding SE and IONOS SE as well as the Group companies of the United Internet AG Group, which are not included in the IONOS TopCo Group's basis of consolidation. In addition, the equity investments over which the companies of the IONOS TopCo 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 IONOS TopCo SE and of the management board and supervisory board of IONOS Holding SE have key positions in the IONOS TopCo Group and are therefore considered related parties.

Management Board

In fiscal year 2021, the Management Board of IONOS TopCo SE (as the ultimate parent) and the management board of IONOS Holding SE had the following members:

IONOS TopCo SE:

- Hüseyin Dogan
- Achim Weiss

IONOS Holding SE:

- Hüseyin Dogan
- Dr. Martin Endress
- Anne Claudia Frese
- Hans-Henning Kettler
- Arthur Mai
- Britta Schmidt (since July 12, 2021)
- Matthias Steinberg (resigned as of July 11, 2021)
- 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

Translation from the German language

reviewed. The last review was carried out 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 between 0% and 150%. The bonus calculation ends at 150% of the agreed target. There is no minimum guaranteed bonus. Payment is made after the consolidated financial statements have been adopted by the Supervisory Board.

The compensation of members of the Management Board of IONOS TopCo SE and of the management boards of IONOS SE and IONOS Holding SE for fiscal year 2021 breaks down as follows according to fixed and variable compensation:

€k	2021	2020
Fixed remuneration	2,955	2,346
Variable remuneration not including share-based payments	1,885	1,294
Total	**4,840**	**3,640**

There are no retirement benefits from IONOS TopCo SE to members of the Management Board. Termination benefits amounted to € 946k in 2021 (prior year: € 688k).

The share-based payment expense for the management board members in connection with the LTIP recognized in the consolidated financial statements came to € 8,789k (prior year: € 7,637k).

The related remuneration within the meaning of IAS 24 (including current cost of share-based payments) amounted to € 14,575k (prior year: € 11,965k).

In fiscal years 2020 and 2021, management board members were granted rights to receive share-based payments under the LTIP. 75,000 MIP units with a fair value of € 4,799k as of the issue date were issued to management board members in fiscal year 2021 (prior year: 50,000 MIP units with a fair value of € 2,921k as of the issue date).

Total remuneration of the members of the Management Board within the meaning of section 314 (1) no. 6 a and b German Commercial Code (HGB), i.e., including the fair values of the share-based payments granted in 2021, came to € 10,585k in the fiscal year (prior year: € 7,249k).

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

Supervisory Board

In fiscal year 2021, the Supervisory Board of IONOS TopCo SE and the supervisory board of IONOS Holding SE had the following members:

IONOS TopCo SE:

- Max Fowinkel (chair)
- Issam Abedin (deputy chair)
- Sebastian Heming (resigned as of September 17, 2021)
- Markus Kadelke
- Lutz Laffers
- Markus Langer
- Lysander Ammann (since November 26, 2021)

IONOS Holding SE:

- Ralph Dommermuth (chair; since March 4, 2021)
- René Obermann (deputy chair)
- Kurt Dobitsch
- Max Fowinkel (resigned as of August 31, 2021)

- Martin Mildner
- Michael Scheeren (resigned as of February 23, 2021)
- Vanessa Stützle (since September 1, 2021)

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

2021

€k	Fixed	Attendance fee	Total
Ralph Dommermuth	0	0	0
René Obermann	0	0	0
Kurt Dobitsch	20	6	26
Max Fowinkel	0	0	0
Martin Mildner	0	0	0
Michael Scheeren	3	0	3
Vanessa Stützle	7	2	9
	30	**8**	**38**

2020

€k	Fixed	Attendance fee	Total
René Obermann	0	0	0
Ralph Dommermuth	0	0	0
Kurt Dobitsch	30	4	34
Max Fowinkel	0	0	0
Frank Krause	0	0	0
Martin Mildner	0	0	0
Michael Scheeren	30	4	34
	60	**8**	**68**

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 IONOS TopCo Group and associated companies are regarded as related parties of the IONOS TopCo Group.

Current receivables from related parties are comprised as follows as of December 31, 2021 and December 31, 2020, respectively:

€k	Dec. 31, 2021	Dec. 31, 2020
United Internet AG	8,350	33,282
1&1 Telecommunication SE	3,377	392
1&1 Mail & Media GmbH	2,930	3,139
United Internet Corporate Services GmbH	638	834
1&1 Mail & Media Inc.	213	610
1&1 Telecom GmbH	54	1,583
United Internet Media GmbH	13	443
Other	255	418
Receivables from related parties	**15,830**	**40,701**

Translation from the German language

Receivables from related parties mainly comprise cash pool receivables (€ 12,289k; prior year: € 37,659k) and trade accounts receivable (€ 3,541k; prior year: € 3,042k). 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 2020 and 2021.

Current liabilities to related parties are comprised as follows as of December 31, 2021 and December 31, 2020, respectively:

€k	Dec. 31, 2021	Dec. 31, 2020
United Internet AG	21	28
United Internet Corporate Services GmbH	1,677	1,737
1&1 Telecom GmbH	1,171	46
A1 Marketing, Kommunikation und neue Medien GmbH	996	1,835
United Internet Media GmbH	594	0
1&1 Telecommunication SE	586	1,396
1&1 Mail & Media Development & Technology GmbH	316	165
rankingCoach International GmbH	176	151
United Internet Sourcing & Apprenticeship GmbH	77	1,127
1&1 Mail & Media GmbH	69	723
Other	252	41
Liabilities to related parties	**5,935**	**7,249**

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

IONOS Holding SE has non-current liabilities to related parties of € 1,315,000k (prior year: € 1,466,000k) that are owed to United Internet AG. As of December 31, 2021, non-current liabilities to related parties include a vendor loan of € 889,000k (prior year: € 1,040,000k) for the acquisition of the shares in 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 liability of € 76,000k is also due to United Internet AG for a loan 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 2021 and 2020:

Purchases/services from related parties 2021 €k	Sales/services to related parties 2021 €k	Purchases/services from related parties 2020 €k	Sales/services to related parties 2020 €k
70,962	43,767	77,356	45,303

Services purchased from related parties chiefly concern SAP licenses, the support for the related IT systems and financial accounting services provided by 1&1 Telecommunication SE to the IONOS TopCo Group and marketing services purchased by the 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 IONOS TopCo Group.

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.

Associated companies of United Internet AG also purchased services of € 6,843k (prior year: € 7,968k), mainly relating to Ranking Coach GmbH (€ 3,950k; prior year: € 3,154k), uberall GmbH (€ 2,557k; prior year: € 2,369k), Stackable GmbH (€ 188k; prior year: € 0k) and Open Xchange GmbH (€ 78k; prior year: € 93k). In the prior year, services of € 2,275k were also purchased from ePages GmbH.

Translation from the German language

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

Interest income 2021	Interest expenses 2021	Interest income 2020	Interest expenses 2020
€k	€k	€k	€k
25	91,844	48	102,003

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.

As in the prior year, United Internet AG issued a letter of comfort for the liabilities of IONOS TopCo SE (parent of the Group) as of December 31, 2021.

Other disclosures on transactions with related parties

In 2021, some of the business premises of the 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 € 3,732k in fiscal year 2021 (prior year: € 2,317k).

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

	Carrying amount as of Jan. 1, 2021	Addition in fiscal year	Disposal	Depreciation	Carrying amount as of Dec. 31, 2021
Right-of-use assets	38,618	2,697	-3,573	-3,284	34,458

	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

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

	Carrying amount as of Jan. 1, 2021	Addition in fiscal year	Disposal	Repayment/interest	Carrying amount as of Dec. 31, 2021
Lease liability	39,093	2,697	-3,573	-2,940	35,277

	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

41. Objectives and methods of financial risk management

Principles of risk management

The risk management system introduced by the IONOS TopCo 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 IONOS TopCo Group include liabilities to related parties, trade accounts payable and other financial liabilities.

The IONOS TopCo 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 IONOS TopCo Group mainly held primary financial instruments. The aim of financial risk management is to limit these risks through ongoing operating and financial activities. The IONOS TopCo 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 IONOS TopCo Group largely relates to the risk that the entities belonging to the Group cannot meet their financial obligations.

The IONOS TopCo 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. 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 IONOS TopCo Group also holds other liquidity reserves, which are available at short notice.

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, 2021 and 2020. Liabilities to related parties do not contain any contractual redemption obligations before the end of 2026. The respective amounts include redemptions planned unilaterally by IONOS TopCo.

	Carrying amount	Cash outflow for redemption and interest in the fiscal year					
€k	Dec. 31, 2021	2022	2023	2024	2025	> 2025	Total
Trade accounts payable	63,427	63,427	0	0	0	0	63,427
Lease liabilities	92,526	13,434	12,277	10,864	9,086	62,423	108,083
Other financial liabilities	94,245	93,892	219	0	0	134	94,245
Liabilities to related parties	1,320,935	159,096	196,582	240,470	276,361	799,512	1,672,021

	Carrying amount	Cash outflow for redemption and interest in the fiscal year					
€k	Dec. 31, 2020	2021	2022	2023	2024	> 2024	Total
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

Translation from the German language

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, 2021, 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 IONOS TopCo 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 IONOS TopCo 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.

The following table shows the sensitivity to a reasonably possible change in the US dollar, UK pound and Polish zloty 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.

Change in USD rate	2021 Effect on net income (€k)	2020 Effect on net income (€k)
+10%	1,452	1,897
-10%	-1,452	-1,897

Change in GBP rate	2021 Effect on net income (€k)	2020 Effect on net income (€k)
+10%	3,321	2,929
-10%	-3,321	-2,929

Change in PLN rate	2021 Effect on net income (€k)	2020 Effect on net income (€k)
+10%	931	912
-10%	-931	-912

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 IONOS TopCo 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 IONOS TopCo 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 IONOS TopCo Group’s ultimate parent, 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.

Translation from the German language

42. Contingent liabilities and other obligations

As of December 31, 2021, the Company had the following other financial obligations:

€k	2021	2020
Up to 1 year	3,463	2,853
1 to 5 years	11,532	7,598
Over 5 years	4,842	3,571
Total*	**19,837**	**14,022**

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

Other financial obligations mainly contain service charges for building leases.

As of the reporting date, there are commitments to purchase property, plant and equipment of € 9,245k (prior year: € 9,738k) and intangible assets of € 1,171k (prior year: € 797k) in total.

The integration of 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.

43. Leases

The 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:

€k	2021	2020
Depreciation of right-of-use assets		
- Land and buildings	11,987	11,196
- Operating and office equipment	1,684	2,410
Total depreciation of right-of-use assets	**13,671**	**13,606**
Interest expense from lease liabilities	2,433	2,186
Expense for short-term leases	280	159
Expense for low-value leases	98	176

Translation from the German language

As of December 31, 2021, the carrying amounts of right-of-use assets by class of underlying asset are as follows:

€k	Carrying amount as of Dec. 31, 2021	Carrying amount as of Dec. 31, 2020
Land and buildings	86,430	61,823
Operating and office equipment	3,254	2,651
Total right-of-use assets	**89,684**	**64,474**

As of December 31, 2021, lease obligations have the following terms:

€k	Carrying amount as of Dec. 31, 2021	Carrying amount as of Dec. 31, 2020
Up to 1 year	10,228	13,757
1 to 5 years	28,526	22,513
Over 5 years	53,772	30,468
Total	**92,526**	**66,738**

As of December 31, 2021, lease obligations developed as follows:

€k	2021	2020
As of January 1	66,738	34,920
Additions	57,541	45,556
Additions from the change in the basis of consolidation	1,684	0
Interest effect	2,433	2,186
Payments	-15,963	-15,315
Disposals	-20,085	-509
Income from foreign currency translation	178	-100
As of December 31	92,526	66,738
thereof current	10,228	13,757
thereof non-current	82,298	52,981

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

Translation from the German language

44. Cash flow statement

In fiscal year 2021, cash flow from operating activities includes interest paid of € 93,731k (prior year: € 102,645k) and interest received of € 310k (prior year: € 408k). Income tax payments in fiscal year 2021 amounted to € 60,660k (prior year: € 72,796k), while cash receipts from income taxes came to € 13,244k (prior year: € 6,278k).

The change in net cash outflows from investment activities in the fiscal year mainly relates to payments for the acquisition of the we22 Group and 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 (€ 153,141k; prior year: € 120,517k) and the redemption of lease liabilities (€ 15,963k; prior year: € 15,315k).

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

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, 2021	**1,040,000**	**426,000**	**66,738**	**4**	**1,532,742**
Cash flow from financing activities					
Change in the basis of consolidation	0	0	0	2,137	2,137
Cash outflows from the repayment of loans	-151,000	0	0	-2,141	-153,141
Cash outflows from the redemption of lease liabilities	0	0	-15,964	0	-15,964
Total change in cash and cash equivalents	**-151,000**	**0**	**-15,964**	**-4**	**-166,968**
Non-cash changes	0	0	41,752	0	41,752
As of December 31, 2021	**889,000**	**426,000**	**92,526**	**0**	**1,407,526**

	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**

Translation from the German language

45. Information on key performance indicators

The Company presents below, on a voluntary basis, information on key performance indicators.

The Group's key performance indicators are presented in accordance with the management approach. This requires the relevant management level to be presented based on the entity's internal management reporting, which is regularly reviewed by the chief operating decision maker.

As of December 31, 2021, this function is exercised for the first time by the members of the Company's Management Board and of the management board of IONOS Holding SE who review the consolidated financial information for the purposes of allocating resources and evaluating the financial performance of the entity as a whole. As a result, we have one operating management level.

The key performance indicators used to assess performance are presented below:

- Revenue from contracts with customers
- EBITDA and EBITDA margin
- Adjusted EBITDA and adjusted EBITDA margin

"**EBITDA"** represents the Group's earnings before finance costs and income, depreciation and amortization. "**EBITDA margin"** represents the ratio of EBITDA to revenue from contracts with customers.

The EBITDA margin is calculated as follows:

€k	2021	2020	2019
Revenue from contracts with customers	1,059,990	944,373	886,963
EBITDA (€k)	326,301	340,257	319,446
EBITDA margin (%)	30.9%	36.0%	36.0%
Adjusted EBITDA (€k)	355,176	355,102	329,797
Adjusted EBITDA margin (%)	33.6%	37.6%	37.2%

Adjusted EBITDA is calculated as follows:

€k	2021	2020	2019
Operating result	213,651	229,367	221,632
Depreciation and amortization of intangible assets and property, plant and equipment	112,650	110,890	117,252
Write-up of brand	0	0	19,438
EBITDA	326,301	340,257	319,446
Adjustment for LTIP[1]	12,788	9,468	7,424
Adjustment for stand-alone activities[2]	11,833	4,249	0
Adjustment for IPO costs[3]	2,951	0	0
Adjustment for consulting fees incurred for one-off projects[4]	1,303	440	2,927
Adjustment for severance payments[5]	0	688	0
Total adjustments	28,875	14,845	10,351
Adjusted EBITDA	355,176	355,102	329,797

(1) Includes costs of employee stock ownership programs.

(2) Includes costs of preparing the spin-off from the United Internet Group and the establishment of IONOS TopCo as an independent group (primarily costs of the billing carve-out project (separation from the billing systems of 1&1 Telecommunication SE)).

(3) Includes external costs incurred in connection with the IPO.

(4) Includes consulting fees incurred in connection with one-off projects, for example, reorganization measures.

(5) Includes expenses related to reorganization and restructuring measures which primarily consist of severance payments and other personnel-related costs.

The following table shows the IONOS TopCo Group's revenue from contracts with customers and non-current assets broken down by the relevant entity's country of domicile and other countries. Revenue from contracts with customers is shown by geographic location of the group company that generates the revenue and the assets by the geographic location of the assets.

Revenue from contracts with customers based on the geographic location of the group companies that generate the revenue:

€k	2021	2020	2019
Germany	548,707	489,171	461,686
USA	190,133	158,151	139,359
UK	123,454	112,905	111,679
Spain	98,452	91,829	86,212
France	52,528	47,781	45,773
Poland	33,726	32,084	31,226
Austria	12,990	12,452	11,028
Total	**1,059,990**	**944,373**	**886,963**

The Group did not generate more than 10% of external revenue from any single customer.

Revenue from contracts with customers by product group is presented in Note 5.

Translation from the German language

Non-current assets based on the location of the assets:

€k	2021	2020	2019
Germany	830,714	779,575	772,760
Poland	147,342	151,092	160,198
Spain	125,681	131,951	136,531
UK	94,889	77,518	77,183
Austria	74,721	77,265	79,150
USA	25,260	24,978	31,596
France	5,574	7,486	9,722
Romania	2,458	2,866	375
Philippines	1,395	1,609	583
Total	**1,308,034**	**1,254,339**	**1,268,099**

Non-current assets do not include any financial investments (other than investments accounted for using the equity method), deferred tax assets or employee benefit assets.

46. Subsequent events

The major offensive started by Russia (with support from Belarus) on February 24, 2022 on the entire territory of Ukraine marked the beginning of the 2022 Ukraine war. The EU, the USA, the UK and other countries responded to the attack by imposing harsh sanctions against Russia, Belarus and the eastern Ukrainian separatist regions. The vast majority of the 193 members of the United Nations (UN General Assembly) denounced Russia due to the attack on Ukraine and demanded an immediate retreat and end to the aggression.

The business activities of the IONOS TopCo Group are carried out in countries involved in the war to a minor extent only. Ukraine, Russia and Belarus are not target countries of the Group, and the Group does not have any locations in those countries.

Against this background, the Management Board does not currently anticipate any material impacts on the business performance or the position of the Group, especially considering that the Group's business model is based on a wide variety of electronic subscriptions with fixed and moderate monthly fees and contractually agreed terms. This ensures stable and foreseeable revenue and cash flows and protects against economic impacts.

At the same time, the economic consequences of the war and the imposed sanctions (humanitarian crises, intake of refugees, scarcity/rising prices of oil, natural gas and raw materials) on the target countries of the IONOS TopCo Group cannot be reliably predicted at present. The same applies with regard to the potential risk of the war spilling over into other countries.

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 IONOS TopCo Group after the reporting date of December 31, 2021.

47. Auditor's fees

In fiscal year 2021, auditor's fees of € 1,613k were recognized in the consolidated financial statements. Of this amount, € 1,063k relates to audit services, € 170k to tax services and € 380k to other services.

Translation from the German language

Montabaur, March 30, 2022

Achim Weiss Hüseyin Dogan

Development of intangible assets and property, plant and equipment 2021

		Acquisition and production cost							Accumulated amortization, depreciation and impairment					Carrying amounts	
		Jan. 1, 2021	Additions	Disposals	Reclassi-fications	Additions from acquisitions	Exchange rate differences	Dec. 31, 2021	Jan. 1, 2021	Additions	Disposals	Exchange rate differences	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2020
		€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
I.	**Intangible assets**														
1.	Software/licenses	115,150	3,755	6,906	175	10,547	164	122,885	100,084	11,835	6,237	151	105,833	17,052	15,066
2.	Trademarks	52,712	0	0	0	0	174	52,886	2,468	0	0	0	2,468	50,418	50,244
3.	Customer base	300,665	0	0	0	1,881	990	303,536	149,891	24,705	0	1,101	175,697	127,839	150,774
4.	Goodwill	863,922	0	0	0	14,577	3,704	882,203	57,029	0	0	-87	56,942	825,261	806,893
5.	Internally generated intangible assets	4,220	631	63	0	0	-43	4,745	726	359	29	-13	1,043	3,702	3,494
6.	Other intangible assets	3,431	0	0	0	18	73	3,522	2,049	0	0	61	2,110	1,412	1,382
7.	Payments on account	0	898	0	116	0	0	1,014	0	0	0	0	0	1,014	0
Total (I)		**1,340,100**	**5,284**	**6,969**	**291**	**27,023**	**5,062**	**1,370,791**	**312,247**	**36,899**	**6,266**	**1,213**	**344,093**	**1,026,698**	**1,027,853**
II.	**Property, plant and equipment**														
1.	Land and buildings	9,318	378	0	2,108	0	0	11,804	6,047	806	0	0	6,853	4,951	3,271
2.	Operating and office equipment	424,773	71,996	36,113	878	165	8,933	470,632	279,626	61,220	35,024	6,955	312,777	157,855	145,147
3.	Payments on account	7,016	15,360	4	-3,277	0	251	19,346	0	54	0	0	54	19,292	7,016
4.	Right-of-use assets	90,237	57,541	26,638	0	1,683	2	122,825	25,763	13,671	6,553	260	33,141	89,684	64,474
Total (II)		**531,344**	**145,275**	**62,755**	**-291**	**1,848**	**9,186**	**624,607**	**311,436**	**75,751**	**41,577**	**7,215**	**352,825**	**271,782**	**219,908**
Sum total		**1,871,444**	**150,559**	**69,724**	**0**	**28,871**	**14,248**	**1,995,398**	**623,683**	**112,650**	**47,843**	**8,428**	**696,918**	**1,298,480**	**1,247,761**

Development of intangible assets and property, plant and equipment 2020

		Acquisition and production cost							Accumulated amortization, depreciation and impairment					Carrying amounts	
		Jan. 1, 2020	Additions	Disposals	Reclassi-fications	Additions from acquisitions	Exchange rate differences	Dec. 31, 2020	Jan. 1, 2020	Additions	Disposals	Exchange rate differences	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2019
		€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
I.	**Intangible 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.	Goodwill	871,621	0	0	0	253	-7,952	863,922	57,679	0	0	-650	57,029	806,893	813,942
5.	Internally generated intangible assets	3,732	865	113	0	0	-264	4,220	567	317	92	-66	726	3,494	3,165
6.	Other intangible assets	3,531	0	20	0	0	-80	3,431	2,128	0	12	-67	2,049	1,382	1,403
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**