IONOS GROUP SE (FORMERLY: IONOS TOPCO SE)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

IONOS Group SE (formerly: IONOS TopCo SE), Montabaur
Consolidated statement of financial position as of September 30, 2022 in €k

	September 30, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	42,828	49,520
Trade accounts receivable	63,551	49,526
Receivables from related parties	23,437	15,830
Contract assets	8,152	7,894
Inventories	87	14
Prepaid expenses	24,751	18,127
Other financial assets	22,264	15,390
Other non-financial assets	869	145
Income tax claims	12,745	5,141
	198,684	**161,587**
Non-current assets		
Investments in associated companies	3,658	3,589
Receivables from finance leases	3,259	0
Other financial assets	898	1,946
Property, plant and equipment	326,695	271,782
Intangible assets		
Other intangible assets	182,291	201,437
Goodwill	819,177	825,261
Contract assets	2	2
Prepaid expenses	8,260	5,962
Deferred tax assets	130	102
	1,344,370	**1,310,081**
Total assets	**1,543,054**	**1,471,668**
LIABILITIES		
Current liabilities		
Trade accounts payable	67,845	63,427
Liabilities to related parties	5,987	5,935
Liabilities due to banks	302	0
Income tax liabilities	31,761	14,046
Contract liabilities	79,229	71,629
Other provisions	459	314
Other financial liabilities	92,243	100,262
Other non-financial liabilities	20,695	21,998
	298,521	**277,611**
Non-current liabilities		
Liabilities to related parties	1,265,000	1,315,000
Deferred tax liabilities	9,767	25,209
Contract liabilities	915	561
Other provisions	3,612	2,344
Other financial liabilities	118,264	82,651
	1,397,558	**1,425,765**
Total liabilities	**1,696,079**	**1,703,376**

	September 30, 2022	December 31, 2021
EQUITY		
Issued capital	360	360
Reserves	-130,922	-213,903
Currency translation adjustment	-22,582	-20,760
Equity attributable to shareholders of the parent company	**-153,144**	**-234,303**
Non-controlling interests	119	2,595
Total equity	**-153,025**	**-231,708**
Total liabilities and equity	**1,543,054**	**1,471,668**

IONOS Group SE (formerly: IONOS TopCo SE), Montabaur

Consolidated statement of comprehensive income
for the period from January 1 to September 30, 2022 in €k

	2022 January - September	2021 January - September
Revenue from contracts with customers	917,479	771,783
Revenue from contracts with related parties	36,160	31,364
Cost of sales	-509,166	-382,838
Gross profit	**444,473**	**420,309**
Selling expenses	-203,213	-190,101
General and administrative expenses	-59,751	-55,097
Impairment losses on receivables and contract assets	-6,111	-5,491
Other operating expenses	-17,895	-15,801
Other operating income	16,504	13,630
Operating result	**174,007**	**167,449**
Finance costs	-67,790	-77,016
Finance income	3,986	159
Share of the profit or loss of associates accounted for using the equity method	214	375
Pre-tax result	**110,417**	**90,967**
Income taxes	-32,463	-33,567
Net income	**77,954**	**57,400**
thereof attributable to		
non-controlling interests	596	643
shareholders of IONOS Group SE	77,358	56,757
Result per share of shareholders of IONOS Group SE (in €)		
basic	214.88	157.66
diluted	214.88	157.66
Weighted average of outstanding shares (in thousand units)		
basic	360	360
diluted	360	360
Reconciliation to total comprehensive income		
Net income	**77,954**	**57,400**
Items that may be reclassified subsequently to profit or loss		
Currency translation adjustment - unrealized	-1,871	6,097
Other comprehensive income	**-1,871**	**6,097**
Total comprehensive income	**76,083**	**63,497**
thereof attributable to		
non-controlling interests	596	690
shareholders of IONOS Group SE	75,487	62,807

IONOS Group SE (formerly: IONOS TopCo SE), Montabaur
Consolidated statement of changes in equity
for the period from January 1 to September 30, 2022

	Issued capital	Reserves	Currency translation adjustment	Equity attributable to shareholders of the parent company	Non-controlling interests	Total equity
	€k	€k	€k	€k	€k	€k
Balance as of January 1, 2021	**360**	**-298,725**	**-30,286**	**-328,651**	**2,485**	**-326,166**
Net income	0	56,757	0	56,757	643	57,400
Other comprehensive income	0	0	6,051	6,051	46	6,097
Total comprehensive income	**0**	**56,757**	**6,051**	**62,808**	**689**	**63,497**
Employee stock ownership program	0	10,199	0	10,199	6	10,205
Profit distributions	0	-16	0	-16	-386	-402
Other	0	372	0	372	0	372
Balance as of September 30, 2021	**360**	**-231,413**	**-24,235**	**-255,288**	**2,794**	**-252,494**
Balance as of January 1, 2022	**360**	**-213,903**	**-20,760**	**-234,303**	**2,595**	**-231,708**
Net income	0	77,358	0	77,358	596	77,954
Other comprehensive income	0	0	-1,871	-1,871		-1,871
Total comprehensive income	**0**	**77,358**	**-1,871**	**75,487**	**596**	**76,083**
Employee stock ownership program	0	2,609	0	2,609	0	2,609
Profit distributions	0	-9	0	-9	-799	-808
Transactions with non-controlling interests	0	3,023	49	3,072	-2,273	799
Balance as of September 30, 2022	**360**	**-130,922**	**-22,582**	**-153,144**	**119**	**-153,025**

IONOS Group SE (formerly: IONOS TopCo SE), Montabaur
Consolidated cash flow statement
for the period from January 1 to September 30, 2022 in €k

	2022 January - September	2021 January - September
Net income	77,954	57,400
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of intangible assets and property, plant and equipment	64,727	60,866
Depreciation and amortization of assets resulting from business combinations	20,123	21,871
Employee expenses from share-based payment programs	2,609	10,205
Interest expense from the unwinding of the discount on lease liabilities	2,501	1,726
Share of the profit or loss of associates accounted for using the equity method	-214	-375
Distributed profits of associated companies	205	229
Other non-cash items from changes in deferred tax position	-15,469	-17,472
Income/Loss from the sale of intangible assets and property, plant and equipment	121	-238
Other non-cash items	-3,768	4,735
Operative cash flow	**148,789**	**138,947**
Change in assets and liabilities		
Change in receivables and other assets	-27,558	-5,782
Change in inventories	-73	-1
Change in contract assets	-258	1,753
Change in prepaid expenses	-8,923	-3,643
Change in trade accounts payable	4,420	-1,480
Change in receivables from/liabilities to related parties	3,656	260
Change in other provisions	1,413	333
Change in income tax liabilities	17,716	7,306
Change in other liabilities	7,178	11,244
Change in contract liabilities	7,953	1,622
Change in assets and liabilities, total	**5,524**	**11,612**
Cash flow from operating activities	**154,313**	**150,559**

	2022 January - September	2021 January - September
Cash flow from investing activities		
Cash payments to acquire property, plant and equipment and intangibles	-77,206	-67,699
Cash receipts from sales of property, plant and equipment and intangibles	869	1,345
Cash payments for business combinations, net of cash acquired	0	-21,197
Payments for the acquisition of associated companies	-61	0
Cash receipts from the sale of other financial assets	1,055	-16
Payments within the framework of cash pooling	-11,211	23,259
Payments related to other financial assets	-14	0
Cash flow from investing activities	**-86,568**	**-64,308**
Cash flow from financing activities		
Dividend payments to non-controlling interests	-799	-386
Cash payments for equity acquisition of remaining shares in InterNetX Holding GmbH	-15,182	0
Cash proceeds from loans	302	0
Repayment of loans	-50,001	-128,108
Redemption of lease liabilities	-11,320	-11,571
Dividend payments to shareholders	-9	-16
Cash flow from financing activities	**-77,009**	**-140,081**
Net decrease in cash and cash equivalents	**-9,264**	**-53,830**
Cash and cash equivalents at beginning of period	**49,520**	**105,805**
Currency translation adjustments of cash and cash equivalents	**2,572**	**1,409**
Cash and cash equivalents at end of period	**42,828**	**53,386**

NOTES TO THE INTERIM STATEMENTS

1. General information on the Company and the financial statements

The condensed consolidated interim financial statements of IONOS Group SE (formerly IONOS TopCo SE), Montabaur (hereinafter referred to as "IONOS Group SE", "Group SE" or the "Company"), comprise various companies in Germany and abroad (hereinafter collectively referred to as the "IONOS Group" or the "Group"). The IONOS 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 Group SE is domiciled in 56410 Montabaur, Elgendorfer Strasse 57, Germany, and is registered there at the District Court under HRB 25386.

As of September 30, 2022, United Internet AG held 75.10% of the shares in IONOS Group SE. The remaining 24.90% of the shares in IONOS Group SE are held by WP XII Venture Holdings II SCSp, Luxembourg/Luxembourg ("WP Lux"). United Internet AG also holds a preferred share in IONOS Group SE.

2. Significant accounting, measurement and consolidation principles

As was the case with the consolidated financial statements as of December 31, 2021, the interim reporting of IONOS Group SE as of September 30, 2022 was prepared in compliance with the International Financial Reporting Standards (IFRS) as applicable in the European Union (EU).

The condensed consolidated interim financial statements for the period January 1, 2022 to September 30, 2022 were prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2021. With the exception of the mandatory new standards described below, the accounting and measurement principles applied in the condensed consolidated interim financial statements, as well as the material judgments and estimates, comply with the methods applied in the prior year.

The condensed consolidated interim financial statements include the financial statements of IONOS Group SE and all of its controlled domestic and foreign subsidiaries.

The scope of consolidation remained unchanged compared to the consolidated financial statements as of December 31, 2021.

Going concern

The negative equity of the IONOS Group SE is not due to past losses but rather primarily the result of an effectively non-cash distribution to the controlling shareholder United Internet AG as part of a group reorganization in 2017 in connection with the acquisition of 33.33% of IONOS Group SE by Warburg Pincus LLC, New York / USA (hereinafter referred to as „WP").

Until the end of 2016, United Internet AG held all ordinary and preferred shares in 1&1 Internet SE (now renamed as IONOS SE) and its subsidiaries. In 2017, in the course of an acquisition of 33.33% of this group (1&1 Internet SE and its subsidiaries) by WP, several reorganization steps have been performed.

Initially, United Internet AG contributed all ordinary and preferred shares in 1&1 Internet SE to United Internet AG's subsidiary 1&1 Internet Holding SE in exchange for new ordinary shares and one preferred share, as well as long-term vendor loan tranches amounting to € 1,569 million in total.

In a second step, all ordinary shares in 1&1 Internet Holding SE were contributed to the newly established 1&1 Internet TopCo SE in return for the issue of 66.67% of the share capital. The remaining shares of 33.33% have been acquired by WP at this point. WP committed to cash contributions and further deferred purchase price payments in the amount of € 369 million. WP's cash contribution has been passed on as an intercompany loan to 1&1 Internet Holding SE.

As a result of the reorganization 1&1 Internet TopCo SE (now renamed to IONOS Group SE) as a new top holding company was set up and became the new parent of IONOS Group.

As neither 1&1 Internet TopCo SE nor IONOS Holding SE were identified as the acquirer under IFRS 3 in the group reorganization 1&1 Internet TopCo SE did not apply the acquisition method under IFRS 3 but rather the assets and liabilities were reflected at their predecessor carrying amounts of IONOS SE in the group financial statements of 1&1 Internet TopCo SE. As a result, the newly created vendor loans between United Internet AG as lender and 1&1 Internet Holding SE (€ 1,569 million) as borrower was effectively considered as a distribution and the WP commitment (€ 369 million) was recorded as a contribution. The net impact of the reorganization was a reduction of 1&1 Internet TopCo SE group's net equity by € 1,200 million.

Before the group reorganization in 2017 1&1 Internet SE group did not incur any substantial financial debt. In order to adjust the financing structure of the group towards a higher leverage the vendor loans were created as part of the reorganization.

Therefore, despite the negative equity, the Company is positioned on the assumption of a going concern, as the Group has generated positive results in the past, will continue to generate positive results in the future, and has been able to obtain financing at any time in the past and this is also expected for the future. On this basis, the IONOS Group is able to meet its financial obligations at all times.

Mandatory adoption of new accounting standards

For the fiscal year beginning on January 1, 2022, the following standards were applied for the first time:

Standard		Effective for fiscal years beginning on or after	Endorsed by EU Commission
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

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

Use of estimates and assumptions

The preparation of the condensed consolidated interim 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.

Impact of the Ukraine war

The business activities of the IONOS 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 subsidiaries or branches located 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.

Overall economic situation

The 2022 and 2023 economic forecasts for the vast majority of countries have been downgraded in view of high inflation rates, ongoing supply chain problems, coronavirus restrictions in China and the consequences of Russia's invasion of Ukraine. The challenging geopolitical and economic environment may have a negative effect on the business development of the IONOS Group. In particular, the effects of the lockdown measures in China on the global supply chains and thus on the procurement of servers as well as the increase in energy costs should be mentioned here.

EXPLANATION OF ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

Explanations are only given for those items which display notable effects on profit in the consolidated statement of comprehensive income during the first nine months ended September 30, 2022.

3. Segment reporting

According to IFRS 8, the identification of operating segments to be included in the reporting process is based on the so-called management approach. External reporting should therefore be based on the Group's internal organization and management structure, as well as internal financial reporting to the „Chief Operating Decision Maker". As of September 30, 2022, this function is exercised by the members of the Company's Management Board and of the management board of IONOS Holding SE who review the monthly management reports 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

The IONOS Group's total revenue from contracts with customers breaks down by region as follows:

€k	2022 January - September	2021 January - September
Domestic	461,423	402,529
Foreign	456,056	369,254
Total	**917,479**	**771,783**

In the three quarters 2022, revenue from contracts with customers breaks down into product revenue from the business areas Web Presence & Productivity of € 820,178k (nine months ended September 30, 2021: € 691,076k) and Cloud of € 97,301k (nine months ended September 30, 2021: € 80,707k).

"**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 and with related parties.

The EBITDA margin is calculated as follows:

€k	2022 January - September	2021 January - September
Revenue	953,639	803,147
EBITDA (€k)	258,857	250,186
EBITDA margin (%)	27.1%	31.2%
Adjusted EBITDA (€k)	275,754	270,350
Adjusted EBITDA margin (%)	28.9%	33.7%

Adjusted EBITDA is calculated as follows:

€k	2022 January - September	2021 January - September
Operating result	174,007	167,449
Depreciation and amortization of intangible assets and property, plant and equipment	84,850	82,737
EBITDA	258,857	250,186
Adjustment for LTIP (1)	2,837	10,383
Adjustment for stand-alone activities (2)	10,876	8,378
Adjustment for IPO costs (3)	3,183	0
Adjustment for consulting fees incurred for one-off projects (4)	0	1,403
Total adjustments	16,897	20,164
Adjusted EBITDA	275,754	270,350

(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 Group 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.

The following table shows the IONOS 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	2022 January - September	2021 January - September
Germany	461,423	402,529
USA	202,804	129,667
UK	97,852	92,270
Spain	77,959	73,201
France	41,264	39,164
Poland	25,884	25,274
Austria	10,293	9,679
Total	**917,479**	**771,783**

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

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

€k	September 30, 2022	December 31, 2021
Germany	864,519	830,714
Poland	141,059	147,342
Spain	127,494	125,681
UK	97,537	94,889
Austria	73,164	74,721
USA	32,054	25,260
France	3,991	5,574
Romania	2,142	2,458
Philippines	1,384	1,395
Total	**1,343,344**	**1,308,034**

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.

4. Cost of sales

The increase in cost of sales from €382,838k in the first nine months of 2021 to €509,166k in the first nine months of 2022 is chiefly attributable to the purchase of services in connection with the sale of domains and in particular with the related lower-margin parking revenue (i.e., unused domains that can be put to use via „parking", rather than simply showing an error message, e.g., with an advertisement of the domain name being displayed to generate revenues when the advertisement is clicked) as a result of which cost of sales increased at a higher rate than revenue.

5. Other operating expenses/income

Other operating expenses in the first nine months 2022 mainly include expenses of € 15,512k (nine months ended September 30, 2021: € 15,127k) from foreign currency translation. These expenses 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 and amounted to € 11,642k (nine months ended September 30, 2021: € 9,888k). A net consideration of this item results in a net loss of € 3,870k (nine months ended September 30, 2021: net loss of € 5,239k).

6. Depreciation and amortization

In the first nine months 2022, amortization of property, plant and equipment and intangible assets amounted to € 64,727k (nine months ended September 30, 2021: € 60,866k) and amortization of capitalized intangible assets from business combinations amounted to € 20,123k (nine months ended September 30, 2021: € 21,871k). In the first nine months 2022, depreciation and amortization of property, plant and equipment and intangible assets thus totaled € 84,850k (nine months ended September 30, 2021: € 82,737k).

7. Personnel expenses

Personnel expenses for the first nine months 2022 come to € 180,759k (nine months ended September 30, 2021: € 171,816k).

At the end of September 2022, IONOS Group employed a total of 4,239 people, of which 1,911 were employed outside Germany. The number of employees at the end of September 2021 amounted to 3,968, of which 1,772 were employed outside Germany.

EXPLANATION OF ITEMS IN THE STATEMENT OF FINANCIAL POSITION

Explanations are only given for those items which display notable changes in the amounts presented as compared with the last consolidated financial statements.

8. Property, plant and equipment, intangible assets, and goodwill

A total of € 77,206k (nine months ended September 30, 2021: € 67,835k) was invested in property, plant and equipment, as well as intangible assets during the interim reporting period. Investments focused mainly on servers for the cloud business as well as on the extension of data centers. Investments in property, plant and equipment capitalized as rights of use in the statement of financial position in accordance with IFRS 16 were not included in the investments.

The reported goodwill of € 819,177k decreased by € 6,084k compared with December 31, 2021 due to exchange rate effects.

9. Other financial liabilities

The decrease in other current financial liabilities of € 8,019k to € 92,243k is mainly due to the payment of the put option liability in the amount of € 15,224k to minority shareholders for the increased shareholding (from 95.6% to 100%) in InterNetX Holding GmbH. Furthermore, the decrease is due to the change in fair value of the contingent purchase price liability from the acquisition of the STRATO AG (€-3,768k). In contrast the financial liabilities for marketing and selling expenses as well as for legal and consulting fees increased by € 8,091k. Current lease liabilities increased by € 3,515k from a new lease agreement for an office building.

This new lease agreement together with the extension of the lease terms of lease agreements from 2028 to 2033 reflecting contractual term adjustments were the main reasons for the increase in non-current financial liabilities, essentially consisting of lease liabilities.

10. Equity

The negative equity of the IONOS Group SE is not due to past losses but rather primarily the result of an effectively non-cash distribution to the controlling shareholder United Internet AG as part of a group reorganization in 2017 in connection with the acquisition of 33.33% of IONOS Group SE by Warburg Pincus LLC, New York / USA. For further information please refer to Note 2 (Going Concern).

As of September 30, 2022, the fully paid-in capital stock was unchanged from December 31, 2021 and amounted to 360,001 shares including one preferred share.

The change in reserves in the first nine months 2022 is mainly due to the net income attributable to the shareholders of the parent company in the amount of € 77,358k (nine months ended September 30, 2021: € 56,757k), the measurement of the LTIP of € 2,609k (nine months ended September 30, 2021: € 10,199k) as well as the increased shareholding in InterNetX Holding GmbH as a result of the acquisition of the minority interests (€ 3,023k).

OTHER ITEMS

11. Employee stock ownership programs

Long Term Incentive Plan 2017

In fiscal year 2017, an additional employee stock ownership program (Long Term Incentive Plan, LTIP) was launched for the IONOS 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 Group 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.

The LTIP program had no material impact on the interim reporting period of 2022.

12. Additional disclosures on financial instruments

The table below shows the carrying amounts for each category of financial assets and liabilities as of September 30, 2022:

€k	Measurement category acc. to IFRS 9	Carrying amount as of Sep. 30, 2022	Amortized cost	Fair value through profit or loss	Measurement acc. to IFRS 16	Fair value as of Sep. 30, 2022
Financial assets						
Cash and cash equivalents	ac	42,828	42,828	0	0	42,828
Trade accounts receivable	ac	63,551	63,551	0	0	63,551
Receivables from related parties	ac	23,437	23,437	0	0	23,437
Receivables from finance leases	n/a	3,259	0	0	3,259	n/a
Other current financial assets	ac	10,851	10,851	0	0	10,851
Other non-current financial assets	ac	898	898	0	0	710

€k	Measurement category acc. to IFRS 9	Carrying amount as of Sep. 30, 2022	Amortized cost	Fair value through profit or loss	Measurement acc. to IFRS 16	Fair value as of Sep. 30, 2022
Financial liabilities						
Trade accounts payable	flac	-67,845	-67,845	0	0	-67,845
Liabilities to related parties	flac	-1,270,987	-1,270,987	0	0	-1,177,828
Liabilities due to banks	flac	-302	-302	0	0	-302
Other financial liabilities						
Lease liabilities	n/a	-131,388	0	0	-131,388	n/a
Contingent purchase price liabilities	fvtpl	-32,328	0	-32,328		-32,328
Other	flac	-46,791	-46,791	0	0	-46,791
Thereof aggregated acc. to measurement categories:						
Financial assets at amortized cost	ac	141,565	141,565	0	0	141,377
Financial liabilities at amortized cost	flac	-1,385,924	-1,385,924	0	0	-1,292,766
Financial liabilities measured at fair value through profit or loss	fvtpl	-32,328	0	-32,328	0	-32,328

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	8,968	8,968	0	0	8,968
Other non-current financial assets	ac	1,946	1,946	0	0	1,874*

*: adjusted

€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 liabilities	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	125,789	125,789	0	0	125,718*
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
*: adjusted						

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

- Cash and cash equivalents, trade accounts receivable, trade accounts payable, current assets and liabilities from/to related parties as well as other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The same applies to current liabilities due to banks.
- Due to the changed level of interest rates, liabilities from finance leases show minor differences between the carrying amount and the fair value.
- The fair value of the financial assets and liabilities is stated at the amount at which the instrument could be exchanged in a current transaction between willing parties, except in a forced or liquidation sale.
- Non-current fixed and variable-rate receivables/borrowings are evaluated by the IONOS 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

September 30, 2022, 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 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 Sep. 30, 2022	Level 1	Level 2	Level 3
Financial liabilities measured at fair value through profit or loss				
Contingent purchase price liabilities	-32,328	0	0	-32,328

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

€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 liabilities	-36,096	0	0	-36,096

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 September 30, 2022:

Sep. 30, 2022	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
				€ -2.2 million	€ -5.9 million
		Volatility	38.52%	+1%	-1%
				€ -0.3 million	€ +0.3 million
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.

13. 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 Group's related parties include the Management Board and the Supervisory Board of IONOS Group 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 Group's basis of consolidation. In addition, the equity investments over which the companies of the IONOS 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.

In the first nine months of 2022, € 50,000k of the loan existing between IONOS Holding SE and United Internet AG was repaid. The balance as of September 30, 2022 amounts to € 1,265,000k (December 31, 2021: € 1,315,000k).

Some of the business premises of the IONOS Group in Montabaur and other group locations were leased from Mr. Ralph Dommermuth or companies related to him. The related rental payments are customary for the location and amounted to € 2,945k for the nine months ended September 30, 2022 (nine months ended September 30, 2021: € 2,812k).

There were no more significant transactions.

14. Subsequent events

On October 25, 2022, the 49% shareholding in Intellectual Property Management Company Inc., Dover, Delaware/USA was sold at a selling price of € 3,043k. The investment was accounted for as associated company using the equity method pursuant to IAS 28. The gain on the disposal from the sale of the investment amounts to € 1,910k.

As of November 1, 2022, Britta Schmidt was appointed as a new member of the Management Board of IONOS Group SE (formerly: IONOS TopCo SE). As of October 31, 2022, Hüseyin Dogan resigned from the position of member of the Management Board. On January 26, 2023, Max Fowinkel, Issam Abedin, Lutz Laffers, Markus Kadelke, Markus Langer and Lysander Ammann resigned as supervisory board members and Ralph Dommermuth, René Obermann, Dr. Claudia Borgas-Herold, Martin Mildner, Vanessa Stützle and Kurt Dobitsch were appointed as new supervisory board members by the shareholders' meeting.

In accordance with the shareholders` resolution of November 24, 2022, IONOS TopCo SE was renamed IONOS Group SE, Montabaur, Germany. The entry in the commercial register took place on December 9, 2022.

On January 26, 2023, the shareholders resolved to increase the capital of the IONOS Group SE from €°360,001 by € 139,639,999 to € 140,000,000 out of the company’s funds.

On January 26, 2023, a new remuneration system was implemented and the service contracts of the Company’s Management Board and members of the management board of IONOS Holding SE were extended, both under the condition of an IPO. The remuneration package includes a long-term, share-based payment compensation in the form of a virtual stock appreciation rights plan (SAR Plan 2023), under which virtual stock appreciation rights (SARs) are granted as well as a replacement award for the existing LTIP.

Under the replacement of the existing LTIP, all awards under the existing LTIP will vest upon the first day of trading. This includes additional LTIP awards as granted to Mr. Weiss, the CEO of the Company, on October 1, 2022. Moreover, the payment of one third of the existing LTIP award will be conditional on three new trigger events (IPO, 18 months and 24 months after the first trading day, respectively), provided that the service agreement with the respective participant has not been terminated at the time the respective trigger event occurs. The replacement will be accounted for as a modification with a rollover of the previously recognized expenses and it is expected not to result in any significant additional expenses.

Under the SAR Plan 2023, the beneficiaries are entitled to exercise a portion of up to one third of the granted SARs after a vesting period of three, four and five years, respectively, from the date of the IPO. Each SAR entitles the holder to receive either a cash payment equal to the average share price on the last 10 trading days before the exercise date less an exercise price, which is yet to be agreed and shall be based on the Company's initial listing price, or the equivalent in shares. This settlement choice is at the sole discretion of the Company. The settlement of the SARs is subject to certain cap provisions. SARs may only be exercised after three, four or five years if the share price has increased by at least 10%, 15% or 20%, respectively, compared to the exercise price. Furthermore, the SARs are subject to an ESG target that is yet to be agreed. If the ESG targets are not met, the number of SARs will be reduced by up to 10%. The SAR Plan 2023 is accounted for as an equity-settled plan. Total expenses of approximately € 22 million are expected to be recognized for the SAR Plan 2023 over its vesting period.

Montabaur, January 26, 2023

Achim Weiß Britta Schmidt

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