Prospectus

for the public offering
in the Federal Republic of Germany

of

24,150,000 ordinary registered shares with no par value (*auf den Namen lautende Stückaktien*), consisting of (i) 15,771,000 ordinary registered shares with no par value (*auf den Namen lautende Stückaktien*) from the holdings of United Internet AG, (ii) 5,229,000 ordinary registered shares with no par value (*auf den Namen lautende Stückaktien*) from the holdings of WP XII Venture Holdings II SCSp, and (iii) 3,150,000 ordinary registered shares with no par value (*auf den Namen lautende Stückaktien*), thereof 2,365,650 shares from the holdings of United Internet AG and 784,350 shares from the holdings of WP XII Venture Holdings SCSp, to cover potential over-allotments,

and

for the admission to the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)

of

140,000,000 ordinary registered shares with no par value (*auf den Namen lautende Stückaktien*)

– each such share representing a notional share in the share capital of € 1.00 and carrying full dividend rights as from January 1, 2022 –

of

IONOS Group SE
Montabaur, Germany

Price Range: € 18.50 – € 22.50

International Securities Identification Number (ISIN): DE000A3E00M1
German Securities Code (*Wertpapierkennnummer*, WKN): A3E00M
Trading Symbol: IOS

Joint Global Coordinators and Joint Bookrunners

J.P. Morgan **Berenberg** **Deutsche Bank** **BNP PARIBAS**

Joint Bookrunners

Barclays **Goldman Sachs**

Co-Lead Managers

COMMERZBANK **DZ BANK** **Landesbank Baden-Württemberg**

The date of the Prospectus is January 27, 2023

The validity of this Prospectus will expire with the beginning of the trading of the Company's ordinary registered shares on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), which is expected to occur on February 8, 2023, and no obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will apply when this Prospectus is no longer valid.

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1 SUMMARY OF THE PROSPECTUS

1.1 Introduction and Warnings

This prospectus (the "**Prospectus**") relates to

- the public offering in the Federal Republic of Germany ("**Germany**") of 24,150,000 shares ("**Offer Shares**") of IONOS Group SE, a European company (*Societas Europaea, SE*) with its registered office at Elgendorfer Str. 57, 56410 Montabaur, Germany, Legal Entity Identifier ("**LEI**") 391200NQNTF0AP2MP438 (formerly IONOS TopCo SE, 1&1 IONOS TopCo SE and 1&1 Internet TopCo SE, hereinafter also the "**Issuer**" or the "**Company**", and together with its direct and indirect subsidiaries, "**IONOS Group**", "**Group**", "**IONOS**", "**we**", "**our**" and "**us**"). The Offer Shares comprise (i) 15,771,000 Offer Shares from the holdings of United Internet AG (the "**UI Secondary Shares"**), (ii) 5,229,000 Offer Shares from the holdings of WP XII Venture Holdings II SCSp (the "**WP Secondary Shares**", and together with the UI Secondary Shares, the "**Secondary Shares**"); and (iii) 3,150,000 Offer Shares to cover potential over-allotments, thereof 2,365,650 Offer Shares from the holdings of United Internet AG (the "**UI Over-Allotment Shares**") and 784,350 Offer Shares from the holdings of WP XII Venture Holdings SCSp (the "**WP Over-Allotment Shares**" and, together with the UI Over-Allotment Shares, the "**Over-Allotment Shares**"), in each case of (i), (ii) and (iii), including shares from the Pre-IPO Capital Increase; and
- the admission to trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange of (a) the 360,001 existing shares of the Company as of the date of the Prospectus (including one preference share which shall be converted to one ordinary registered share according to a resolution by an extraordinary shareholders' meeting of the Company held on January 26, 2023, which is expected to be registered with the Company's Commercial Register on February 1, 2023) as well as (b) the 139,639,999 shares from a capital increase out of the Company's reserves (*Kapitalerhöhung aus Gesellschaftsmitteln*) resolved by an extraordinary shareholders' meeting of the Company on January 26, 2023 and expected to be registered with the Company's Commercial Register on February 1, 2023 ("**Pre-IPO Capital Increase**").

The International Securities Identification Number ("**ISIN**") of the Company's shares is DE000A3E00M1.

The Offer Shares will be offered by J.P. Morgan SE, Taunustor 1, TaunusTurm, 60310 Frankfurt am Main, Germany, LEI 549300ZK53CNGEEI6A29 ("**J.P. Morgan**"), Joh. Berenberg, Gossler & Co. KG, Neuer Jungfernstieg 20, 20354 Hamburg, Germany, LEI 529900UC2OD7II24Z667 ("**Berenberg**"), Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany, LEI 7LTWFZYICNSX8D621K86 ("**Deutsche Bank**"), BNP PARIBAS, 16, boulevard des Italiens, 75009 Paris, France, LEI R0MUWSFPU8MPRO8K5P83 ("**BNP PARIBAS**", and together with J.P. Morgan, Berenberg and Deutsche Bank, the "**Joint Global Coordinators**"), Barclays Bank Ireland PLC, One Molesworth Street, Dublin 2, Ireland, D02 RF29, LEI 2G5BKIC2CB69PRJH1W31 ("**Barclays**"), Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Germany, LEI 8IBZUGJ7JPLH368JE346 ("**Goldman Sachs**", and, together with Barclays, the "**Bookrunners**" and, together with the Joint Global Coordinators, the "**Joint Bookrunners**"), COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany, LEI 851WYGNLUQLFZBSYGB56 ("**COMMERZBANK**"), DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Platz der Republik, 60325 Frankfurt am Main, Germany, LEI 529900HNOAA1KXQJUQ27 ("**DZ BANK**"), Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Germany, LEI B81CK4ESI35472RHJ606 ("**LBBW**" and, together with COMMERZBANK and DZ BANK, the "**Co-Lead Managers**" and, together with the Joint Bookrunners, the "**Underwriters**").

The Company and Berenberg will apply for the admission to trading of the Company's shares.

The Company and the Underwriters assume responsibility for the contents of the Prospectus pursuant to Section 8 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) as well as Article 11 para. 1 of the Regulation (EU) 2017/1129.

The Prospectus is dated January 27, 2023 and has been approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht,* "**BaFin**") as competent authority under Regulation (EU) 2017/1129 on that date. BaFin can be contacted at Marie-Curie-Str. 24-28, 60439 Frankfurt am Main, Germany, by telephone +49 228 4108-0, or via its website: www.bafin.de.

This summary should be read as an introduction to the Prospectus. Any decision to invest in the shares of the Company should be based on a consideration of the Prospectus as a whole by the investor. Investors could lose all or part of their invested capital. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the prospectus, or where it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.

1.2 Key Information on the Issuer

1.2.1 Who is the issuer of the securities?

The legal name of the issuer is "IONOS Group SE". The Issuer is incorporated in Germany as a European company (*Societas Europaea, SE*) and governed by German law subject to the EU regulations on European companies, in particular the provisions of Council Regulation (EC) No. 2157/2001, as amended from time to time. The Company's domicile is Montabaur, Germany, and it is registered with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Montabaur under HRB 25386. The

Company can be contacted at its business address: Elgendorfer Str. 57, 56410 Montabaur, Germany, by telephone: +49 721 170 5522, or via its website www.ionos-group.com. The Company's LEI is 391200NQNTF0AP2MP438.

1.2.1.1 Principal activities of the Issuer

IONOS, headquartered in Germany, is an international digitalization partner and sees itself as a trusted cloud enabler, with a comprehensive product portfolio in its business areas for Web Presence & Productivity as well as Cloud Solutions, supported by customer care and infrastructure, primarily addressing small and medium-sized businesses ("**SMBs**"), but also individual users (*e.g.*, freelance professionals) and larger enterprise customers. In our Web Presence & Productivity business area, we offer both "do-it-yourself" and "do-it-for-me" as well as professional design solutions for web presence (*e.g.*, domain registration, web hosting, website builders) and additional productivity products and services (*e.g.*, ecommerce applications, email and Office applications, dedicated servers as well as value added services such as search engine optimization, business apps and storage and security solutions). Our Cloud Solutions offering comprises both public cloud and private cloud solutions.

We host approximately 22 million domains in our own regional data centers in Europe and the United States of America ("**United States**" or "**USA**") (as of September 30, 2022). IONOS is the European market leader in web hosting in terms of the number of domains hosted (approximately 11.6 million in Europe as of September 30, 2022, according to data published by HostSens, which is the commercial name of Viberti Unip LDA, a Portuguese company offering market analysis and planning tools and data for companies in the web hosting market on a subscription-based basis) on the number of national top-level domains for European countries hosted by different hosting companies), serving 18 countries in Europe and North America, including focus markets in Germany, the United Kingdom, Spain, France and Poland, but also a strong presence in other markets such as Austria and the Netherlands. We have approximately 6.0 million customers and manage approximately 8.9 million customer contracts worldwide, thereof approximately 7.9 million in Europe (as of September 30, 2022). In fiscal year 2021, the Group had total revenue (revenue from contracts with customers and revenue from contracts with related parties) of € 1,103.3 million and an Adjusted EBITDA of € 355.2 million.

As of September 30, 2022, IONOS employed 4,239 employees (based on headcount) in nine countries in which the Group has operations or offices.

IONOS Group SE is the holding and management company of the IONOS Group.

1.2.1.2 Major shareholders

As of the date of the Prospectus and prior to the offering of the Offer Shares and the implementation of the Pre-IPO Capital Increase, United Internet AG, Montabaur, Germany ("**United Internet AG**") holds 75.1% of the share capital of the Company, namely 270,360 ordinary registered shares and one preference registered share (which an extraordinary shareholders' meeting of the Company held on January 26, 2023 resolved to convert into one ordinary registered share, expected to be registered with the Company's Commercial Register on February 1, 2023). The remaining 24.9% of the Company's share capital as of the date of the Prospectus, namely 89,640 ordinary registered shares, are held by WP XII Venture Holdings II SCSp, Luxembourg, Grand Duchy of Luxembourg ("**Luxembourg**") (together with United Internet AG, the "**Selling Shareholders**" and each a "**Selling Shareholder**"). WP XII Venture Holdings II SCSp is a Luxembourg partnership which is 55% indirectly held by private equity funds managed by Warburg Pincus LLC, a New York limited liability company.

Immediately upon registration of the Pre-IPO Capital Increase out of the Company's reserves (which is expected to occur on February 1, 2023), the Selling Shareholders will receive the new shares to be issued in the Pre-IPO Capital Increase *pro rata* to their existing shareholdings in the Company, so that United Internet AG will hold 105,140,097 shares in the Company and WP XII Venture Holdings II SCSp will hold 34,859,903 shares in the Company prior to the completion of the offering of the Offer Shares. Therefore, the Secondary Shares and the Over-Allotment Shares (both as defined in "*1.4.1.1 Scope and terms of the Offering; allotment; stabilization and greenshoe*") offered in the course of the offering of the Offer Shares from the holdings of the Selling Shareholders will comprise shares of the Company existing at the date of the Prospectus and shares from the Pre-IPO Capital Increase.

1.2.1.3 Management Board

The Company's management board (*Vorstand*) consists of two members: Achim Weiss, who acts as Chief Executive Officer (CEO) and Britta Schmidt, who acts as Chief Financial Officer (CFO).

1.2.1.4 Statutory auditors

For the fiscal years ended December 31, 2021, December 31, 2020 and December 31, 2019, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, through its Eschborn/Frankfurt am Main office, Mergenthalerallee 3-5, 65760 Eschborn, Germany ("**EY**"), was appointed as statutory auditor of the Company. In the general meeting of the Company which took place on August 31, 2022, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany, through its Düsseldorf office, Georg-Glock-Straße 22, 40474 Düsseldorf, Germany ("**PwC**"), has been elected and appointed by the supervisory board of the Company as statutory auditor of the Company's consolidated financial statements for the fiscal year ending December 31, 2022.

1.2.2 What is the key financial information regarding the issuer?

The audited consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2021 (the "**Audited Consolidated Financial Statements 2021**"), 2020 (the "**Audited Consolidated Financial Statements 2020**") and 2019 (the "**Audited Consolidated Financial Statements 2019**") (together, the "**Audited Consolidated Financial Statements**") were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("**IFRS**") and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (*Handelsgesetzbuch* – "**HGB**"). The unaudited condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2022 (the "**Unaudited Condensed Consolidated Interim Financial Statements**") were prepared in accordance with IFRS applicable to interim financial reporting (IAS 34).

In this summary of the Prospectus, where financial information is presented as "audited" in tables, this means that it was taken from the Audited Consolidated Financial Statements. Where financial information is presented in tables as "unaudited", this indicates that the financial information has not been taken from the Audited Consolidated Financial Statements but has been taken either from the Unaudited Condensed Consolidated Interim Financial Statements, or from the Company's accounting records or internal management reporting system, or has been calculated based on figures from the above-mentioned sources.

1.2.2.1 Key financial information from the consolidated statement of comprehensive income

	For the Fiscal Year Ended December 31,			For the Nine-Month Period Ended September 30,	
	2021	**2020**	**2019**	**2022**	**2021**
(in € thousand, except percentages)	**(audited, unless otherwise indicated)**			**(unaudited)**	
Revenue from contracts with customers	1,059,990	944,373	886,963	917,479	771,783
Revenue from contracts with related parties	43,307	43,908	37,058	36,160	31,364
Total revenue[1)]	1,103,297*	988,281*	924,021*	953,639	803,147
Revenue from contracts with customers growth[2)]	12.2%*	6.5%*	–	18.9%	n/a
Net income	61,938	75,990	54,248	77,954	57,400

* Unaudited

1) We define total revenue as revenue from contracts with customers and revenue from contracts with related parties. Total revenue is not a line item taken from the consolidated statement of comprehensive income of the Company, but rather a key performance indicator used by the Company.

2) Growth shown refers to year on year/period on period.

1.2.2.2 Key financial information from the consolidated statement of financial position

	As of December 31,			As of September 30,
	2021	**2020**	**2019**	**2022**
(in € thousand)	**(audited)**			**(unaudited)**
Total assets	1,471,668	1,488,536	1,499,934	1,543,054
Total equity	(231,708)	(326,166)	(430,376)	(153,025)

1.2.2.3 Key financial information from the consolidated cash flow statement

	For the Fiscal Year Ended December 31,			For the Nine-Month Period Ended September 30,	
	2021	**2020**	**2019**	**2022**	**2021**
(in € thousand)	**(audited)**			**(unaudited)**	
Cash flow from operating activities	200,547	166,625	167,029	154,313	150,559
Cash flow from investing activities	(88,591)	36,678	(129,779)	(86,568)	(64,308)
Cash flow from financing activities	(170,083)	(136,248)	(44,047)	(77,009)	(140,081)

1.2.2.4 Selected key performance indicators

	As of and for the Fiscal Year Ended December 31,			As of and for the Nine-Month Period Ended September 30,	
	2021	**2020**	**2019**	**2022**	**2021**
(in € thousand, except percentages)	**(unaudited, unless otherwise indicated)**			**(unaudited)**	
Total revenue growth[1)]	11.6%	7.0%	–	18.7%	n/a
EBITDA[2)]	326,301*	340,257*	319,446*	258,857	250,186
EBITDA Margin[3),10)]	29.6%	34.4%	34.6%	27.1%	31.2%
Adjusted EBITDA[4)]	355,176*	355,102*	329,797*	275,754	270,350
Adjusted EBITDA Margin[5),10)]	32.2%	35.9%	35.7%	28.9%	33.7%
Total capital expenditures[6)]	150,559	111,822	72,352	126,549	77,722
Adjusted Cash Contribution[7)]	317,898	310,328	283,089	245,069	243,300
Cash Conversion Rate[8)]	89.5%	87.4%	85.8%	88.9%	90.0%
Net Debt (as of the respective reporting date)[9)]	1,255,585	1,326,747	1,492,957	1,205,024	n/a

* Audited

1) Growth shown refers to year on year/period on period.

2) We define EBITDA as the Group's earnings before income taxes, share of the profit or loss of associates accounted for using the equity method, finance costs and finance income, and depreciation and amortization. EBITDA is calculated as operating result, plus amortization and depreciation as well as impairment of intangible assets and property, plant and equipment, less write-ups of intangible assets, where applicable.

3) We define EBITDA Margin as the ratio of EBITDA to total revenue.

4) We define Adjusted EBITDA as the Group's EBITDA adjusted for either non-recurring items or non-operating items. These adjustment items are the following: (i) adjustment for long-term incentive plans, which includes the cost of employee stock ownership programs; (ii) adjustment for stand-alone activities, which includes costs of preparing the spin-off of the IONOS Group from the United Internet group and the establishment of the IONOS Group as an independent group (primarily costs of the billing carve-out project (separation from the billing systems of 1&1 Telecommunication SE)); (iii) adjustment for IPO costs, which includes external costs incurred in connection with the initial public offering of the Company; (iv) adjustment for certain consulting fees incurred for one-off projects, such as

reorganization measures; and (v) adjustment for certain severance payments, which includes expenses related to reorganization and restructuring measures, primarily consisting of severance payments and other personnel-related costs.

5) We define Adjusted EBITDA Margin as the ratio of Adjusted EBITDA to total revenue.

6) We define total capital expenditures as the sum of additions to intangible assets and additions to property, plant and equipment; we categorize total capital expenditures into maintenance capital expenditures, which include capital expenditures for replacements and in the ordinary course of business, and growth capital expenditures, which include all capital expenditures that are not maintenance capital expenditures.

7) We define Adjusted Cash Contribution as Adjusted EBITDA less maintenance capital expenditures (excl. additions to right-of-use assets).

8) We define Cash Conversion Rate as Adjusted Cash Contribution divided by Adjusted EBITDA.

9) We define Net Debt as the sum of non-current liabilities to related parties, current liabilities to related parties, and current liabilities due to banks less receivables from related parties and cash and cash equivalents.

10) In the Audited Consolidated Financial Statements 2021, EBITDA Margin and Adjusted EBITDA Margin were presented as calculated as the ratio of EBITDA and Adjusted EBITDA, as applicable, to revenue from contracts with customers. We have decided to report EBITDA Margin and Adjusted EBITDA Margin for fiscal year 2022 and going forward calculated on the basis of total revenue. EBITDA Margin and Adjusted EBITDA Margin presented in this Prospectus for the fiscal years 2021, 2020 and 2019 have been recalculated based on the new definition applicable from fiscal year 2022 on the basis of total revenue to reflect our operations as an independent group.

The above key performance indicators are not defined by IFRS or any other generally accepted accounting principles, and such items should not be considered as an alternative to the historical financial results or other indicators of our results of operations and financial position based on IFRS financial measures.

1.2.3 What are the key risks that are specific to the issuer?

An investment in the Company's shares is subject to a number of risks. The following risks are key risks specific to us:

- A cybersecurity incident could impact our ability to provide services to our customers and could negatively affect our reputation and may expose us to liability.
- The markets in which we operate are highly competitive, and if we fail to deliver advanced software solutions and adapt our offering to respond to customer needs, our business, financial position, and results of operations could be harmed.
- We may fail to comply with increasingly fast evolving privacy, cloud and other data related laws and regulations and the cost of compliance may increase substantially.
- Our results of operations are exposed to currency exchange rate fluctuations, in particular regarding the exchange rates of the U.S. dollar, the British pound sterling and the Polish zloty to the euro, which could result in losses or introduce volatility in our earnings.
- We depend on our ability to attract and retain customers and increase our sales to new and existing customers, and our business would be harmed if demand for our products and services were to decline or if the rate at which customers terminate or fail to renew their subscriptions were to increase.
- System failures and outages and other operational problems relating to our IT systems, including data processing centers and servers, could significantly disrupt our business.
- We depend on suppliers, service providers and other partners, including development partners, to deliver hardware and software, in particular domains and licenses, and rely on third-party software, including open source solutions, in order to operate successfully.
- If we fail to attract and retain highly qualified managerial staff and skilled personnel, including developers and sales staff, or if our business expertise becomes available to competitors, we may not be able to meet our strategic objectives and grow our business.
- Our customers consist mainly of small and medium-sized businesses, but we also have larger enterprises and public sector organizations as customers, in particular in our Cloud Solutions business area. We are exposed to credit risks, in particular with respect to trade receivables arising from our business with large customers, and may need to write off or write down receivables if our contractual partners are unable to meet their obligations. In addition, our largely automated processes may offer opportunities to fraudsters, and we may have to write off or write down receivables due to fraud, credit card and other online payment chargebacks. Due to the nature of the products and services offered, in addition to the high number of customers (approximately 6.0 million as of September 30, 2022), there is a high risk that the number of non-payers and fraudsters may increase.
- We rely on the success, continuance and integrity of our partnerships, including in relation to product development and innovation. In this context, we face risks such as breach of contract, termination of a partnership or conflicts with a partner, the potential loss of know-how to a partner or endangerment of a project through unforeseen events.
- Our business and results of operations could be affected by the regulatory frameworks in different ways, for example if we were unable to obtain or maintain required authorizations and certifications or if we failed to comply with our obligations. Regulatory requirements such as the annual consultation and control by the German Network Agency (*Bundesnetzagentur*) and a bi-annual ISO recertification process with respect to the areas considered as "critical infrastructure", carried out by external auditors and the results of which are provided to the German Federal Office for Information Security (*Bundesamt für Sicherheit in der Informationstechnik*) and compliance with various U.S. federal and state data privacy and cybersecurity laws and regulations, as well as other regulations (*e.g.*, on accessibility of websites for disabled persons, which requires complex technical adaptations to ensure compliance) in the United States are examples of regulatory areas that are critical for our business. Any actual or perceived non-compliance with any such laws or regulations may result in adverse effects on our business, including regulatory actions, litigation, fines, damages or reputational harm.
- The benefits from a change of the behavior of our target customers during the COVID-19 pandemic may not be sustainable in the mid to long-term and other effects of the COVID-19 pandemic, including governmental measures taken in response to it, may have an adverse impact on our business in the future.

- If we fail to migrate and roll out a uniform billing system at IONOS as planned, our processes may be disrupted and our results of operations may be negatively affected.

1.3 Key Information on the Securities

1.3.1 What are the main features of the securities?

The Prospectus relates to ordinary registered shares with no par value (*auf den Namen lautende Stückaktien*), each such share representing a notional value of € 1.00 in the share capital and carrying full dividend rights as from January 1, 2022, with the ISIN: DE000A3E00M1. As of the date of the Prospectus, 360,000 of the existing shares of the Company are ordinary registered shares of the same class, denominated in euro, and there is one existing preference registered share, also denominated in euro, with no par value, which an extraordinary shareholders' meeting held on January 26, 2023 resolved to convert into one ordinary registered share; this resolution is expected to be registered with the Commercial Register on February 1, 2023. The shares from the Pre-IPO Capital Increase shall be shares of the same class and denominated in euro.

Each of the shares of the Company shall entitle the shareholder to one vote at the general shareholders' meeting of the Company. The currently existing preference share shall be converted into an ordinary registered share with one vote at the general shareholders' meeting upon registration of the conversion resolution with the Commercial Register on February 1, 2023. Upon such conversion of the existing preference share into an ordinary share, voting rights will not be restricted and will be the same for all of the Company's shareholders. The shares are subordinated to all other securities and claims in case of an insolvency of the Company. All of the shares entitle the shareholders to a share of any distributable liquidation proceeds or insolvency surpluses at the ratio of their proportion in the share capital. Subject to the registration of the amendments to the Company's Articles of Association resolved on January 26, 2023 by the extraordinary shareholders' meeting of the Company, which amendments are expected to be registered with the Commercial Register of the Local Court of Montabaur, Germany, on February 1, 2023, and further subject to customary lock-up commitments as well as selling restrictions applicable to international sales, the shares are freely transferable in accordance with the legal requirements for registered shares (*Namensaktien*). The Company and the Selling Shareholders have committed to lock-up undertakings for a period of 180 days each.

1.3.2 Where will the securities be traded?

The Company will apply for admission of its shares (including the shares from the Pre-IPO Capital Increase) to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard).

1.3.3 What are the key risks that are specific to the securities?

The following risks are key risks specific to the Company's shares:

- The shares of the Company have not been publicly traded, and there can be no assurance that a liquid trading market for the shares will develop or can be maintained over time. Hence, in particular, the price and trading volume of the shares could fluctuate significantly, also as a result of a potential decline of the share price and trading volume of United Internet AG shares, and investors could lose all or part of their investment.
- The Company's ability to pay dividends depends, among other things, on the Group's results of operations, financial investment needs, the availability of distributable profit and on its overall financial position. Any of these factors, including the ability of the Company's operating subsidiaries to generate income and transfer profits, may restrict the Company's ability to pay dividends.

1.4 Key Information on the Offer of Securities to the Public and the Admission to Trading on a Regulated Market

1.4.1 Under which conditions and timetable can I invest in this security?

1.4.1.1 Scope and terms of the Offering; allotment; stabilization and greenshoe

The public offering relates to (i) 15,771,000 UI Secondary Shares, (ii) 5,229,000 WP Secondary Shares; (iii) 2,365,650 UI Over-Allotment Shares and (iv) 784,350 WP Over-Allotment Shares.

The "**Offering**" of the Offer Shares consists of an initial public offering in Germany and private placements in certain jurisdictions outside of Germany. In the United States, the Offer Shares will be offered and sold only to certain qualified institutional buyers as defined in and in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Outside of the United States, the Offer Shares will be offered and sold only in "offshore transactions" within the meaning of, and in reliance on, Regulation S under the Securities Act. The shares of the Company, including the Offer Shares, have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold or otherwise transferred to or within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

The anticipated timetable for the Offering, which may be extended or shortened and remains subject to change, is as follows:

January 27, 2023......................	Approval of the Prospectus by BaFin; publication of the approved Prospectus on the website of IONOS Group SE (https://www.ionos-group.com/investor-relations/ipo.html)
	Application for admission of the Company's shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard)

January 30, 2023......................	Commencement of the period during which investors can submit purchase orders for the Offer Shares (the "**Offer Period**")
February 1, 2023......................	Expected registration of the implementation of the Pre-IPO Capital Increase with the Commercial Register
February 7, 2023......................	Close of the Offer Period for private investors (natural persons) at 12:00 noon (Central European Time, "**CET**") and for institutional investors at 2:00 pm CET; determination and publication of the final offer price ("**Offer Price**") and the final number of shares allocated
	Expected decision on admission to trading to be issued by the Frankfurt Stock Exchange
February 8, 2023......................	Commencement of trading in the Company's shares on the regulated market segment of the Frankfurt Stock Exchange and on the sub-segment thereof with additional post-admission obligations (Prime Standard)
On or about February 10, 2023 .	Book-entry delivery of the Offer Shares against payment of the Offer Price (settlement and closing)

The price range within which purchase orders may be placed is from € 18.50 to € 22.50 per Offer Share (the "**Price Range**"). The Selling Shareholders reserve the right, after consultation with the Joint Global Coordinators, to increase or decrease the total number of Offer Shares, to increase or decrease the upper and/or lower limit of the Price Range and/or to extend or shorten the Offer Period.

Private investors in Germany will be able to place their order through one of the following banks: Berenberg, Deutsche Bank (including maxblue), BNP PARIBAS (including Consorsbank and DAB BNP Paribas), COMMERZBANK (including comdirect), DZ Bank and Cooperative Banks of Genossenschaftliche FinanzGruppe Volksbanken Raiffeisenbanken, LBBW, BW Bank and at savings banks of Deutsche Sparkassen/S-Finanzgruppe (including S Broker). Orders placed by private investors through other banks that the syndicate banks and their specified affiliates, as listed above, will be subject to the discretionary allocation process and hence may receive smaller allocations on a relative basis, if any. If a private investor does not have any relationship with one of the relevant banks or their specified affiliates listed above, the private investor may be required to open a securities account and a cash account.

The Offer Price and the final number of Offer Shares to be placed will be determined jointly by the Selling Shareholders and the Joint Global Coordinators on behalf of the Underwriters once the Offer Period has expired on the basis of the submitted purchase orders. The allotment of Offer Shares to retail investors and institutional investors will be decided by the Selling Shareholders after consultation with the Joint Global Coordinators. The allotment to retail investors in the public offering in Germany will be compatible with the "Principles for the Allotment of Share Issues to Private Investors" (*Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger*) issued by the German Commission of Stock Exchange Experts (*Börsensachverständigenkommission*) on June 7, 2000.

In connection with the placement of the Offer Shares, J.P. Morgan, or persons acting on its behalf, will act as stabilization manager and may, in accordance with legal requirements, take stabilization measures to support the market price of the shares of the Company during a period ending no later than 30 calendar days after the date of the commencement of trading of the shares on the regulated market of the Frankfurt Stock Exchange – which is expected to be on February 8, 2023 – and thereby counteract any selling pressure. The number of Over-Allotment Shares which may be allotted must not exceed 15% of the total number of Secondary Shares placed with investors. The stabilization manager is under no obligation to take any stabilization measures. Under the possible stabilization measures, investors may, in addition to the Secondary Shares, be allotted Over-Allotment Shares. In connection with potential over-allotments, United Internet AG (for the UI Over-Allotment Shares) and WP XII Venture Holdings SCSp (for the WP Over-Allotment Shares) have granted the Joint Global Coordinators an option to acquire all or part of the allotted Over-Allotment Shares against payment of the Offer Price less agreed fees and commissions ("**Greenshoe Option**", and any such Over-Allotment Shares purchased upon exercise of the Greenshoe Option, the "**Greenshoe Shares**").

1.4.1.2 Dilution

The Offering comprises only shares of the Company from the holdings of the Selling Shareholders (*i.e.*, the current shareholders of the Company), including the shares from the Pre-IPO Capital Increase, which will be allocated, upon registration of the implementation of the Pre-IPO Capital Increase with the Company's Commercial Register, expected to occur on February 1, 2023, to the Selling Shareholders *pro rata* to their current shareholdings in the Company.

As of September 30, 2022, the net asset value attributable to the shareholders of the Company in its consolidated statement of financial position based on the Unaudited Condensed Consolidated Interim Financial Statements of the Company as of and for the nine-month period ended September 30, 2022, calculated as total assets less total liabilities, amounted to € -153.0 million, and would amount to € -425.1 per share based on 360,001 outstanding shares immediately prior to the Offering (and prior to the registration of the implementation of the Pre-IPO Capital Increase). After completion of the Offering, the net asset value attributable to the shareholders as of September 30, 2022, would amount to € -1.09 per share, based on 140,000,000 outstanding shares after registration of the implementation of the Pre-IPO Capital Increase. Thus, the amount by which the Offer Price of € 20.50 (based on the mid-point of the Price Range) exceeds the net asset value per share would be € 21.59 (immediate dilution 105.3% for investors acquiring Offer Shares in the Offering).

1.4.1.3 Expenses

The costs related to the Offering of the Offer Shares and the admission to trading of the shares of the Company on the regulated market of the Frankfurt Stock Exchange (including the costs relating to the process for the admission to trading of the Company's Shares on the Frankfurt Stock Exchange) are expected to total approximately € 33.9 million, assuming a full placement of 21,000,0000 Secondary Shares at the mid-point of the Price Range, full placement of 3,150,000 Over-Allotment Shares at the mid-point of the Price Range, full exercise of the Greenshoe Option, and payment in full of discretionary Underwriters' fees. These costs will be borne by the Selling Shareholders.

Investors will not be charged expenses by the Company, the Selling Shareholders or the Underwriters (in their capacity as underwriters). Investors may, however, have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.

1.4.2 Who is the offeror and/or the person asking for admission to trading?

The Offering will be made by the Underwriters. J.P. Morgan is incorporated and operating under the laws of Germany; Berenberg is incorporated and operating under the laws of Germany; Deutsche Bank is incorporated and operating under the laws of Germany; BNP PARIBAS is incorporated and operating under the laws of France; Barclays is registered in Ireland and operating under the laws of Ireland; Goldman Sachs is incorporated and operating under the laws of Germany; COMMERZBANK is incorporated and operating under the laws of Germany; DZ BANK is incorporated and operating under the laws of Germany; and LBBW is incorporated and operating under the laws of Germany.

The Company, together with Berenberg, who is acting as admission applicant (*Zulassungsantragsteller*) within the meaning of Section 2 no. 7 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), will apply for admission to trading of the Company's shares.

1.4.3 Why is this prospectus being produced?

1.4.3.1 Reasons for the Offering and the admission to trading

The Company intends to achieve better access to the capital markets with the intended admission to trading (and the subsequent listing) of its shares. The Selling Shareholders intend to partially divest their respective shareholding in the Company in connection with the Offering.

The Company and the Selling Shareholders believe that the admission to trading (and the subsequent listing) of the shares will provide a number of benefits to the Group, including enhanced brand visibility and recognition and increased flexibility and ability to support and develop the Group's business through organic growth and selective acquisitions.

1.4.3.2 Use and estimated net amounts of the proceeds

The Company will not receive any proceeds from the sale of the Offer Shares.

Assuming in each case full placement of the Offer Shares (including all Over-Allotment Shares) at the mid-point of the Price Range, a full exercise of the Greenshoe Option, and payment in full of discretionary fees to the Underwriters, the net proceeds to the Selling Shareholders from the sale of the Secondary Shares and from the sale of the Greenshoe Shares are estimated to amount, in the aggregate, to approximately € 461.2 million.

1.4.3.3 Underwriting Agreement

The Company, the Selling Shareholders and the Underwriters have entered into an underwriting agreement dated January 27, 2023 (the "**Underwriting Agreement**") in relation to the coordination, structuring, and implementation of the Offering. In the Underwriting Agreement, the Underwriters agreed to purchase the Offer Shares and to sell such shares as part of the Offering to investors, such obligation being subject to various conditions, including, among other things, the execution of a pricing agreement, and the receipt of customary confirmations and legal opinions satisfactory to the Underwriters.

1.4.3.4 Material conflicts of interest pertaining to the offer and the admission to trading

The Underwriters will receive a commission from the Selling Shareholders upon successful completion of the Offering. In addition, Berenberg has been appointed to act as designated sponsor and as admission applicant (*Zulassungsantragsteller*) within the meaning of Section 2 no. 7 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*). As a result of these contractual relationships, the Underwriters have a financial interest in the successful completion of the Offering.

Furthermore, in connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for their own account, may acquire shares in the Offering and in that capacity may retain, purchase or sell for its own account such shares or related investments and may offer or sell such shares or other investments otherwise than in connection with the Offering. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for difference) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of shares in the Company. None of the Underwriters intends to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so or as disclosed in the Prospectus.

The Selling Shareholders will receive the proceeds from the sale of the Secondary Shares and from the potential sale of Greenshoe Shares to the extent that the Greenshoe Option is exercised, in each case less commissions in connection thereto. Accordingly, the Selling Shareholders have an interest in the successful completion of the Offering.

Certain members of the supervisory board of the Company are members of the governing bodies of, or have certain relationships with, United Internet AG and certain other (indirect) shareholders of the Company or affiliates of such (indirect) shareholders. Accordingly, the interests of such persons with respect to the Offering and admission of the Company's shares to trading on the Frankfurt Stock Exchange may not be aligned with those of the Company or the Company's other shareholders, which constitutes a potential conflict of interest.

Some parts of the variable remuneration paid to Mr. Mildner (also in relation to other tasks for the United Internet group) were and are linked to the success of the United Internet group. Moreover, employees have purchased common shares in United Internet AG at a reduced price. These persons may therefore have an economic interest in the Offering. The CEO of the Company, Mr. Weiss, and the CFO of the Company, Ms. Schmidt, have both received, as participants of a management incentive program of the Company, units that will vest on the first day of trading of the Company's shares on the Frankfurt Stock Exchange. In addition, the term and compensation of both members of the management board of the Company are dependent on the successful implementation of the Offering. Therefore, Mr. Weiss and Ms. Schmidt have an interest in the successful completion of the Offering and the commencement of trading of the Company's shares.

2 ZUSAMMENFASSUNG DES PROSPEKTS

(**GERMAN TRANSLATION OF THE SUMMARY OF THE PROSPECTUS**)

2.1 Einleitung und Warnhinweise

Dieser Prospekt (der "**Prospekt**") bezieht sich auf

- das öffentliche Angebot von 24.150.000 Aktien (die "**Angebotsaktien**") der IONOS Group SE, einer Europäischen Gesellschaft (*Societas Europaea (SE)*) mit Sitz in Elgendorfer Str. 57, 56410 Montabaur, Bundesrepublik Deutschland ("**Deutschland**"), Rechtsträgerkennung (*Legal Entity Identifier* – "**LEI**") 391200NQNTF0AP2MP438 (vormals IONOS TopCo SE, 1&1 IONOS TopCo SE und 1&1 Internet TopCo SE, im Folgenden auch der "**Emittent**" oder die "**Gesellschaft**", und gemeinsam mit ihren direkten und indirekten Tochtergesellschaften, "**IONOS-Gruppe**", "**Gruppe**", "**IONOS**", "**wir**", "**unser**" und "**uns**") in Deutschland. Die Angebotsaktien beinhalten (i) 15.771.000 Angebotsaktien aus der Beteiligung der United Internet AG (die "**UI Sekundäraktien**"), (ii) 5.229.000 Angebotsaktien aus der Beteiligung der WP XII Venture Holdings II SCSp (die "**WP Sekundäraktien**", und, zusammen mit den UI Sekundäraktien, die "**Sekundäraktien**"); und (iii) 3.150.000 Angebotsaktien zur Abdeckung potenzieller Mehrzuteilungen, davon 2.365.650 Angebotsaktien aus der Beteiligung der United Internet AG (die "**UI Mehrzuteilungsaktien**") und 784.350 Angebotsaktien aus der Beteiligung der WP XII Venture Holdings SCSp (die "**WP Mehrzuteilungsaktien**" und, zusammen mit den UI Mehrzuteilungsaktien, die "**Mehrzuteilungsaktien**"), in jedem der Fälle (i), (ii) und (iii) einschließlich der Aktien aus der Pre-IPO-Kapitalerhöhung; und
- die Zulassung zum Handel am regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zu dessen Teilbereich mit weiteren Zulassungsfolgepflichten (Prime Standard) (a) der zum Datum des Prospekts bestehenden 360.001 Aktien der Gesellschaft (einschließlich einer Vorzugsaktie, die in eine auf den Namen lautende Stammaktie umgewandelt wird gemäß einem Beschluss der außerordentlichen Hauptversammlung der Gesellschaft vom 26. Januar 2023, der voraussichtlich am 1. Februar 2023 in das Handelsregister der Gesellschaft eingetragen werden soll) sowie (b) der 139.639.999 Aktien aus einer Kapitalerhöhung aus Gesellschaftsmitteln, die von einer außerordentlichen Hauptversammlung der Gesellschaft am 26. Januar 2023 beschlossen und voraussichtlich am 1. Februar 2023 in das Handelsregister der Gesellschaft eingetragen wird (die "**Pre-IPO-Kapitalerhöhung**").

Die Internationale Wertpapier-Identifikationsnummer (International Securities Identification Number – "**ISIN**") der Aktien der Gesellschaft lautet DE000A3E00M1.

Die Angebotsaktien werden von J.P. Morgan SE, Taunustor 1, TaunusTurm, 60310 Frankfurt am Main, Deutschland, LEI 549300ZK53CNGEEI6A29 ("**J.P. Morgan**"), Joh. Berenberg, Gossler & Co. KG, Neuer Jungfernstieg 20, 20354 Hamburg, Deutschland, LEI 529900UC2OD7II24Z667 ("**Berenberg**"), Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Deutschland, LEI 7LTWFZYICNSX8D621K86 ("**Deutsche Bank**"), BNP PARIBAS, 16, boulevard des Italiens, 75009 Paris, Frankreich, LEI R0MUWSFPU8MPRO8K5P83 ("**BNP PARIBAS**", und, zusammen mit J.P. Morgan, Berenberg und Deutsche Bank, die "**Joint Global Coordinators**"), Barclays Bank Ireland PLC, One Molesworth Street, Dublin 2, Irland, D02 RF29, LEI 2G5BKIC2CB69PRJH1W31 ("**Barclays**"), Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Deutschland, LEI 8IBZUGJ7JPLH368JE346 ("**Goldman Sachs**", und, zusammen mit Barclays, die "**Bookrunners**" sowie zusammen mit den Joint Global Coordinators die "**Joint Bookrunners**"), COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Deutschland, LEI 851WYGNLUQLFZBSYGB56 ("**COMMERZBANK**"), DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Platz der Republik, 60325 Frankfurt am Main, Deutschland, LEI 529900HNOAA1KXQJUQ27 ("**DZ BANK**"), Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Deutschland, LEI B81CK4ESI35472RHJ606 ("**LBBW**", und, zusammen mit COMMERZBANK und DZ BANK, die "**Co-Lead Managers**" und, zusammen mit den Joint Bookrunners, die "**Konsortialbanken**") angeboten.

Die Gesellschaft und Berenberg werden die Zulassung zum Handel der Aktien der Gesellschaft beantragen.

Die Gesellschaft und die Konsortialbanken übernehmen Verantwortung für den Inhalt des Prospekts gemäß § 8 des Wertpapierprospektgesetzes sowie Artikel 11 Absatz 1 der Verordnung (EU) 2017/1129.

Der Prospekt datiert vom 27. Januar 2023 und wurde von der Bundesanstalt für Finanzdienstleistungsaufsicht ("**BaFin**") als zuständiger Behörde gemäß Verordnung (EU) 2017/1129 an diesem Tag gebilligt. Die BaFin ist erreichbar unter Marie-Curie-Str. 24-28, 60439 Frankfurt am Main, Deutschland, telefonisch unter +49 228 4108-0, oder über ihre Website: www.bafin.de.

Diese Zusammenfassung sollte als Einleitung zu dem Prospekt verstanden werden. Bei jeder Entscheidung, in die Aktien der Gesellschaft zu investieren, sollte sich der Anleger auf den Prospekt als Ganzes stützen. Anleger können das gesamte angelegte Kapital oder einen Teil davon verlieren. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in dem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger nach nationalem Recht die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben. Zivilrechtlich haften nur diejenigen Personen, die die Zusammenfassung samt etwaiger Übersetzungen vorgelegt und übermittelt haben, und dies auch nur für den Fall, dass die Zusammenfassung, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, irreführend, unrichtig oder widersprüchlich ist oder dass sie, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, nicht die Basisinformationen vermittelt, die in Bezug auf Anlagen in Wertpapiere der Gesellschaft für die Anleger eine Entscheidungshilfe darstellen würden.

2.2 Basisinformationen über die Emittentin

2.2.1 Wer ist die Emittentin der Wertpapiere?

Die Firma der Emittentin lautet "IONOS Group SE". Die Emittentin ist als eine Europäische Gesellschaft (*Societas Europaea, SE*) in Deutschland gegründet und unterliegt deutschem Recht vorbehaltlich der EU-Verordnungen über Europäische Gesellschaften, insbesondere der Bestimmungen der Verordnung (EG) Nr. 2157/2001 des Rates in ihrer jeweils gültigen Fassung. Der Sitz der Gesellschaft ist Montabaur, Deutschland, und sie ist im Handelsregister des Amtsgerichts Montabaur unter HRB 25386 eingetragen. Die Gesellschaft kann unter ihrer Geschäftsadresse: Elgendorfer Str. 57, 56410 Montabaur, Deutschland, telefonisch unter: +49 721 170 5522, oder über ihre Website www.ionos-group.com kontaktiert werden. Die LEI der Gesellschaft lautet 391200NQNTF0AP2MP438.

2.2.1.1 Haupttätigkeiten der Emittentin

IONOS, mit Hauptsitz in Deutschland, ist ein international agierender Digitalisierungspartner und sieht sich als ein zuverlässiger Cloud-Enabler mit einem umfassenden Produktportfolio, das, unterstützt von Kundenbetreuung und Infrastruktur, sowohl ihre Geschäftsfelder Webpräsenz und Produktivität als auch Cloud-Lösungen umfasst, und richtet sich in erster Linie an kleine und mittlere Unternehmen ("**SMB**"), aber auch an Einzelanwender (z. B. Freiberufler) und größere Unternehmenskunden. In unserem Geschäftsfeld Webpräsenz und Produktivität bieten wir sowohl "mach-es-selbst"- als auch "mach-es-für-mich"- sowie professionelle Design-Lösungen für Webpräsenz an (z.B. Domainregistrierung, Webhosting, Website-Building) und zusätzliche Produktivitätsprodukte und -dienste (z.B. Ecommerce-Applikationen, E-Mail- and Büro-Applikationen, dedizierte Server sowie Zusatzdienste wie etwa Suchmaschinenoptimierung, Geschäftsapplikationen und Speicher- und Sicherungslösungen). Unser Cloud-Lösungen Angebot umfasst sowohl öffentliche Cloud- als auch private Cloud-Lösungen.

Wir hosten ca. 22 Millionen Domains in unseren eigenen regionalen Rechenzentren in Europa und den Vereinigten Staaten von Amerika ("**Vereinigte Staaten**" oder "**USA**") (Stand: 30. September 2022). IONOS ist der europäische Marktführer im Webhosting in Bezug auf die Anzahl der gehosteten Domains (ca. 11,6 Millionen in Europa zum 30. September 2022, basierend auf von HostSens (der Handelsname von Viberti Unip LDA, einem portugiesischen Unternehmen, das Marktanalyse- und Planungsinstrumente sowie Daten für Unternehmen auf dem Webhosting-Markt auf Abonnementbasis anbietet) veröffentlichten Informationen über die Anzahl von nationalen *Top-Level Domains für* europäische Länder, die von verschiedenen Hosting-Unternehmen gehostet werden), mit Aktivitäten in 18 Ländern in Europa und Nordamerika, einschließlich Schwerpunktmärkten in Deutschland, im Vereinigten Königreich, in Spanien, Frankreich und Polen, aber auch einer starken Präsenz in anderen Märkten wie Österreich und den Niederlanden. Wir haben etwa 6,0 Millionen Kunden und verwalten weltweit etwa 8,9 Millionen Kundenverträge, davon etwa 7,9 Millionen in Europa (Stand: 30. September 2022). Im Geschäftsjahr 2021 erzielte die Gruppe Gesamtumsatzerlöse (Umsatzerlöse aus Verträgen mit Kunden und Erlöse mit nahestehenden Unternehmen) in Höhe von € 1.103,3 Mio. und ein bereinigtes EBITDA von € 355,2 Mio.

Zum 30. September 2022 beschäftigte IONOS 4.239 Arbeitnehmer (nach Anzahl der Köpfe) in neun Ländern, in denen die Gruppe Betriebsaktivitäten oder Büros hat.

Die IONOS Group SE ist die Holding- und Managementgesellschaft der IONOS-Gruppe.

2.2.1.2 Hauptanteilseigner

Zum Datum des Prospekts und vor dem Angebot der Angebotsaktien der Gesellschaft und der Durchführung der Pre-IPO-Kapitalerhöhung, werden 75,1% der bestehenden Aktien der Gesellschaft von United Internet AG, Montabaur, Deutschland ("**United Internet AG**"), gehalten, nämlich 270.360 Namensaktien und eine Vorzugsaktie (die nach dem Beschluss der außerordentlichen Hauptversammlung der Gesellschaft am 26. Januar 2023 in eine Namensaktie umzuwandeln ist, der voraussichtlich am 1. Februar in das Handelsregister der Gesellschaft eingetragen wird). Die verbleibenden 24,9% der Aktien der Gesellschaft zum Datum des Prospekts, nämlich 89.640 Namensaktien, werden gehalten von WP XII Venture Holdings II SCSp, Luxemburg, Großherzogtum Luxemburg ("**Luxemburg**") (zusammen mit United Internet AG, die "**Abgebenden Aktionäre**" und jeweils ein "**Abgebender Aktionär**"). WP XII Venture Holdings II SCSp ist eine luxemburgische Partnerschaft, die zu 55% indirekt von Private-Equity-Fonds gehalten wird, die von Warburg Pincus LLC, einer in New York ansässigen Gesellschaft mit beschränkter Haftung (*Limited Liability Company*), verwaltet werden.

Unmittelbar nach Eintragung der Pre-IPO-Kapitalerhöhung aus Gesellschaftsmitteln (voraussichtlich am 1. Februar 2023) erhalten die Abgebenden Aktionäre die im Rahmen der Pre-IPO-Kapitalerhöhung auszugebenden neuen Aktien anteilig zu ihrem bestehenden Anteilsbesitz an der Gesellschaft, so dass die United Internet AG 105.140.097 Aktien an der Gesellschaft und WP XII Venture Holdings II SCSp 34.859.903 Aktien an der Gesellschaft vor Abschluss des Angebots halten werden. Die Sekundäraktien und die Mehrzuteilungsaktien (beide definiert unter "*2.4.1.1 Konditionen und Bedingungen des Angebots; Zuteilung; Stabilisierungsmaßnahmen und Greenshoe-Option*"), die im Rahmen des Angebots aus dem Bestand der Abgebenden Aktionäre angeboten werden, setzen sich daher aus den zum Datum des Prospekts bestehenden Aktien der Gesellschaft und den Aktien aus der Pre-IPO-Kapitalerhöhung zusammen.

2.2.1.3 Vorstand

Der Vorstand der Gesellschaft besteht aus zwei Mitgliedern: Achim Weiß, Chief Executive Officer (CEO), und Britta Schmidt, Chief Financial Officer (CFO, *Finanzvorstand*).

2.2.1.4 Abschlussprüfer

Für die zum 31. Dezember 2021, 31. Dezember 2020 und 31. Dezember 2019 endenden Geschäftsjahre wurde die Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Deutschland, Standort Eschborn/Frankfurt, Mergenthalerallee 3-5, 65760 Eschborn, Deutschland ("**EY**"), zum gesetzlichen Abschlussprüfer der Gesellschaft bestellt. In der Hauptversammlung der Gesellschaft, die am 31. August 2022 stattfand, wurde PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Deutschland, Standort Düsseldorf, Georg-Glock-Straße 22, 40474 Düsseldorf, Deutschland ("**PwC**"), als gesetzlicher

Abschlussprüfer des Konzernabschlusses der Gesellschaft für das zum 31. Dezember 2022 endende Geschäftsjahr gewählt und durch den Aufsichtsrat der Gesellschaft bestellt.

2.2.2 Welches sind die wesentlichen Finanzinformationen über die Emittentin?

Die geprüften Konzernabschlüsse der Gesellschaft für die zum 31. Dezember 2021 (der "**Geprüfte Konzernabschluss 2021**"), 2020 (der "**Geprüfte Konzernabschluss 2020**") und 2019 (der "**Geprüfte Konzernabschluss 2019**") endenden Geschäftsjahre (zusammen die "**Geprüften Konzernabschlüsse**") wurden in Übereinstimmung mit den International Financial Reporting Standards, wie sie in der Europäischen Union anzuwenden sind ("**IFRS**"), und den ergänzend nach § 315e Abs. 1 Handelsgesetzbuch ("**HGB**") anzuwendenden deutschen handelsrechtlichen Vorschriften erstellt. Der ungeprüfte verkürzte Konzernzwischenabschluss der Gesellschaft für den zum 30. September 2022 endenden Neunmonatszeitraum (der "**Ungeprüfte Verkürzte Konzernzwischenabschluss**") wurde in Übereinstimmung mit den für die Zwischenberichterstattung anwendbaren IFRS (IAS 34) erstellt.

Soweit in der Zusammenfassung des Prospekts Finanzinformationen in Tabellen als "geprüft" bezeichnet sind, bedeutet dies, dass sie den Geprüften Konzernabschlüssen entnommen wurden. Wenn Finanzinformationen in Tabellen als "ungeprüft" bezeichnet werden, bedeutet dies, dass die Finanzinformationen nicht den Geprüften Konzernabschlüssen entnommen wurden, sondern entweder dem Ungeprüften Verkürzten Konzernzwischenabschluss oder der Buchhaltung bzw. dem internen Berichtswesen der Gesellschaft entnommen wurden oder auf Grundlage von Zahlen aus den vorgenannten Quellen berechnet wurden.

2.2.2.1 Wesentliche Finanzinformationen aus der Konzern-Gesamtergebnisrechnung

	Für das Geschäftsjahr zum 31. Dezember			**Für den Neunmonatszeitraum zum 30. September**	
	2021	**2020**	**2019**	**2022**	**2021**
(in Tausend Euro, außer bei Prozentangaben)	**(geprüft, soweit nicht anders angegeben)**			**(ungeprüft)**	
Umsatzerlöse aus Verträgen mit Kunden	1.059.990	944.373	886.963	917.479	771.783
Erlöse mit nahestehenden Unternehmen	43.307	43.908	37.058	36.160	31.364
Gesamtumsatzerlöse[1)]	1.103.297*	988.281*	924.021*	953.639	803.147
Wachstum der Umsatzerlöse aus Verträgen mit Kunden[2)]	12,2%*	6,5%*	–	18,9%	n/a
Konzernergebnis	61.938	75.990	54.248	77.954	57.400

* Ungeprüft

1) Wir definieren Gesamtumsatzerlöse als die Umsatzerlöse aus Verträgen mit Kunden und Erlöse mit nahestehenden Unternehmen. Die Gesamtumsatzerlöse sind kein Posten in der Konzern-Gesamtergebnisrechnung der Gesellschaft, sondern eine von der Gesellschaft verwendete Leistungskennzahl.

2) Wachstum wird gezeigt im Jahres-/Periodenvergleich.

2.2.2.2 Wesentliche Finanzinformationen aus der Konzernbilanz

	Zum 31. Dezember			**Zum 30. September**
	2021	**2020**	**2019**	**2022**
(in Tausend Euro)	**(geprüft)**			**(ungeprüft)**
Summe Vermögenswerte	1.471.668	1.488.536	1.499.934	1.543.054
Summe Eigenkapital	(231.708)	(326.166)	(430.376)	(153.025)

2.2.2.3 Wesentliche Finanzinformationen aus der Konzern-Kapitalflussrechnung

	Für das Geschäftsjahr zum 31. Dezember			**Für den Neunmonatszeitraum zum 30. September**	
	2021	**2020**	**2019**	**2022**	**2021**
(in Tausend Euro)	**(geprüft)**			**(ungeprüft)**	
Nettoeinzahlungen der betrieblichen Tätigkeit	200.547	166.625	167.029	154.313	150.559
Nettoeinzahlungen/-auszahlungen im Investitionsbereich	(88.591)	36.678	(129.779)	(86.568)	(64.308)
Nettoauszahlungen im Finanzierungsbereich	(170.083)	(136.248)	(44.047)	(77.009)	(140,081)

2.2.2.4 Ausgewählte Leistungskennzahlen

	Für das Geschäftsjahr zum 31. Dezember			**Für den Neunmonatszeitraum zum 30. September**	
	2021	**2020**	**2019**	**2022**	**2021**
(in Tausend Euro, außer bei Prozentangaben)	**(ungeprüft, soweit nicht anders angegeben)**			**(ungeprüft)**	

(in Tausend Euro, außer bei Prozentangaben)	Für das Geschäftsjahr zum 31. Dezember 2021	2020	2019	Für den Neunmonatszeitraum zum 30. September 2022	2021
	(ungeprüft, soweit nicht anders angegeben)			(ungeprüft)	
Gesamtumsatzwachstum[1]	11,6%	7,0%	–	18,7%	n/a
EBITDA[2]	326.301*	340.257*	319.446*	258.857	250.186
EBITDA Marge[3, 10]	29,6%	34,4%	34,6%	27,1%	31,2%
Bereinigtes EBITDA[4]	355.176*	355.102*	329.797*	275.754	270.350
Bereinigte EBITDA Marge[5, 10]	32,2%	35,9%	35,7%	28,9%	33,7%
Gesamtinvestitionsausgaben[6]	150.559	111.822	72.352	126.549	77.722
Bereinigte Cash Contribution[7]	317.898	310.328	283.089	245.069	243.300
Cash Conversion Rate[8]	89,5%	87,4%	85,8%	88,9%	90,0%
Nettoverschuldung (zum jeweiligen Berichtsstichtag)[9]	1.255.585	1.326.747	1.492.957	1,205,024	n/a

* Geprüft

1) Wachstum wird gezeigt im Jahres-/Periodenvergleich.

2) Wir definieren das EBITDA als das Ergebnis der Gruppe vor Steueraufwendungen, Ergebnis aus at-equity bilanzierten Unternehmen, Finanzierungsaufwendungen und Finanzerträgen sowie Abschreibungen. Das EBITDA errechnet sich aus dem Ergebnis der betrieblichen Tätigkeit, zuzüglich Abschreibungen und Wertminderungen auf immaterielle Vermögenswerte und Sachanlagen, gegebenenfalls abzüglich Zuschreibungen auf immaterielle Vermögenswerte.

3) Wir definieren die EBITDA Marge als Verhältnis von EBITDA zu Gesamtumsatzerlösen.

4) Wir definieren das Bereinigte EBITDA als das EBITDA der Gruppe, bereinigt um einmalige oder nicht-operative Posten. Diese Bereinigungsposten sind die folgenden: (i) Bereinigung um langfristige Incentive-Pläne, die die Kosten für Mitarbeiterbeteiligungsprogramme beinhalten; (ii) Bereinigung um Stand-alone-Aktivitäten, die die Kosten für die Vorbereitung der Trennung der IONOS-Gruppe aus der United Internet-Gruppe und die Etablierung der IONOS-Gruppe als eigenständige Gruppe beinhalten (im Wesentlichen Kosten des Billing-Carve-Out-Projekts (Trennung von den Abrechnungssystemen der 1&1 Telecommunication SE)); (iii) Bereinigung um IPO-Kosten, die externe Kosten im Zusammenhang mit dem Börsengang der Gesellschaft beinhalten; (iv) Bereinigung um bestimmte Beratungskosten, die für einmalige Projekte, wie z. B. Reorganisationsmaßnahmen, angefallen sind und (v) Bereinigung um bestimmte Abfindungszahlungen, die Aufwendungen im Zusammenhang mit Reorganisations- und Restrukturierungsmaßnahmen beinhalten, die hauptsächlich aus Abfindungszahlungen und anderen personalbezogenen Kosten bestehen.

5) Wir definieren die Bereinigte EBITDA Marge als das Verhältnis von Bereinigtes EBITDA zu Gesamtumsatzerlösen.

6) Wir definieren die Gesamtinvestitionsausgaben als die Summe der Zugänge zu den immateriellen Vermögenswerten und zu den Sachanlagen; wir unterteilen die Gesamtinvestitionsausgaben in Investitionsausgaben in die Instandhaltung, die Ersatzinvestitionen und Investitionen im Rahmen der normalen Geschäftstätigkeit umfassen, sowie in Wachstumsinvestitionsausgaben, die alle Investitionsausgaben umfassen, die keine Investitionsausgaben in die Instandhaltung sind.

7) Wir definieren die Bereinigte Cash Contribution als bereinigtes EBITDA abzüglich der Investitionsausgaben in die Instandhaltung (exkl. Zugänge zu Nutzungsrechten).

8) Wir definieren die Cash Conversion Rate als Bereinigte Cash Contribution geteilt durch Bereinigtes EBITDA.

9) Wir definieren die Nettoverschuldung als die Summe der langfristigen Verbindlichkeiten gegenüber nahestehenden Unternehmen, der kurzfristigen Verbindlichkeiten gegenüber nahestehenden Unternehmen und der kurzfristigen Verbindlichkeiten gegenüber Kreditinstituten abzüglich der Forderungen gegen nahestehende Unternehmen und der Zahlungsmittel und Zahlungsmitteläquivalente.

10) Im Geprüften Konzernabschluss 2021 wurden die EBITDA Marge und die Bereinigte EBITDA Marge dargestellt als Verhältnis von EBITDA bzw. Bereinigte EBITDA zu Umsatzerlösen aus Verträgen mit Kunden. Wir haben beschlossen, die EBITDA Marge und die Bereinigte EBITDA Marge für das Geschäftsjahr 2022 und in Zukunft auf der Grundlage der Gesamtumsatzerlöse zu berechnen. Die EBITDA Marge und die Bereinigte EBITDA Marge, die wir in diesem Prospekt für die Geschäftsjahre 2021, 2020 und 2019 angeben, wurden basierend auf der neuen, ab dem Geschäftsjahr 2022 geltenden Definition auf Grundlage der Gesamtumsatzerlöse neu berechnet, um unsere Geschäftstätigkeit als unabhängiger Konzern widerzuspiegeln.

Die oben genannten ausgewählten Leistungskennzahlen sind nicht nach IFRS oder anderen generell anerkannten Rechnungslegungsgrundsätzen definiert und sollten nicht als Alternative zu den historischen Finanzergebnissen oder anderen Indikatoren für unsere Geschäftsergebnisse und unsere Finanzlage auf der Grundlage von IFRS-Finanzkennzahlen betrachtet werden.

2.2.3 Welches sind die zentralen Risiken, die für die Emittentin spezifisch sind?

Eine Investition in die Aktien der Gesellschaft unterliegt einer Reihe von Risiken. Die folgenden Risiken sind für uns wesentliche, spezifische Risiken:

- Ein Cybersicherheits-Vorfall könnte unsere Fähigkeit beeinträchtigen, unseren Kunden Dienstleistungen bereitzustellen, und sich negativ auf unserem Ruf auswirken sowie uns möglicherweise einer Haftung aussetzen.
- Die Märkte, in denen wir tätig sind, sind stark umkämpft, und wenn es uns nicht gelingt, hochentwickelte Softwarelösungen anzubieten und unser Angebot an die Kundenbedürfnisse anzupassen, könnte unsere Geschäfts- und Finanzlage und die Geschäftsergebnisse beeinträchtigt werden.
- Wir könnten es versäumen, die sich immer schneller entwickelnden Datenschutz-, Cloud- und anderen datenbezogenen Gesetze und Vorschriften einzuhalten, und die Kosten für die Einhaltung der Vorschriften könnten erheblich steigen.
- Unsere Geschäftsergebnisse sind Wechselkursschwankungen ausgesetzt, insbesondere in Bezug auf den Wechselkurs des US-Dollars, des britischen Pfunds und des polnischen Zloty zum Euro, was zu Verlusten oder zu einer Volatilität unserer Erträge führen könnte.
- Wir sind von unserer Fähigkeit abhängig, Kunden anzuziehen und zu halten und unsere Umsatzerlöse mit neuen und bestehenden Kunden zu erhöhen, und unsere Geschäftigkeit wurde darunter leiden, wenn die Nachfrage nach unseren Produkten und Dienstleistungen zurückgehen oder wenn die Zahl der Kunden, die ihre Abonnements kündigen oder nicht verlängern, steigen würde.
- Systemfehler und -ausfälle sowie andere betriebliche Probleme im Zusammenhang mit unseren IT-Systemen, einschließlich Rechenzentren und Servern, könnten unser Geschäft erheblich stören.

- Wir sind von Lieferanten, Dienstleistern und anderen Partnern, einschließlich Entwicklungspartnern, abhängig, um Hardware und Software, insbesondere Domains und Lizenzen, zu liefern, und sind auf Software von Drittanbietern, einschließlich Open-Source-Lösungen, angewiesen, um erfolgreich arbeiten zu können.
- Wenn es uns nicht gelingt, hochqualifizierte Führungskräfte und Fachkräfte, einschließlich Entwickler und Vertriebsmitarbeiter, zu gewinnen und zu halten, oder wenn unser geschäftliches Know-how für Wettbewerber verfügbar wird, sind wir möglicherweise nicht in der Lage, unsere strategischen Ziele zu erreichen und unser Geschäft auszubauen.
- Unsere Kunden sind hauptsächlich kleine und mittlere Unternehmen, aber auch größere Unternehmen und Organisationen des öffentlichen Sektors zählen zu unseren Kunden, insbesondere in unserem Geschäftsbereich für Cloud-Lösungen. Wir sind Kreditrisiken ausgesetzt, insbesondere in Bezug auf Forderungen aus Lieferungen und Leistungen, die sich aus unserem Geschäft mit Großkunden ergeben, und müssen möglicherweise Forderungen abschreiben oder wertberichtigen, wenn unsere Vertragspartner ihren Verpflichtungen nicht nachkommen. Darüber hinaus können unsere weitgehend automatisierten Prozesse Betrugsmöglichkeiten eröffnen, und wir müssen möglicherweise Forderungen aufgrund von Betrug, Kreditkarten- und anderen Online-Zahlungsrückbuchungen abschreiben oder abwerten. Aufgrund der Art der angebotenen Produkte und Dienstleistungen sowie der hohen Anzahl der Kunden (ca. 6.0 Millionen zum 30. September 2022) besteht ein hohes Risiko, dass die Zahl der Nichtzahler und Betrüger steigt.
- Wir sind auf den Erfolg, den Fortbestand und die Integrität unserer Partnerschaften angewiesen, auch in Bezug auf Produktentwicklung und Innovation. In diesem Zusammenhang sind wir Risiken wie Vertragsbruch, Beendigung einer Partnerschaft oder Konflikten mit einem Partner, dem möglichen Verlust von Know-how an einen Partner oder der Gefährdung eines Projekts durch unvorhergesehene Ereignisse ausgesetzt.
- Unsere Geschäftstätigkeit und unsere Geschäftsergebnisse könnten durch die regulatorischen Rahmenbedingungen auf unterschiedliche Weise beeinträchtigt werden, beispielsweise, wenn wir nicht in der Lage wären, die erforderlichen Genehmigungen und Zertifizierungen zu erhalten oder aufrechtzuerhalten, oder wenn wir unseren Verpflichtungen nicht nachkommen würden. Regulatorische Anforderungen, wie die jährliche Konsultation und Kontrolle durch die deutsche Bundesnetzagentur und ein halbjährliches ISO-Rezertifizierungsverfahren in Bezug auf die als "kritische Infrastruktur" eingestuften Bereiche, das von externen Prüfern durchgeführt wird und dessen Ergebnisse dem Bundesamt für Sicherheit in der Informationstechnik zur Verfügung gestellt werden, sowie die Einhaltung verschiedener Datenschutz- und Cybersicherheitsgesetze und -vorschriften auf Bundes- und Landesebene in den USA sowie anderer Vorschriften (z. B., über die Zugänglichkeit von Websites für Behinderte, die komplexe technische Anpassungen erfordert, um die Einhaltung zu gewährleisten) in den Vereinigten Staaten sind Beispiele für regulatorische Bereiche, die für unsere Geschäftstätigkeit von Bedeutung sind. Jede tatsächliche oder vermeintliche Nichteinhaltung solcher Gesetze oder Vorschriften kann sich nachteilig auf unsere Geschäftstätigkeit auswirken, einschließlich behördlicher Maßnahmen, Rechtsstreitigkeiten, Geldbußen, Schadenersatz oder Rufschädigung.
- Die Vorteile, die sich aus dem veränderten Verhalten unserer Zielkunden während der COVID-19-Pandemie ergeben, sind möglicherweise nicht von Dauer, sondern klingen mittel- bis langfristig, ab. Andere Auswirkungen der COVID-19-Pandemie, einschließlich der als Reaktion darauf ergriffenen staatlichen Maßnahmen, können sich in Zukunft nachteilig auf unsere Geschäftstätigkeit auswirken.
- Sollte es uns nicht wie geplant gelingen, ein einheitliches Abrechnungssystem bei IONOS zu migrieren und einzuführen, könnten unsere Prozesse gestört und unsere Geschäftsergebnisse negativ beeinflusst werden.

2.3 Basisinformationen über die Wertpapiere

2.3.1 Welches sind die wichtigsten Merkmale der Wertpapiere?

Der Prospekt bezieht sich auf Namensaktien ohne Nennwert (*auf den Namen lautende Stückaktien*), jeweils mit einem anteiligen Betrag am Grundkapital der Gesellschaft von je € 1,00 und voller Dividendenberechtigung ab dem 1. Januar 2022 mit der ISIN: DE000A3E00M1. Zum Datum des Prospekts sind 360.000 aller bestehenden Aktien der Gesellschaft auf Euro lautende Namens-Stammaktien derselben Gattung, und es gibt eine bestehende, ebenfalls auf Euro lautende Namens-Vorzugsaktie ohne Nennwert, deren Umwandlung in eine Namens-Stammaktie von einer außerordentlichen Hauptversammlung am 26. Januar 2023 beschlossen wurde; dieser Beschluss wird voraussichtlich am 1. Februar 2023 in das Handelsregister eingetragen. Die Aktien aus der Pre-IPO-Kapitalerhöhung werden dieser gleichen Gattung und in Euro denominiert sein.

Jede Aktie der Gesellschaft soll den Aktionär zu einer Stimme in der Hauptversammlung der Gesellschaft berechtigen. Die derzeit bestehende Vorzugsaktie wird mit Eintragung des Umwandlungsbeschlusses in das Handelsregister am 1. Februar 2023 in eine Namensstammaktie mit einem Stimmrecht in der Hauptversammlung umgewandelt. Mit der Umwandlung der einen bestehenden Vorzugsaktie in eine Stammaktie wird das Stimmrecht nicht eingeschränkt und für alle Aktionäre der Gesellschaft gleich sein. Die Aktien sind im Falle einer Insolvenz der Gesellschaft gegenüber allen anderen Wertpapieren und Forderungen nachrangig. Alle Aktien der Gesellschaft berechtigen die Aktionäre zu einem Anteil an einem ausschüttbaren Liquidationserlös oder Insolvenzüberschuss im Verhältnis ihres Anteils am Grundkapital. Vorbehaltlich der Eintragung der von der außerordentlichen Hauptversammlung der Gesellschaft am 26. Januar 2023 beschlossenen Satzungsänderungen, die voraussichtlich am 1. Februar 2023 in das Handelsregister des Amtsgerichts Montabaur, Deutschland, eingetragen werden, und vorbehaltlich üblicher Lock-up-Verpflichtungen sowie Verkaufsbeschränkungen für internationale Verkäufe sind die Aktien der Gesellschaft nach den gesetzlichen Bestimmungen für Namensaktien frei übertragbar. Die Gesellschaft und die Abgebenden Aktionäre sind Lock-up-Verpflichtungen jeweils für einen Zeitraum von 180 Tagen eingegangen.

2.3.2 Wo werden die Wertpapiere gehandelt?

Die Gesellschaft wird die Zulassung ihrer Aktien (einschließlich der Aktien aus der Pre-IPO-Kapitalerhöhung) zum Handel am regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zu dessen Teilbereich mit weiteren Zulassungsfolgepflichten (Prime Standard) beantragen.

2.3.3 Welches sind die zentralen Risiken, die für die Wertpapiere spezifisch sind?

Die folgenden Risiken sind zentrale Risiken, die für die Aktien der Gesellschaft spezifisch sind:

- Die Aktien der Gesellschaft wurden nicht öffentlich gehandelt, und es kann nicht gewährleistet werden, dass sich ein liquider Handelsmarkt für die Aktien der Gesellschaft entwickeln wird oder auf Dauer aufrechterhalten werden kann. Daher können insbesondere der Aktienkurs und das Handelsvolumen der Aktien der Gesellschaft erheblich schwanken, auch als Folge eines möglichen Rückgangs des Aktienkurses und des Handelsvolumens der Aktien der United Internet AG, und Anleger können ihr angelegtes Kapital ganz oder teilweise verlieren.
- Die Fähigkeit der Gesellschaft, Dividenden zu zahlen, hängt unter anderem von der Ertragslage des Konzerns, dem Bedarf an Finanzinvestitionen, der Verfügbarkeit eines ausschüttungsfähigen Bilanzgewinns und ihrer allgemeinen Finanzlage ab. Jeder dieser Faktoren, einschließlich der Fähigkeit der aktiv geschäftstätigen Tochtergesellschaften der Gesellschaft, Erträge zu erwirtschaften und Gewinne abzuführen, kann die Fähigkeit der Gesellschaft zur Ausschüttung von Dividenden einschränken.

2.4 Basisinformationen über das öffentliche Angebot von Wertpapieren und die Zulassung zum Handel an einem geregelten Markt

2.4.1 Zu welchen Konditionen und nach welchem Zeitplan kann ich in dieses Wertpapier investieren?

2.4.1.1 Konditionen und Bedingungen des Angebots; Zuteilung; Stabilisierungsmaßnahmen und Greenshoe-Option

Das öffentliche Angebot besteht aus (i) 15.771.000 UI Sekundäraktien, (ii) 5.229.000 WP Sekundäraktien; (iii) 2.365.650 UI Mehrzuteilungsaktien und (iv) 784.350 WP Mehrzuteilungsaktien.

Das "**Angebot**" der Angebotsaktien besteht aus einem öffentlichen Angebot in Deutschland und Privatplatzierungen in bestimmten Jurisdiktionen außerhalb von Deutschland. In den Vereinigten Staaten werden die Angebotsaktien nur an qualifizierte institutionelle Käufer im Sinne und auf der Grundlage von Rule 144A des U.S. Securities Act von 1933, in der jeweils gültigen Fassung (der "**Securities Act**") angeboten und verkauft. Außerhalb der Vereinigten Staaten werden die Angebotsaktien nur im Rahmen von Offshore-Transaktionen ("*offshore transactions*") im Sinne der und auf der Grundlage von Regulation S des Securities Act angeboten und verkauft. Die Aktien der Gesellschaft, einschließlich der Angebotsaktien, wurden und werden nicht gemäß dem Securities Act oder den Wertpapiergesetzen irgendeines Bundesstaats oder einer anderen Jurisdiktion der Vereinigten Staaten registriert und dürfen nicht in die oder innerhalb der Vereinigten Staaten angeboten, verkauft oder anderweitig übertragen werden, außer gemäß einer Ausnahme von den Registrierungsanforderungen des Securities Act oder im Rahmen einer Transaktion, die nicht den Registrierungsanforderungen des Securities Act unterliegt und in Übereinstimmung mit den geltenden Wertpapiergesetzen irgendeines Bundesstaats oder einer anderen Jurisdiktion der Vereinigten Staaten.

Der voraussichtliche Zeitplan für das Angebot, das verlängert oder verkürzt werden kann und Änderungen vorbehalten bleibt, sieht wie folgt aus:

27. Januar 2023	Billigung des Prospekts durch die BaFin; Veröffentlichung des gebilligten Prospekts auf der Website der IONOS Group SE (https://www.ionos-group.com/investor-relations/ipo.html)
	Antrag auf Zulassung der Aktien der Gesellschaft zum Handel im regulierten Markt an der Frankfurter Wertpapierbörse und gleichzeitig zum Teilbereich mit weiteren Zulassungsfolgepflichten (Prime Standard)
30. Januar 2023	Beginn des Zeitraums, in dem Anleger Kaufaufträge für die Angebotsaktien abgeben können (der "**Angebotszeitraum**")
1. Februar 2023.........................	Voraussichtliche Eintragung der Durchführung der Pre-IPO-Kapitalerhöhung in das Handelsregister
7. Februar 2023.........................	Ende des Angebotszeitraums um 12:00 Uhr (Mitteleuropäische Zeit, "**MEZ**") für Privatangeleger (natürliche Personen) und um 14:00 Uhr (MEZ) für institutionelle Anleger; Festlegung und Veröffentlichung des finalen Angebotspreises ("**Angebotspreis**") und der endgültigen Anzahl der zugeteilten Aktien
	Voraussichtliche Zulassungsentscheidung durch die Frankfurter Wertpapierbörse
8. Februar 2023.........................	Aufnahme des Handels der Aktien der Gesellschaft im regulierten Markt an der Frankfurter Wertpapierbörse und in dessen Teilbereich mit weiteren Zulassungsfolgepflichten (Prime Standard)
Am oder um den 10. Februar 2023..	Buchmäßige Lieferung der Angebotsaktien gegen Zahlung des Angebotspreises (Abwicklung und Vollzug)

Die Preisspanne, innerhalb derer Kaufangebote abgegeben werden können, liegt zwischen € 18,50 und € 22,50 pro Angebotsaktie (die "**Preisspanne**"). Die Abgebenden Aktionäre behalten sich das Recht vor, nach Absprache mit den Joint Global Coordinators, die Gesamtzahl der Angebotsaktien zu erhöhen oder herabzusetzen, die Ober- und/oder Untergrenze der Preisspanne zu erhöhen oder zu senken und/oder den Angebotszeitraum zu verlängern oder zu verkürzen.

Privatanleger in Deutschland können ihren Auftrag über eine der folgenden Banken erteilen: Berenberg, Deutsche Bank (einschließlich maxblue), BNP PARIBAS (einschließlich Consorsbank und DAB BNP Paribas), COMMERZBANK (einschließlich comdirect), DZ Bank und Genossenschaftsbanken der Genossenschaftliche FinanzGruppe Volksbanken Raiffeisenbanken, Volks- und Raiffeisenbanken, LBBW, BW-Bank und bei Sparkassen der Deutschen Sparkassen/S-Finanzgruppe (einschließlich S Broker). Aufträge, die von Privatanlegern über andere Banken als die Konsortialbanken und deren oben genannten verbundenen Unternehmen erteilt werden, unterliegen dem diskretionären Zuteilungsprozess und können daher, wenn überhaupt, kleinere Zuteilungen auf relativer Basis erhalten. Wenn ein Privatanleger keine Beziehung zu einer der betreffenden Banken oder deren oben genannten verbundenen Unternehmen unterhält, muss der Privatanleger möglicherweise ein Wertpapierkonto und ein Geldkonto eröffnen.

Der Angebotspreis und die endgültige Anzahl der zu platzierenden Angebotsaktien werden von den Abgebenden Aktionären und den Joint Global Coordinators im Auftrag der Konsortialbanken nach Ablauf der Angebotsfrist auf der Grundlage der eingereichten Kaufangebote gemeinsam festgelegt. Über die Zuteilung von Angebotsaktien an Privatanleger und institutionelle Investoren entscheiden die Abgebenden Aktionäre nach Rücksprache mit den Joint Global Coordinators. Die Zuteilung an Privatanleger im Rahmen des öffentlichen Angebots in Deutschland erfolgt im Einklang mit den "Grundsätzen für die Zuteilung von Aktienemissionen an Privatanleger", die von der Börsensachverständigenkommission am 7. Juni 2000 herausgegeben wurden.

Im Zusammenhang mit der Platzierung der Angebotsaktien wird J.P. Morgan oder von ihr beauftragte Personen als Stabilisierungsmanager tätig und kann in Übereinstimmung mit den gesetzlichen Vorgaben Stabilisierungsmaßnahmen ergreifen, um den Kurs der Aktien der Gesellschaft während eines Zeitraums, der spätestens 30 Kalendertage nach Handelsbeginn der Aktien der Gesellschaft am regulierten Markt der Frankfurter Wertpapierbörse – der voraussichtlich am 8. Februar 2023 sein wird – endet, zu stützen und dadurch einem etwaigen Verkaufsdruck entgegenzuwirken. Die Anzahl der Mehrzuteilungsaktien, die zugeteilt werden können, darf 15% der Gesamtzahl der den Investoren zugeteilten Sekundäraktien nicht überschreiten. Der Stabilisierungsmanager ist nicht verpflichtet, Stabilisierungsmaßnahmen zu ergreifen. Im Rahmen der möglichen Stabilisierungsmaßnahmen können Anlegern zusätzlich zu den Sekundäraktien Mehrzuteilungsaktien zugeteilt werden. Im Zusammenhang mit möglichen Mehrzuteilungen haben United Internet AG (für die UI Mehrzuteilungsaktien) und WP XII Venture Holdings SCSp (für die WP Mehrzuteilungsaktien) den Joint Global Coordinators eine Option gewährt, alle oder einen Teil der zugeteilten Mehrzuteilungsaktien gegen Zahlung des Angebotspreises abzüglich vereinbarter Provisionen zu erwerben ("**Greenshoe-Option**", und alle bei Ausübung der Greenshoe-Option erworbenen Mehrzuteilungsaktien, die "**Greenshoe-Aktien**").

2.4.1.2 Verwässerung

Das Angebot beinhaltet nur Angebotsaktien der Gesellschaft aus der Beteiligung der Abgebenden Aktionäre (d.h. der bestehenden Aktionäre der Gesellschaft), einschließlich der Aktien aus der Pre-IPO-Kapitalerhöhung, die nach der Eintragung der Pre-IPO-Kapitalerhöhung im Handelsregister der Gesellschaft, welche voraussichtlich am 1. Februar 2023 erfolgen soll, den Abgebenden Aktionären *pro rata* ihrer aktuellen Beteiligung an der Gesellschaft zugeteilt werden.

Zum 30. September 2022 betrug der den Aktionären der Gesellschaft zuzurechnende Nettovermögenswert, auf der Grundlage der in dem Ungeprüften Verkürzten Konzernzwischenabschluss zum und für den zum 30. September 2022 endenden Neunmonatszeitraum der Gesellschaft enthaltenen Konzernbilanz, berechnet als Summe der Vermögenswerte abzüglich der Summe der Schulden, € -153,0 Mio., was € -425,1 je Aktie basierend auf 360.001 ausstehenden Aktien unmittelbar vor dem Angebot (und vor der Eintragung der Durchführung der Pre-IPO-Kapitalerhöhung) entspricht. Nach Abschluss des Angebots würde der den Aktionären zum 30. September 2022 zurechenbare Nettovermögenswert nach Abschluss des Angebots € -1,09 pro Aktie betragen, basierend auf 140.000.000 ausstehenden Aktien nach Eintragung der Durchführung der Pre-IPO-Kapitalerhöhung. Der Betrag, um den der Angebotspreis von € 20,50 (basierend auf dem Mittelwert der Preisspanne) den Nettovermögenswert pro Aktie übersteigt, würde somit € 21,59 betragen (unmittelbare Verwässerung 105,3% für Anleger, die Angebotsaktien im Rahmen des Angebots erwerben).

2.4.1.3 Kosten

Die Kosten im Zusammenhang mit dem Angebot der Angebotsaktien und der Zulassung der Aktien der Gesellschaft zum Handel am regulierten Markt der Frankfurter Wertpapierbörse (einschließlich der Kosten im Zusammenhang mit dem Verfahren für die Zulassung der Aktien der Gesellschaft zum Handel an der Frankfurter Wertpapierbörse) werden voraussichtlich ca. € 33,9 Mio. betragen, unter der Annahme einer vollständigen Platzierung von 21.000.000 Sekundäraktien zum Mittelwert der Preisspanne, der vollständigen Platzierung von 3.150.000 Mehrzuteilungsaktien zum Mittelwert der Preisspanne, der vollständigen Ausübung der Greenshoe-Option sowie der vollständigen Zahlung der Ermessensgebühr der Konsortialbanken. Die Kosten werden von den Abgebenden Aktionären getragen.

Den Anlegern werden von der Gesellschaft, dem Abgebenden Aktionär oder den Konsortialbanken (in ihrer Eigenschaft als Konsortialbanken) keine Kosten in Rechnung gestellt. Die Anleger können jedoch die üblichen Transaktions- und Bearbeitungsgebühren zu tragen haben, die von ihren Brokern oder anderen Finanzinstituten, über die sie ihre Wertpapiere halten, erhoben werden.

2.4.2 Wer ist der Anbieter und/oder die die Zulassung zum Handel beantragende Person?

Das Angebot wird von den Konsortialbanken unterbreitet. J.P. Morgan ist in Deutschland gegründet und nach deutschem Recht tätig; Berenberg ist in Deutschland gegründet und nach deutschem Recht tätig; Deutsche Bank ist in Deutschland gegründet und nach deutschem Recht tätig; BNP PARIBAS ist in Frankreich gegründet und nach französischem Recht tätig; Barclays mit Sitz in Irland ist in Irland gegründet und nach irischem Recht tätig; Goldman Sachs ist in Deutschland gegründet und nach deutschem Recht tätig; COMMERZBANK ist in Deutschland gegründet und nach deutschem Recht tätig; DZ BANK ist in Deutschland gegründet und nach deutschem Recht tätig; und LBBW ist in Deutschland gegründet und nach deutschem Recht tätig.

Die Gesellschaft wird gemeinsam mit Berenberg, die als Zulassungsantragsteller im Sinne von § 2 Nr. 7 Wertpapierprospektgesetz handelt, die Zulassung der Aktien der Gesellschaft zum Handel beantragen.

2.4.3 Weshalb wird dieser Prospekt erstellt?

2.4.3.1 Gründe für das Angebot und die Zulassung zum Handel

Die Gesellschaft beabsichtigt, mit der beabsichtigten Zulassung zum Handel (sowie der nachfolgenden Börsennotierung) Ihrer Aktien einen besseren Zugang zu den Kapitalmärkten zu erhalten. Die Abgebenden Aktionäre beabsichtigen, ihre jeweilige Beteiligung an der Gesellschaft im Zusammenhang mit dem Angebot teilweise zu veräußern.

Die Gesellschaft und die Abgebenden Aktionäre sind der Ansicht, dass die Zulassung zum Handel (sowie der nachfolgenden Börsennotierung) der Aktien der Gruppe eine Reihe von Vorteilen bringen wird, einschließlich einer verbesserten Sichtbarkeit und Anerkennung der Marke und einer erhöhten Flexibilität und Fähigkeit, das Geschäft der Gruppe durch organisches Wachstum und selektive Akquisitionen zu unterstützen und zu entwickeln.

2.4.3.2 Zweckbestimmung und geschätzter Nettobetrag der Erlöse

Die Gesellschaft wird keine Erlöse aus dem Verkauf der Angebotsaktien erhalten.

Jeweils unter der Annahme einer vollständigen Platzierung der Angebotsaktien (einschließlich aller Mehrzuteilungsaktien) zum Mittelwert der Preisspanne, der vollständigen Ausübung der Greenshoe-Option, sowie der vollständigen Zahlung der Ermessensgebühr an die Konsortialbanken wird geschätzt, dass der Nettoerlös der Abgebenden Aktionäre aus dem Verkauf der Sekundäraktien und aus dem Verkauf der Greenshoe-Aktien insgesamt ca. € 461,2 Mio. betragen wird.

2.4.3.3 Übernahmevertrag

Die Gesellschaft, die Abgebenden Aktionäre und die Konsortialbanken haben am 27. Januar 2023 einen Übernahmevertrag (der "**Übernahmevertrag**") betreffend die Koordinierung, Strukturierung und Durchführung des Angebots abgeschlossen. Im Übernahmevertrag haben sich die Konsortialbanken verpflichtet, die Angebotsaktien zu erwerben und im Rahmen des Angebots an Investoren zu verkaufen, wobei diese Verpflichtung an verschiedene Bedingungen geknüpft ist, unter anderem an den Abschluss einer Preisvereinbarung, sowie den Erhalt üblicher Bestätigungen und Rechtsgutachten, die für die Konsortialbanken zufriedenstellend sind.

2.4.3.4 Wesentlichste Interessenkonflikte in Bezug auf das Angebot oder die Zulassung zum Handel

Die Konsortialbanken erhalten bei erfolgreichem Abschluss des Angebots eine Provision von den Abgebenden Aktionären. Darüber hinaus wurde Berenberg als Designated Sponsor und als Zulassungsantragsteller im Sinne von § 2 Nr. 7 Wertpapierprospektgesetz bestellt. Aufgrund dieser vertraglichen Beziehungen haben die Konsortialbanken ein finanzielles Interesse an einem erfolgreichen Abschluss des Angebots.

Darüber hinaus kann im Zusammenhang mit dem Angebot jede der Konsortialbanken und jedes ihrer jeweiligen verbundenen Unternehmen, das als Anleger auf eigene Rechnung handelt, Aktien im Rahmen des Angebots erwerben und in dieser Eigenschaft solche Aktien oder damit verbundene Anlagen für eigene Rechnung behalten, kaufen oder verkaufen und solche Aktien oder andere Anlagen auf andere Weise als im Zusammenhang mit dem Angebot anbieten oder verkaufen. Des Weiteren können bestimmte der Konsortialbanken oder ihre verbundenen Unternehmen Finanzierungsvereinbarungen (einschließlich Swaps oder Differenzkontrakte) mit Investoren abschließen, in deren Zusammenhang diese Konsortialbanken (oder ihre verbundenen Unternehmen) von Zeit zu Zeit Aktien der Gesellschaft erwerben, halten oder veräußern können. Keine der Konsortialbanken beabsichtigt, den Umfang solcher Anlagen oder Transaktionen offenzulegen, es sei denn, dies geschieht in Übereinstimmung mit einer gesetzlichen oder aufsichtsrechtlichen Verpflichtung oder wie im Prospekt offengelegt.

Der Verkaufserlös aus dem Verkauf der Sekundäraktien und aus dem potenziellen Verkauf von Greenshoe-Aktien, soweit die Greenshoe-Option ausgeübt wird, wird den Abgebenden Aktionären zufließen, jeweils abzüglich der entsprechenden Provision. Dementsprechend haben die Abgebenden Aktionäre ein Interesse am erfolgreichen Abschluss des Angebots.

Bestimmte Mitglieder des Aufsichtsrats der Gesellschaft sind Mitglieder eines Führungsgremiums, oder haben bestimmte Beziehungen mit, der United Internet AG und einiger/n anderer/n (indirekter/n) Aktionäre(n) der Gesellschaft oder mit verbundener/n Unternehmen solcher (indirekten) Aktionäre. Daher können die Interessen dieser Personen in Bezug auf das Angebot und die Zulassung der Aktien der Gesellschaft zum Handel an der Frankfurter Wertpapierbörse ggf. nicht mit denen der Gesellschaft oder der anderen Aktionäre der Gesellschaft übereinstimmen, was einen potenziellen Interessenkonflikt darstellt.

Ein Teil der variablen Vergütung, die an Herrn Mildner (auch in Bezug auf andere Aufgaben innerhalb der United Internet-Gruppe) gezahlt wurde, war und ist an den Erfolg der United Internet-Gruppe gekoppelt. Außerdem haben Mitarbeiter Stammaktien der United Internet AG zu einem reduzierten Preis erworben. Diese Personen können daher ein wirtschaftliches Interesse an dem Angebot haben. Herr Weiß, der Vorstandsvorsitzende der Gesellschaft, und Frau Schmidt, die CFO der Gesellschaft, haben beide, als Teilnehmer eines Management-Incentive-Programms der Gesellschaft, Einheiten erhalten, die am ersten Tag des Handels der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse unverfallbar werden. Zudem hängt die Dauer der Bestellung und die Vergütung der beiden Vorstandsmitglieder der Gesellschaft von der erfolgreichen Umsetzung des Angebots ab. Daher haben Herr Weiß und Frau Schmidt ein Interesse am erfolgreichen Abschluss des Angebots und der Aufnahme des Handels mit den Aktien der Gesellschaft.

3 RISK FACTORS

*An investment in the Company's shares is subject to a number of risks. Prospective investors should carefully read the risk factors set out below before making an investment decision involving shares of IONOS Group SE, Montabaur, Germany (also referred to as "the "**Company**" and, together with its direct and indirect subsidiaries, the "**IONOS Group**", the "**Group**", "**IONOS**", "**we**", "**our**" and "**us**").*

The risk factors presented in the Prospectus are limited to risks which are specific to IONOS or the shares in the Company and which are material for taking an informed investment decision. The materiality of the risk factors has been assessed based on the probability of their occurrence and the expected magnitude of their negative impact. The risk factors are presented in categories depending on their nature. In each category the two most material risk factors are mentioned first according to the assessment based on the probability of their occurrence and the expected magnitude of their negative impact. Investors could lose all or part of their investment. The risks mentioned could materialize individually or cumulatively.

3.1 Risks Related to Our Market Environment and Business

3.1.1 A cybersecurity incident could impact our ability to provide services to our customers and could negatively affect our reputation and may expose us to liability.

As a provider of web presence and additional productivity products and services (*e.g.*, digital presence solutions, including domains registration, web hosting, website builders and ecommerce solutions, email and office solutions, server hosting and other value-added services) as well as of cloud solutions, we depend on providing customers with access to several IT applications and to our cloud servers for purposes of storing data and performing processing operations, through systems that can be accessed over the Internet. There is a significant risk that cybersecurity incidents could disrupt our servers, networks and systems and interrupt our cloud services, as well as lead to security breaches or losses of customer data. While we seek to take precautions to guard against cybersecurity incidents, those precautions might prove to be ineffective or fail to prevent significant security breaches. In addition, our cloud servers may be vulnerable to new security breaches that we have not been able to identify. We cannot guarantee that our facilities and systems will be free of security breaches, cyberattacks, acts of vandalism, computer viruses, malware, ransomware, denial-of-service attacks, misplaced or lost data, programming and/or human errors or other similar events. In addition to the risk of a system failure, customer data could also be copied or modified. Modified customer data could subsequently be used for fraud, among other things. Copied customer data, for example, could be used for blackmail, publication or further attacks (social engineering).

IT-related viruses, worms and other malicious software programs could be invented and deployed that could harm our cloud systems, create system disruptions and cause shutdowns or denials of service, exploiting potential security vulnerabilities. Our servers may also be accessed or modified improperly as a result of customer, partner, employee or supplier malfeasance. Third parties have in the past attempted to fraudulently induce customers, partners, employees or suppliers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our services or control panel, and the data or systems of our customers, suppliers or partners. Also, as has recently been reported, third parties are currently attempting to obtain access to sensitive customer data by contacting IONOS customers with fraudulent emails. Even though we devote substantial resources to preventive and reactive measures (including safeguards such as SSL certificates which allow to secure site traffic and our DDoS Protect Advanced solution which helps to safeguard cloud infrastructure against malicious and distributed denial-of-service ("**DDoS**") attacks), these risks cannot be completely excluded. In addition, we may have to improve our protective initiatives as we continue to expand our business, store and process increasingly large amounts of data and host or manage more of our customers' IT operations in cloud-based environments which may incur additional costs. The risks are particularly acute in customer sectors involving sensitive data, such as financial information and healthcare data, but also regarding payment and regulated systems. For example, should payment systems be compromised, our customers could require us to compensate any downtime or malfunctioning with customer services which may incur additional costs; with respect to regulated systems, we may in addition have to pay country-specific fines, which may be significant.

In order to be able to counter such risks, we have processes in place to optimize our monitoring and alerting system on an ongoing basis; however, since the techniques used to obtain unauthorized access to, or sabotage,

IT systems are constantly evolving and new techniques emerge, our business policies and internal security controls may not keep pace with these, or some of these, changes. We may not be able to discover every security breach and loss of information for a significant period of time after its occurrence. Following discovery, we might be forced to shut down systems or parts of our systems and limit customer access to our services, which could have a negative impact on our revenue or cause us to breach our service level agreements, in which case we could be required to compensate for the damages sustained by the affected customers. Security vulnerabilities are from time to time identified by third-party security researchers, who may publish their findings before alerting the system operator. The time between the public announcement of a security vulnerability by a security researcher and the full deployment of a mitigation technique allows for a window for exploitation by those seeking to employ the vulnerability to gain access to our IT systems. Our systems and processes are designed and managed to limit the exposure, but several factors could limit our capacity to sufficiently reduce the risk and a significant impact could occur.

In addition, we could suffer significant damage to our brand and reputation if a cyber-attack or other security incident were to allow unauthorized access to, or modification of, our customers' data, other external data or our own data or IT systems, or if the services we provide to our customers were disrupted, or if our servers were reported to have, or perceived as having, security vulnerabilities. Moreover, customers may fail to apply security patches or other updates in self-managed products, which may result in a cybersecurity incident. While we have systems in place to prevent and react to such situations, in particular to avoid damage to other customers or third parties, we cannot fully control customers' behaviors, in particular in self-managed product scenarios.

In case of any security breach, customers could lose confidence in the security and reliability of our servers and perceive that they are not secure, causing a loss of revenue. In addition, if customer data were compromised by a security incident, we face the risk of damage claims, lawsuits, administrative fines and investigative and enforcement measures of supervisory authorities as well as loss of reputation. Although we use virus scanners and have firewalling concepts, specially initiated tests and various technical control mechanisms in place, we may not be able to counter these risks. In addition, we do not directly control the content that our customers store, use or access in our cloud offerings. Therefore, if our customers or users use our products for the transmission or storage of personally identifiable information and our security measures are or are believed to have been breached as a result of third party action, employee error, malfeasance or otherwise, our reputation could be damaged, our business may suffer, and we could incur significant liability as a result of administrative, criminal or other proceedings, with potential damages varying depending on the jurisdiction, given the international set-up and operations of the Group. In addition, the costs we would incur to address and fix these security incidents would increase our expenses. As a consequence, the occurrence of a significant cybersecurity incident or the perception of an increased cybersecurity risk could materially and adversely impact our results of operations and financial position.

3.1.2 The markets in which we operate are highly competitive, and if we fail to deliver advanced software solutions and adapt our offering to respond to customer needs, our business, financial position, and results of operations could be harmed.

The markets in which we operate are characterized by rapid change, high competition and price sensitivity. In order to compete in the markets we serve, we must continually innovate and adapt our offerings to rapidly evolving customer requirements. For example, a significant portion of the anticipated growth of the cloud market depends on innovations in areas such as graphic processing units, containerization, hyper-convergence and edge computing. Our future success will therefore depend to a large extent on our capabilities in these and other developing areas. In addition, our competitors' strategy may require us to adjust our own business model or pricing policy, among other things. The market entry of new competitors could also result in lower market shares, growth targets or margins for the Group. For example, large multi-national companies with significant resources and market power (*e.g.*, Google) could decide to enter the hosting market as strong new competitors and may possibly even provide their services free of charge or at very aggressive prices. Some of these large competitors have a different price model than ours, typically based on flat competitive pricing, with no discounts. While the discounts we typically provide to new customers during the first year would, in our view, make our commercial offering more competitive for a certain contract period, for other long-term-oriented customers, larger players may provide more attractive options. For example, in 2022 and after a long test-phase, Google launched a domain offer for customers in 26 countries. Google has a particularly strong position through the important search channels they control (search engine optimization and search engine advertising), which means that the Google offerings are typically ranked at the top in online searches, in particular in English-language searches, which is detrimental for other providers such as IONOS. Overall, Google has gained a significant market share of new registrations within the overall market lately, in the United States and recently also in the United Kingdom, also to the detriment, in part, of our own market share for new registrations. This may in the future be extended to searches in other languages (*e.g.*, in Germany and Spain, if Google should ramp-up their search optimization activities in these countries), which would further extend the influence of Google in searches for providers of hosting or other solutions offered by the Group, which could have a significant adverse effect on our ability to acquire new customers. In addition, Google already has millions of customers using other services such as

Google Workspace (formerly G Suite), Search Analytics or Google Cloud. This large customer base offers an opportunity that Google may exploit to cross-sell domains.

Moreover, existing market participants may increase their marketing investments and competitive efforts and adopt, in part, very aggressive pricing strategies as a means to gain new customers and expand their market shares. Should this occur (as we have seen from time to time in different regional markets), and due to the general price sensitivity in the markets we serve, we may have to lower our prices (temporarily or permanently) in order to remain competitive, which would reduce our profitability. In addition, where we enter new markets with large incumbent competitors, we may face additional market risks, such as increased competition and price pressure.

Furthermore, competitors may merge or acquire other competitors and thus increase their market share, customer base and the breadth of their product and service offerings, which could negatively affect our competitive position and increase pricing pressure. In past years, we have observed an increased consolidation trend, for example in the European market.

If we are unable to enhance our software offerings to keep pace with market evolutions, or if competitors emerge that are able to deliver competitive offerings at lower prices, more efficiently, more conveniently or more securely than our services, our business, financial position and results of operations could be adversely affected.

3.1.3 We depend on our ability to attract and retain customers and increase our sales to new and existing customers.

The success of our operations depends to a large extent on our ability to attract and retain customers and increase our sales to new and existing customers. A substantial portion of our revenue from contracts with customers (89.6% for the fiscal year ended December 31, 2021 ("**fiscal year 2021**")) is derived from our Web Presence & Productivity business area, which encompasses domains and web hosting offerings, ecommerce, email and office tools as well as server hosting etc. The remaining portion of our revenue from contracts with customers (10.4% for fiscal year 2021) is derived from our Cloud Solutions business area, which operates as a cloud provider offering solutions for both Public Cloud (with servers shared by several customers) and Private Cloud (a server assigned to a single customer).

In the Web Presence & Productivity business area, we mostly operate with a subscription-based model, where customers pay in advance for the Group's services, for a fixed term stipulated in their contracts (fee-based subscription model), which varies from product to product (*e.g.*, typically up to € 150 per month for professional WordPress Hosting). The rate at which customers purchase and renew their subscriptions to our products and services depends on a number of factors, such as price, performance, the technologies used, flexibility, IT security, customer care and cancellation periods (also compared to other providers). Therefore, there is a risk that the subscription rate may decrease which would have a negative effect on our revenue and results of operations. In addition, due to our subscription-based model for most of our products, we face the risk of cancellation on relatively short notice. Because we recognize revenue from subscriptions for our services over the term of the subscription, downturns or upturns in new business may not be immediately reflected in our results of operations.

Even though our total customers and revenue have grown rapidly in recent periods, we cannot be certain that we will achieve similar growth rates in future periods. The number of our customers, and therefore, our revenue, could decline or growth could be slower than expected. Our sales could fluctuate or decline as a result of lower demand for domains, websites and related products, slower-than-expected migration to cloud solutions, declines in our customers' level of satisfaction with our products and our customer care, the timeliness and success of product enhancements and introductions by us and those of our competitors, the pricing offered by us and our competitors, the frequency and severity of any system outages and technological change. Evolving technologies and resulting changes in customer behavior or customer practices may impact the value of, and demand for, domain names.

In our Cloud Solutions business area, we operate to a large extent with pay-as-you-go models ("**PAYG**"). PAYG is typically used by small and medium-sized businesses ("**SMBs**") and professionals that are continuously growing and building up their IT landscape into the cloud. This means that this model provides less predictability as to revenue streams than subscription-based models and that there is a particular need to support these customers in their growth in order to keep them as customers. Since the average return per user in this area is larger, so is the relevance to IONOS of maintaining these customer relationships. Should we be unable to remain appealing to this customer group, providing further products to motivate customers to purchase such additional products or migrate more IT components into the cloud, we may lose attractive customers and our revenue may suffer.

In addition, as a substantial portion of our sales efforts is increasingly targeted at enterprise customers (which are larger than SMBs), our sales cycle may become lengthier and more expensive, we may encounter stronger pricing pressure as well as implementation and customization challenges, and we may have to delay revenue recognition for more complex transactions. Any failure by us to continue to attract new customers or maintain strong renewal sales could have a material adverse effect on our business, growth prospects and results of operations.

3.1.4 System failures and outages and other operational problems relating to our IT systems, including data processing centers and servers, could significantly disrupt our business.

System failures and outages may disrupt the operation of our data processing centers, IT systems and servers and affect our ability to provide products and services such as web hosting, email and cloud services for a variety of reasons, including potential security breaches (see "*3.1.1 A cybersecurity incident could impact our ability to provide services to our customers and could negatively affect our reputation and may expose us to liability.*"), natural catastrophes (*e.g.*, earthquakes, tsunamis, hurricanes, typhoons (for example, in the Philippines, where the Group has operations, including customer care and a call center), fires, floods, etc.), mechanical failures, human errors, terrorist attacks, power outages and similar risks. If any of those events were to occur, we may be unable to shift our operations to alternative sites or to other production partners in a timely manner or at all.

Our revenue depends to a large extent on the volume of traffic to our websites, the number of customers whose websites we host on our servers and the availability of our IT and other systems at all times. In addition, we are parties to service contracts, under which we typically commit to our customers that our platforms and services maintain a minimum level of availability. If we are unable to meet such service level commitments, we may be required to grant service credits to affected customers, as well as compensate them for the damages they have sustained, and we may lose the affected customers, each of which could significantly affect our revenue. Accordingly, the performance, reliability and availability of our servers, data centers and other systems for our operations and IT infrastructure are critical to our reputation and our ability to attract and retain customers. For many of our customers, in particular SMBs, our core target customer group, the reliability and availability of our systems as well as a 24/7 availability of our support services (via call, chat, email or social media) are very important, as in case of a disruption customers may, for example, not be able to serve their own customers and/or operate their online shop. Our ability to operate our data centers depends on access to sufficient and reliable electric power, water, Internet, telecommunications and fiber optic networks. Thus, any interruption in these services could result in us not being able to provide customers with our offerings at adequate performance levels, or at all.

In addition, due to the increasing complexity and interoperability of the products we offer, there are increasingly growing demands for the further development of internal workflows and processes. This goes hand in hand with constantly growing coordination and harmonization efforts. In addition to ensuring quality standards, the particular challenge here lies above all in adapting to the ever faster pace of market developments – and this in many different domestic and foreign markets. Therefore, we are continuously developing our internal workflows and organizational structures. However, there is still a risk that we may not be able to adapt our internal processes to the increasing complexity and interoperability of our products which could lead to inefficiency and disruptions of our systems. Moreover, other Group brands (which are not our main brands) may have a less sophisticated suite of protective and reactive measures and processes in place. Our products and the business processes required to counter cyber risks are based on a complex technical infrastructure and a large number of success-critical software systems (servers, customer management databases, statistical systems, etc.). Although we have implemented measures to significantly improve capacity management of our operations (*e.g.*, architectural adjustments, quality assurance measures, a spatially separated (geo-redundant) design of the core functionalities, various software- and hardware-based security measures and manual and technical access restrictions), we cannot eliminate the possibility of future operational disruptions, which may be considerable and which may not be fully within our control.

As a result, but also due to major conversions such as migrations of databases, a variety of disruptions or failures can occur. If, for example, service systems were to be affected, we could be unable to provide the promised service to our customers, or could be temporarily unable to do so. Thus, disruptions in our operations, system failures, operational inefficiencies and capacity constraints may have a negative effect on our business, reputation, results of operations, financial position and prospects.

3.1.5 We depend on suppliers, service providers and other partners, including development partners, to deliver hardware and software, in particular domains and licenses, and rely on third-party software, including open source solutions, in order to operate successfully.

Some of the activities that are required for the production of our products are outsourced to production partners. This applies, for example, to certain hardware, which is supplied by partners such as RNT Rausch GmbH and Thunder IT GmbH, as well as several software vendors of white label products. We are dependent on the timely delivery of resources, products and services by our suppliers. This relates to the procurement of hardware as well as software or resources such as electricity and water. Any delay in receiving supplies, including as a result of the ongoing COVID-19 pandemic or any other reasons impacting our supply chain, could impair our ability to timely deliver products and services to our customers. In particular, we could be negatively affected by supply bottlenecks or longer delivery times from some critical suppliers, and in the case of longer time-to-market periods we could suffer a loss of market share. While we have processes in place in case we need to replace a supplier or for new suppliers, new components need to pass several tests before being used in our processes, and such processes may be subject to delays or the new suppliers may be more expensive than the previous ones.

In addition, our cloud solutions rely on third-party software and open source software maintained by organizations of which we are only one of many members. While open source communities tend to be active in fixing bugs and other problems, there can be no assurance that this will suffice to further develop and provide the required security of open source-based tools. Furthermore, we depend on the availability of licenses for software used by our customers, including Microsoft, Google and WordPress products). In particular with third-party software there is a risk that these third parties may introduce changes to their license terms that may be disadvantageous to us. If there are vulnerabilities, bugs or corruptions in this underlying software, or if the software ceases to be available, or if competing software gains greater market acceptance, we may suffer disruptions or other performance and quality problems. Moreover, operating systems (including server and network devices), which are core components within our operations, go "end of life" as soon as the manufacturer's support ends. This means that no further updates or patches are available for such operating systems thereafter. The risk relates to all areas of technical operations. Possible threats include blackmailing, spam, loss of customer data, overloading servers and data center infrastructure due to bitcoin mining, and others. If the software upon which we depend experiences these or other deficiencies, or if licenses are unavailable or contain restrictions, our competitive position may decline and we may increasingly lose customers, either of which would have an adverse impact on our reputation and profitability.

Like other companies offering domain registration services, we also rely on our contractual relationships as a registrar with several domain registries such as Nominet UK, Public Interest Registry, DENIC and VeriSign, Inc., each of which exclusively manages certain top-level domains within the Domain Name System ("**DNS**"). Should the underlying registry-registrar agreements be terminated or should the terms to such registry-registrar agreements change in a way that does not allow us to further operate our registrar services within certain top-level domains such as ".org", ".net", ".de" or ".uk", this would harm not only our domain business, but also possibly have negative effects on other related business, such as email, because SMBs and other customers tend to buy these products from the same provider.

In addition, we are accredited as a registrar by the Internet Corporation for Assigned Names and Numbers ("**ICANN**"), a multi-stakeholder, private sector, not-for-profit corporation formed in 1998 for the express purposes of overseeing a number of Internet-related tasks, including managing the DNS allocation of IP addresses, accreditation of domain name registrars and registries and the definition and coordination of policy development for all of these functions. There is a risk that governments, as well as multi-governmental organizations such as the United Nations, that are becoming increasingly interested in Internet governance, could potentially take measures to regulate the Internet domain business. Any instability in the domain name registration system could make it difficult for us to maintain our relationships with accredited domain name registries, to continue to offer our existing solutions and introduce new ones.

Furthermore, we license technologies from different companies. Some of the agreements with our licensors or other suppliers contain specific requirements that we have to comply with when we pass on certain software tools or licenses to our customers, *e.g.*, when these are integrated into the products we offer. If we fail to comply with these contractual requirements or if the transfer to our customers otherwise violates the agreements with our suppliers, or should the licensor challenge the manner in which license terms are effectively complied with in customers' applications and solutions, over which we may have only limited influence, we face a risk that our suppliers or licensors may terminate their relevant agreements with us and that we may have to pay contractual penalties or even be required to pay damages. If such risks were to materialize, our competitive position may decline and it may have an adverse impact on our reputation and profitability. In addition, some of the licensors are large companies with significant bargaining power, which may in the future impose more onerous licensing terms on us. In such cases, we may be unable to shift to other providers to license comparable technologies at a reasonable price or at all, and any migration of significant software (also for our own operations) could be very costly, complex and time consuming.

Increased costs or interruptions in our supply chain may also be caused by regulatory restrictions or changes, price fluctuations, export and sales restrictions and controls, as well as other factors beyond our control (such as business interruptions or border closures due to contagious diseases, including potential further "waves" of the COVID-19 pandemic in Europe, China or other countries). Changes in economic and financial conditions may obstruct or delay our procurement processes as well.

While we strive to closely monitor outsourced activities, the outsourcing entails certain inherent risks, such as reduced oversight and a more limited ability to control quality while remaining liable for these outsourced activities vis à vis our customers and other third parties. In case of any shortcomings in the outsourced development or production activities, or in the event of quality issues with our outsourcing partners, our business (including our ability to deliver on time and in the required quality and quantity) and our reputation may suffer. Such changes require time, additional expenses and adjustments in our supply chain.

Any of the above factors could negatively affect our business, financial position, results of operations and prospects.

3.1.6 We rely on the success, continuance and integrity of our partnerships, including in relation to product development and innovation.

We have entered into several agreements with development and other partners, for example in relation to certain product developments and innovations, and we may enter into further partnerships in the future. For example, in 2021, we acquired a 25.1% interest in Stackable GmbH, a developer of an open source-based platform for the analysis and processing of Big Data, as part of a strategic partnership. If we fail to fulfill our obligations under the respective partnership agreements, either in whole or in part, this may lead to claims for damages or termination of the partnerships by the partners. The successful implementation of a present or future project may be endangered or impaired through a breach of contract by a partner or through unforeseen events. Our ability to fully exploit the strategic potential in markets in which we operate through partnerships could be impaired if we were unable to agree with our partners on a strategy, the funding and the implementation thereof, and our business could suffer if any important strategic partnership were to be terminated. Additionally, we may be prevented or impeded by our fiduciary obligations towards certain partners from expanding unilaterally in a business area in which they operate.

Furthermore, a competitor of us may gain direct or indirect control over a partnership, *i.e.*, by acquiring a majority interest in a strategic partner, which may lead to the termination of our collaboration with such partner, if legally possible. Even if we continue the collaboration, there is no assurance that we will continue to successfully and constructively collaborate with the new shareholder of the partnership.

It also cannot be ruled out that, in a partnership, technologies will be revealed or required to be revealed to the strategic partner and that they may use the technologies outside of the project in question exclusively for their own purposes. In particular, there is no guarantee that the know-how and trade secrets acquired by or disclosed to the strategic partner during the partnership will not be used or disclosed to third parties during or after the termination of the partnership, thereby adversely affecting our competitive position.

In the event that we decide to withdraw from a strategic partnership, there is also a risk that the partner will claim damages or that we lose access to key technologies. As a consequence, there is also a risk that considerable resources will need to be invested in a replacement technology or new partnership, to the extent that there will be another suitable partner at all.

If we were to be involved in disputes with our strategic partners that hamper the development of our strategy or subject us to liability, this could have a material adverse effect on our business, financial position, results of operations and prospects.

3.1.7 The benefits from a change of the behavior of our target customers during the COVID-19 pandemic may not be sustainable in the mid to long-term and other effects of the COVID-19 pandemic, including governmental measures taken in response to it, may have an adverse impact on our business in the future.

The COVID-19 pandemic has impacted our revenue for the fiscal year ended December 31, 2020 ("**fiscal year 2020**") and fiscal year 2021 in several ways. Next to an increase in cloud activity and SMBs launching or expanding their online presence (which may result in a slowdown in future reporting periods compared to the COVID-19 years, once the pandemic is over), we also experienced certain negative direct and indirect effects, such as slower growth in the general economic situation worldwide and in our main regions and an increased number of employees on sick leave. Our revenue and continued growth may be further impacted by the pandemic and the government measures taken in response to the COVID-19 pandemic. There is a risk that the current COVID-19 pandemic situation will have further negative effects on the Group, such as a greater than usual loss of personnel, shut-downs of one or more sites due to quarantine, impairment of our time to react in the event of IT failures, impairment of data center logistics and operations, loss of payment receivables, disruptions in our supply chain and loss of revenue.

We cannot predict the duration of the COVID-19 pandemic or its potential future impact on our customers, business and revenue. The pandemic and government measures designed to address the pandemic (such as lockdowns, restrictions relating to vaccination status and curfews) have resulted in significant economic disruption and volatility in financial markets and negatively affected several businesses. Many of our existing and prospective customers, in particular within our focus group of SMBs, have experienced and may continue to experience slowdowns in their businesses and several have gone out of business as a result of such pandemic-related slowdown. Any further slowdowns or discontinuation of our existing or prospective customer's business may result in reduced demand for our products and services, lengthening of sales cycles, loss of customers, difficulties in collections and the bankruptcy of some customers. Distressed customers may, for example, decide to switch to cheaper providers or discontinue certain services altogether. In addition, our employees are working from home to a higher extent than they have historically, which may result in decreased employee productivity and morale with increased unwanted employee attrition. While we also benefit from greater use of technology and computing during the COVID-19 pandemic, many of the services that have experienced rapid growth during the pandemic (such as streaming video, ecommerce and video conferencing) use Public Cloud services, which represent only a smaller portion of our business.

Accordingly, any of the above factors could have a material adverse impact on our business, financial position and results of operations.

3.1.8 If we fail to migrate and roll out a uniform billing system at IONOS as planned, our processes may be disrupted and our results of operations may be negatively affected.

IONOS is using business systems that are operated by United Internet Services GmbH and 1&1 Telecom GmbH. For systems that have a high level of specific functionality relating to the operations of IONOS, it was decided in December 2019 to set up dedicated systems within IONOS and to migrate data and processes to this new landscape. This is a project with significant inherent complexity that is intended to eliminate dependencies from third parties. The preparation phase of this major project was ramped up in 2020. By the first half of 2022, most front-end end systems had been successfully set up and processes and data had been migrated. Examples are the customer communication platform "Genesys", the hotline tool and the hosting communication platform, which sends out all email communications to customers. In addition, IONOS set up its own accounts receivable team in 2021.

The development and integration of the back-end systems, such as new billing and accounting systems, are currently ongoing. The migration of the billing processes and data shall be rolled out on a country-by-country basis. We currently expect that the migration of the first country to the new business system's back-end will begin in the second half of 2024 (*i.e.*, starting with the migration of the Spanish market), and that it will be finalized approximately twelve to eighteen months later.

Due to the huge complexity of the project with potential unknowns in the (old) products and tariff definitions, there is a risk that the migration of the new billing system fails or that we may have to face delays in the migration process. If we fail to finalize the roll-out of our new billing system or if there is a delay in the process, this could delay or disrupt ongoing billing processes and, in consequence, have a negative effect on our relationships with customers. In addition, there is a risk that hackers take advantage of potential vulnerabilities during the migration process and gain access to critical customer data.

Any of the above mentioned risks could have a material adverse effect on our business, results of operations, cash flows and financial position.

3.1.9 Our future success depends on our ability to continue to innovate in response to market demands and to increase customer adoption of our offerings.

We believe the innovation pace in the markets we serve is likely to continue to accelerate as customers increasingly base their purchases of cloud offerings as well as domains and web hosting solutions and other web presence and productivity products and services on their needs for new and upgraded features. Our future success depends on our ability to continue to innovate in response to these and to increase customer adoption of our offerings. As the innovations related to our products and services continue to evolve, we need to continue to invest in technologies, services and partnerships that will allow us to provide products and services adapted to the changing requirements of our customers. If we fail to launch new products or services in time, we may not be able to retain our current market share or gain additional market share and, consequently, may not be able to recoup development costs (time-to-market risk). Our time-to-market may be negatively impacted by a number of factors, including our ability to identify market trends in time, our ability to respond to the rapidly changing legal and regulatory landscape in our industry or competitors being in a stronger position to respond quickly to new technologies being able to design, develop, market and sell their products more effectively than we are. Our time-to-market may be also negatively affected by shortages of supply or delays in our supply chain, especially from critical suppliers, *e.g.*, due to the impact of the COVID-19 pandemic or other infectious diseases and countermeasures such as transportation restrictions.

Our ability to compete successfully depends on our ability to offer an integrated and comprehensive suite of products that enable our diverse base of customers to start, grow and run their businesses. The success of our domains, hosting, presence and business application offerings is predicated on the assumption that an online presence is, and will continue to be, an important factor in our customers' abilities to establish, expand and manage their businesses quickly, easily and affordably. If our offering is not successful, for example due to the introduction of a new technology or industry standard that supersedes the current standard of online presence offerings or renders our existing or future products obsolete, then our ability to retain existing customers and attract new customers could be adversely affected, which could harm our ability to generate revenue and meet our financial targets.

Any of the above-mentioned risks could have a material adverse effect on our business, results of operations, cash flows and financial position.

3.1.10 Standardized terms and conditions that we use may be held to be invalid, in particular as regards our business with end-consumers.

Although our sales efforts are primarily targeted at enterprise customers, end-consumers also form part of our customer base. We regularly use standardized documents, such as standardized contracts and terms and conditions in our business activities, *e.g.*, for the sale of our products and solutions, including under subscription-based models. Standardized terms and conditions have to comply with the laws on general terms and conditions (*allgemeine Geschäftsbedingungen*) in the different jurisdictions in which we operate, which means that in many jurisdictions they are subject to intense scrutiny by the courts. The standard is even stricter if such terms and conditions are used in contractual relationships with end-consumers. Recent legal developments such as the Fair Consumer Contracts Act (*Gesetz für faire Verbraucherverträge*) which recently came into force in Germany, as well as the development of case law in connection with the protection of consumer rights, may impose additional risks and challenges in connection with our business model, including our use of standardized contracts and terms and conditions, for example due to stricter legal requirements with regard to the renewal or termination of recurring subscriptions. If standardized contracts, terms and conditions or other standardized documents we use contain provisions which are held to be invalid and thus replaced by statutory provisions which are disadvantageous to us, or if any such clauses are interpreted in a way that is detrimental to us, a large number of our contractual relationships could be affected. As a result, our counterparties could have legal rights and remedies that we did not expect at the inception of the contractual relationship (*e.g.*, withdrawal rights), we may incur substantial unexpected expenses and may have to adapt the terms and conditions and agreements under which we operate our business. In some cases, courts may even determine that our standardized sales and purchase agreements are invalid, partially or completely, and as a result we may not have entered into a valid contractual relationship with the relevant counterparty.

In Germany, for example, the Fair Consumer Contracts Act contains, among others, rules regarding easier termination of contracts entered into with consumers through a "termination button", and states that contracts must be terminable on a monthly basis after expiry of the minimum term. In the future, tacit contract renewal will only be permitted if it is for an indefinite period and provided that termination is possible at any time with one month's notice. The notice period to prevent automatic renewal of a fixed-term contract is now reduced from three months to one month. This will make it easier for customers to terminate subscription-based contracts with us on short notice. Moreover, from time to time we have been contacted by consumer associations who claim that a clause in our general terms and conditions does not comply with applicable legal requirements for consumer contracts. In such cases, we may have to modify such clauses, desist from enforcing existing clauses, and we may also potentially face fines or other farther-reaching legal consequences.

Similar considerations apply to the amendment of contractual terms and conditions with our customers, in particular with consumer customers, regarding price increases. In Germany, for example, following case law on this matter, it has become more difficult to increase prices in existing consumer contracts without the express consent of the individual customer. For example, the German Supreme Court (*Bundesgerichtshof*), in a 2021 ruling, invalidated clauses in consumer contracts providing for price increases without express consent of the customer. Standardized clauses providing for price increases without express consent have since become subject to increasing scrutiny by consumer associations who are entitled to bring actions before courts aiming to declare allegedly non-compliant clauses invalid and to claim profits gained through the willful use of invalid price adjustment clauses. In September 2022, we received a letter from the Federation of German Consumer Organizations (*Verbraucherzentrale Bundesverband*, VZBV) claiming that a clause used in one of our sets of general terms and conditions regarding price increases without express customer consent was unlawful if the customer is an end-consumer. We have since removed this clause from our terms and conditions. It is also possible that we may have to adapt our price increase clauses in the future, *e.g.*, with regard to information and objection/acceptance aspects of such clauses, or in terms of the a priori specification of events that would warrant a price increase in our standard contracts. If we have to adapt such clauses in our standard contracts, agreeing on future price increases may become significantly more difficult and burdensome, new clauses may be less favorable to us and we may be prevented from increasing our prices as often as required by cost increases and business needs. There is also the risk that, if price increase clauses in our terms and conditions turn out to be invalid, customers, competitors and/or consumer associations may bring claims for the recovery of overpayments, skimming of profits and/or damages against us and that such claims may be substantial. We cannot exclude that there could be other effects, such as potential damage claims from competitors or that proceedings for the skimming of profits may be initiated against us. In addition, an implementation of such price increases could become more difficult in the future, or we may be hindered in increasing our prices as often as required to account for the development of our costs and business needs.

Any of the above-mentioned risks could have a material adverse effect on our business, results of operations, cash flows and financial position.

3.1.11 The success of our operations depends on increased IT spending and cloud usage, in particular by small and medium-sized businesses.

The growth of our business areas depends to a significant extent on the growth of the markets that we serve. The future growth of our markets depends on businesses continuing to increase their spending on outsourced IT infrastructure, and devoting a greater portion of their IT spending to cloud solutions. While IT and cloud spending has increased significantly in recent years, and in particular during the past three years as a result of the COVID-19 pandemic and the resulting restricting measures and related behavioral changes (*e.g.*, more e-shops, expansion of ecommerce, home office or hybrid working models, etc.), which resulted in increased cloud usage and new customers for our Web Presence & Productivity products and services, we cannot be sure that such growth will continue in the future. The rate of growth in spending on IT and cloud services will depend on several factors that are beyond our control, including overall business spending and investment levels, decisions relating to the allocation of such spending to IT projects and, within IT, to cloud projects, the level of confidence of businesses in cloud services (which could be adversely impacted by any service incidents in the market), the development of new cloud-based services, regulatory developments, sustainability concerns (given the significant use of electricity and water in data centers) and other factors. The growth of our markets could also be slower than expected if insolvency rates of SMBs in the markets we serve increase due to a general economic downturn.

Even if our markets continue to grow in general, the growth rate and, specifically, the level of cloud migration and adoption could be lower in the product and geographic areas in which we generate most of our revenue. For example, businesses in Europe have been slower to adopt cloud solutions than in other markets (such as the United States). Should businesses in Europe fail to increase their overall cloud spending, the cloud market in Europe could grow slower than we expect. In addition, SMBs, our core target customer group, have generally been slower in the adoption of cloud solutions compared to larger companies. Our revenue growth will also depend on the growth rate of the Web Presence & Productivity market, which includes web hosting, domain registration, telephony and other services. The Web Presence & Productivity market is more mature than the cloud market generally, and is expected to grow at a slower rate than the cloud market in the coming years. Slower revenue growth could negatively impact our profitability and financial position, as well as the market price of the Company's shares.

3.1.12 Unfavorable economic conditions and geopolitical tensions, including international conflicts and trade tensions, may negatively affect our business, financial position and results of operations.

Our business is dependent on the strength of the retail and commercial sectors and general global economic conditions, especially within our key markets, Europe and North America. If the macroeconomic conditions worldwide, in particular of the economies in which we operate, deteriorate, *e.g.*, in the event of a temporary or continued economic slowdown, recessions or sustained loss of consumer confidence and consumer demand, or fiscal and monetary policies with negative effects on such markets, this could trigger a decline in sectors and markets in which we operate, and thus our business may be negatively affected. We could also be negatively impacted by economic crises in specific countries or regions. Moreover, our business prospects may be negatively affected by political instability, international conflicts and other geopolitical tensions or adverse social developments. For example, we may be forced to reorganize, reduce or terminate business operations in geographical areas where our employees and partners would otherwise be subject to unacceptable economic or personal risks, *e.g.*, due to ongoing or threatened civil unrest, terror attacks or war. Furthermore, our business prospects may be negatively affected by changes in the political and economic framework, *e.g.*, due to trade conflicts, punitive tariffs, sanctions, protectionist measures, boycotts or economic weakness of economies or industries, including any potential imposition of import, export, investment or currency restrictions, including tariffs and import or export quotas or any restrictions on the repatriation of earnings and capital. For example, the Russian invasion of Ukraine and the ongoing Russia-Ukraine war as well as related political conflicts among Russia and other countries and international organizations or alliances, in particular, the NATO, may have a negative impact on our business in affected geographical areas. In addition, political and trade tensions between China and the United States, between Russia and the United States or between Russia and Europe, as well as rising inflation and higher energy prices in many countries may adversely affect the general macroeconomic environment and thus indirectly have a negative impact on our revenue and our ability to gain new and retain existing customers. For example, during 2022 we experienced a temporary slowdown in our business in Poland due to the current macroeconomic and political conditions.

In such challenging geopolitical and economic environment, many of our customers, in particular SMBs or sole proprietors may face reduced demand for the products they sell (especially for discretionary items), which may prompt small and medium businesses with limited resources to re-allocate their resources to reduce their IT spend, including for our products and solutions.

In addition, the general increase in prices for goods and services may lead to a significant reduction of our margins, due to our limited ability to pass on such increases to our price-sensitive customers. In this connection, rising energy prices or a general rise in inflation levels could negatively impact our business result as has already been the case in fiscal year 2022. The currently unforeseeable developments in the Russia-Ukraine war may lead to further disruptions in the energy markets, which could in turn burden our business due to the aforementioned effects.

Furthermore, the long-term effect of Brexit remains uncertain, and Brexit has created, and may continue to create, negative economic impact and increase volatility in the global markets. These could include further a fall in the value of the key trading currencies such as the euro and/or greater volatility of markets in general due to the increased uncertainty.

If macroeconomic conditions deteriorate, we could face reduced demand for our offering, which could have a material adverse effect on our business, financial position and results of operations. In addition, the realization of any significant adverse political developments, in particular with regard to the continued Russia-Ukraine war and related geopolitical conflicts, could have a material adverse effect on our business, financial position and results of operations. Such deterioration in macroeconomic or geopolitical conditions may also lead to instability and volatility of financial markets, depreciation of currencies relevant to our business, and a negative impact on the value of the Company's shares or other securities.

3.1.13 If we fail to attract and retain highly qualified managerial staff and skilled personnel, including developers and sales staff, or if our business expertise becomes available to competitors, we may not be able to meet our strategic objectives and grow our business.

The knowledge and expertise of our employees is crucial for us. Our performance is substantially dependent on the continued services and performance of our senior management and skilled personnel (such as sales staff, product managers, software developers, skilled workers and other staff with experience in the web hosting and cloud computing industry), many of whom have several years of experience and specialized expertise in our business. In order to be successful, we must attract, retain and motivate executives and other key employees, including those in managerial, technical, marketing and information technology support positions. If we are unable to attract and retain staff, particularly in key functions, such as leadership positions like business unit or corporate department heads, as well as skilled workers, we may lose vital knowledge and expertise, which could have a material adverse effect on our business, results of operations, cash flows and financial position.

In particular, we depend on hiring and retaining qualified engineers and developers with expertise in software development, coding and other highly specialized information technology functions. With respect to our key innovation projects, we require talented staff in the area of software design. Competition for talent in general and qualified employees in particular is intense, especially in technology-driven industries such as the cloud computing and web hosting industry. There is no guarantee that in the future we will succeed in hiring and retaining the required number of such qualified technical and management personnel on terms acceptable to us or at all. We are exposed to the risk of losing staff to competitors, which could result in a transfer of know-how to such competitors as well as a general strengthening of their positioning. For example, in cases where a specific development project for a new product is stopped, we face the risk that the relevant team may decide to leave the Group. In addition, from time to time, potential changes in our senior management team may be disruptive to our business. The unexpected departure or loss of any of our key personnel could have a material adverse effect on our business, results of operations and financial position. Moreover, the scope of non-competition agreements can be limited under the laws of the jurisdictions in which we operate. The negative consequences of the departure of key personnel may therefore be exacerbated if such personnel were hired by our competitors. There can be no assurance that we will be able to attract or retain suitable replacements for such personnel in a timely manner or we may not succeed in implementing adequate succession plans to ensure continuity in critical positions.

If we cannot maintain our corporate culture as we grow, we could lose the innovation, creativity and teamwork fostered by our culture in the past, and our business may be harmed. Any of the above factors could negatively affect our business, financial position, results of operations and prospects.

3.1.14 To maintain the security of our systems, we depend on certain third-party solutions and certain mechanisms which are in part beyond our control.

For purposes of protecting our servers and IT systems from cyber-attacks and system breaches, we depend on software tools and services licensed from third parties (such as antivirus and monitoring and detection tools). In certain areas, we rely on third-party virtualization technology (which allows individual machines to operate multiple "virtual servers") and open source solutions to regulate access to data and processing operations of different customers or of differing levels of sensitivity. We also rely on certain licenses provided by large software companies. Because of our reliance on third-party solutions, we do not fully control the mechanisms used to maintain the security of our systems. Our use of open source software could negatively affect our ability to offer and sell subscriptions to our platform in the future (*e.g.*, in case of unfavorable terms in the relevant open source licenses tying use of the software to free availability of the platform or an obligation to license or disclose the source code for any modifications to, or work derived from, such open source software) and subject us to potential litigation in case of any alleged breach of the licensing terms. In the case of software licenses provided to us by large software corporations, in many cases to integrate the software in the products and services we market to customers, we are subject to regular audits by such companies to ensure compliance with licensing terms, typically every three to five years. It cannot be excluded that in general or specifically as a result of such audits certain discussion points or claims of alleged breach of license may arise. If a third party were to cease providing a technology we use or rely on for IT security purposes, or if it were to change or increase the price of its offerings or should a relevant software license agreement be terminated for whatever reason, we would need to adapt and quickly either find another third-party provider or develop an equivalent technology ourselves, either of which could increase costs, bind resources or cause operational disruptions.

As cybersecurity threats and responses evolve, we may need to purchase updates and enhancements from third-party providers in order to maintain adequate levels of security protection. We may not be able to change providers, leaving us with few or no alternatives to paying the fees demanded by our existing third-party providers. If such fees were to increase significantly, our costs could increase, adversely affecting our profitability.

Should the security systems provided by third parties fail to protect our systems or the data or systems of our customers adequately, and if other protective instances in place should prove ineffective, *e.g.*, in case of new malware, or in case of human error, we could suffer cyber-attacks or privacy breaches that would impact our revenue and business reputation, as discussed above. Moreover, we might not be in a position to remedy any such failure without assistance from the third-party provider, which could result in delays and impact the availability of our systems to serve customer needs. Moreover, if a different customer of a third-party security solution provider were to experience a cybersecurity incident, even if it is unrelated to our operations, the confidence of our customers could be adversely affected, causing a loss of revenue and reputational damage (with a potential termination of existing subscriptions and loss of future revenue).

3.1.15 Undetected or unknown defects or other shortcomings relating to our products and services could harm our business and future results of operations.

The products we offer or develop, including our proprietary technology and technology provided by third parties, could contain defects or errors that we have not been able to detect. In addition, we might face significant coding or configuration errors. The performance of our products could have unforeseen or unknown adverse effects on the networks over which they are delivered as well as, more broadly, on Internet users and consumers and third-party applications and services that utilize our solutions. These adverse effects, defects and errors, and other performance problems relating to our products could result in legal claims against us that harm our business and damage our reputation. For example, should we fail to properly register or maintain our customers' domain names, or to perform and save back-ups of customer data, we could be subject to additional expenses, claims or negative publicity, all of which could have a material adverse effect on our business.

3.1.16 If we fail to offer high-quality technical customer support services, our relationships with customers and financial results may be negatively affected.

Our customers depend on our technical support to resolve technical issues relating to our offerings. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services or may be inefficient in our resolution of customer support issues. Since our customers are mainly SMBs, a 24/7 support availability as well as technical competence of support and professional services are crucial for our reputation and revenue. Any failure to maintain high-quality technical support, including if any data of our customers is lost or compromised, or a market perception that we do not maintain high-quality technical support, could adversely affect our reputation and our ability to sell our offerings to existing and prospective customers, and our business, results of operations and financial position.

3.1.17 We may be unable to successfully implement our acquisition strategy if we fail to identify, enter into or integrate acquisitions.

Selective acquisitions in our core business or in complementary businesses are one of the elements of our business strategy. For example, in 2017, we acquired STRATO AG, Berlin, Germany, a provider of domains and hosting services, and ProfitBricks GmbH, Berlin, Germany (later IONOS Cloud GmbH, and subsequently merged into IONOS SE, Montabaur, Germany, in 2019) focused on business cloud services; in 2018, we acquired World4You Internet Services GmbH, Linz, an Austrian-based provider of web hosting and domain products and in 2021, we acquired the website builder specialist we22 AG, Cologne, Germany (now we22 GmbH), and a minority interest in Stackable GmbH, a developer of an open source-based platform for the analysis and processing of Big Data. In the future, we intend to continue pursuing selective acquisition opportunities in order to further grow and expand in a targeted manner. This strategy depends in part on our ability to successfully identify and acquire assets and/or shareholdings in companies that complement our business and find adequate partners or investment targets. If we are unable to do so, or should we lack sufficient resources to participate in acquisitions that we consider necessary, for example, to maintain our market share in a significant business area or for a relevant product category, this could have a material negative impact on our growth and operations.

In addition, we may not be able to achieve the targets for growth, synergies, economies of scale, cost savings, development, production, distribution, or other strategic goals being sought from the acquisition of companies and interests in companies, or it may only be possible to achieve them to an insufficient extent given time and budget constraints. Potential acquisition targets may have lower profit margins, so that in the event of an acquisition our overall profit margin could thereby be reduced. Future acquisitions may be capital intensive and could require us to incur debt or issue debt or equity securities to finance such acquisitions, which may increase our interest expenses significantly and dilute the interest of our existing shareholders. Moreover, if an acquisition or similar transaction is not completed, in particular if the transaction is abandoned after a longer preparation period, the incurred costs and resources involved, which can be significant, will not be recovered.

Corporate acquisitions are typically associated with significant investment and risk. We may be unable to recognize all risks related to such a transaction in advance during our due diligence or to protect ourselves against such risks, as has happened in the past. For example, there can be no assurance that such risks will be (sufficiently or at all) taken into account in the respective agreements (including warranties). Future acquisitions may also give rise to financial and tax restructuring measures which, even if designed with the aim to achieve a tax-efficient structure, may expose us to risks, for example, if such measures cannot be implemented and/or the tax authorities were to challenge any of the implemented measures. Further, we may face claims, out-of-court disputes, arbitration or litigation in connection with acquisitions and similar transactions or in case with disagreements with partners in joint ventures or other partnerships, which may be costly and time consuming and, in case of partnerships, have a negative effect on the future performance of such partnership. Future acquisitions could result in contingent liabilities or amortization expenses, or impairments of goodwill, if the goodwill recorded on our statement of financial position at the time of the acquisition proves to be too high.

Furthermore, past and future acquisitions and other investments in businesses entail risks relating to the integration of businesses, including, among other things, integration of employees, processes, IT and data, logistics and other systems, and product offerings, customer and supplier relationships as well as, depending on the regional market and business field, overcoming cultural barriers. With the acquisitions, we may face increased cyber risks, in particular during the integration process of acquired companies with varying levels of security maturity or different privacy protection standards. Such acquired businesses may not, or not within the anticipated timeframe, achieve the targeted operative development. In particular, integration may be a more complex, time and resource consuming process than anticipated and involve a number of uncertainties. These include, for example, costs and expenses associated with unexpected difficulties, the diversion of management's attention from daily operations and/or strategic business decisions, the potential loss of key employees, suppliers and customers, difficulties in competing with existing business or diverting revenue from existing business, difficulties in complying with foreign regulatory requirements and the additional demands on management related to the increasing size and scope of our operations, especially in the case of larger acquisitions. In addition, it is possible that, following an acquisition, we may face difficulties in the context of negotiations with employee representatives. Such negotiations may relate to measures such as social plans or combining entities with different union tariff systems. A prolonged negotiation process could delay the transaction and the result of such negotiations may turn out to be costlier than expected.

Furthermore, in joint ventures or other co-operations and partnerships in which the IONOS Group does not hold a majority interest, IONOS may only have limited influence on the organization and business success of the entities concerned. Thus, our ability to exploit the strategic potential of such joint ventures, co-operations and partnerships may be impaired if we were unable to agree with our partners on a common strategy and its implementation. The interests of our partners may also conflict with our own interests and we may be prevented, for example due to the governance structure and rights allocation within the joint venture or other entities and the applicable partnership agreements from achieving our own goals. Failure to successfully implement acquisitions and investments, to successfully integrate businesses that have been acquired could have a material adverse effect on our business, results of operations, cash flows and financial position, as well as our prospects.

3.1.18 If we are unable to maintain and promote our brands, this may have a negative impact to our reputation and results of operations.

We market our services via the IONOS brand, as well as via other brands such as STRATO, arsys, fasthosts, home.pl, InterNetX, united-domains, and World4You. We depend on our ability to maintain and promote our brands in order to expand our customer base. Moreover, over the past years we carried out a rebranding, in strategic stages, from the well-established "1&1" brand to the current "IONOS" brand, and in December 2021 we decided on an additional marketing budget of approximately € 30 million to be spent in 2022 for the purpose of further raising our brand awareness in our most important European markets. This brought our brand investments to roughly € 55 million in 2022. Such marketing campaigns involve many factors, such as a decision on the most appropriate marketing channels, and it cannot be assured that such investments may produce the desired effect in all markets and within the expected timeframe.

Our ability to maintain and promote our brands will depend to a significant extent on our ability to continue to provide useful, reliable and innovative products and services. For example, in our experience, mobile devices are increasingly being used to access the Internet, and our cloud-based and mobile support products may not operate or be as effective when accessed through these devices. If we fail to introduce innovative features, products, services or terms of service, our brands and reputation may be harmed. In addition, maintaining and enhancing our brand may require significant investments, and these investments may not be successful or cost effective. Therefore, if we fail to successfully promote and maintain our brand or if we incur excessive expenses in this effort, our reputation, business and results of operations could be negatively affected.

3.2 Financial Risks

3.2.1 Our results of operations are exposed to currency exchange rate fluctuations.

Our business activities are exposed to risks relating to the financial markets, including, in particular, risks from fluctuations in exchange rates and also interest rate fluctuations (see "*3.2.3 We may face difficulties in managing liquidity and financing risks, foreign currency exchange rate risks, interest rate risks, credit risks and in satisfying other treasury and finance requirements, in particular as a result of our dependency on the United Internet Group*."). While our reporting currency is the euro, due to our global operations, a portion of our revenue is denominated, and some of our consolidated subsidiaries report, in foreign currencies. 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. Currency hedging transactions are currently not actively conducted. Our results of operations are therefore affected by exchange rate fluctuations, in particular regarding the exchange rates of the U.S. dollar, the British pound sterling and the Polish zloty to the euro, which could result in losses or introduce volatility in our earnings. An increasing value of the euro might also adversely impact the competitiveness of our products outside the Eurozone due to price effects of local markets.

We cannot predict exchange rate developments and might recognize a loss in the future, which could negatively affect our results of operations and financial position.

3.2.2 We are exposed to credit risks and may need to write off or write down receivables if our contractual partners are unable to meet their obligations.

Credit risk is defined as an unexpected loss in financial instruments or receivables if the contractual partner fails to discharge its obligations in full and on time or if the value of collateral declines. We may incur losses if the credit quality of our contractual partners deteriorates or if they default on, or fall behind schedule with, their payment obligations to us. Our customers consist mainly of small and medium businesses, but we also have larger enterprises and public sector organizations as customers, in particular in our Cloud Solutions business area. We are in particular exposed to credit risks relating to trade receivables arising from our ordinary course of business, in particular with large customers. This may also be the case if we are unable to sell trade receivables due to a changing macroeconomic environment. A decision to write down or write off claims against contractual partners involves management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio basis.

In addition, we may have to write off or write down receivables due to fraud, credit card and other online payment chargebacks. In order to accommodate dynamic customer growth as well as a fast provision of services in the interests of the customer, our ordering and provisioning processes are largely automated. These automated processes naturally offer opportunities for attack by fraudsters. Due to the nature of the products and services offered, in addition to the high number of customers (approximately 6.0 million customers worldwide as of September 30, 2022), there is a high risk of that the number of non-payers and fraudsters may increase. Even though we try to detect and prevent fraud attacks at an early stage, there is nevertheless a risk that we lose financial instruments due to fraud.

The write off or write down of our receivables may have a material adverse effect on our business, financial position and results of operations.

3.2.3 We may face difficulties in managing liquidity and financing risks, foreign currency exchange rate risks, interest rate risks, credit risks and in satisfying other treasury and finance requirements, in particular as a result of our dependency on the United Internet Group.

Our working capital requirements and capital for our general corporate purposes, including acquisitions and capital expenditures, the risks associated with fluctuations in foreign currency denominated receivables, payables, debt, firm commitments and forecast transactions, interest rate change risks, credit risks associated with contractual partners (*e.g.*, banks and customers) and market price risks (*e.g.*, commodities) have historically been managed via or by the group led by United Internet AG (United Internet AG, together with its direct and indirect subsidiaries, the "**United Internet Group**"). Other finance and treasury services (*e.g.*, the issuance of guarantees and other securities in favor of third parties or cash management) have historically been satisfied as part of the treasury and financing policies and procedures of United Internet Group.

Following the Offering, our finance and treasury function will be supported by the United Internet Group, and we will continue to depend on the United Internet Group for finance and treasury services. The finance and treasury services to be provided by the United Internet Group to companies of the Group include, among others, the funding to the Group, the central and regional provision of services in relation to cash management, cash pooling and bank accounts. If we decide to terminate such support service arrangements or they are terminated automatically or upon notice by United Internet Group, we may be unable to satisfy our working capital or other funding requirements in the banking market on short notice or be able to do so only at unfavorable terms. In addition, our approach to managing foreign currency exchange rate risks, interest rate risks, credit risks and other risks may be different from and less successful compared to the time we were part of the United Internet Group. The financing we receive from the United Internet Group under our treasury and finance arrangements may have, in certain respects, less favorable terms and conditions than agreements that could be obtained with third parties, depending on the financial markets environment and the future interest levels.

In addition, our post-IPO financing as agreed in January 2023 among United Internet AG as lender, IONOS Group SE as guarantor and IONOS Holding SE as borrower, which agreement will enter into effect as of the first day of trading of the Company's shares on the Frankfurt Stock Exchange, may be terminated by United Internet AG upon the occurrence of a change of control event at the level of IONOS Group SE (which would be triggered if a third party acquires 50% or more of the share capital of IONOS Group SE) or of IONOS Holding SE (which would be triggered if the Company ceases to hold at least 50% of the outstanding share capital of IONOS Holding SE) (in both cases, disregarding any treasury shares). In such case, we would have to obtain alternative financing, which we may be unable to do at reasonable terms or at all (see also "*3.2.4 We may be unable to obtain sufficient debt financing at reasonable terms or at all, and our debt cost may become more expensive in the future. In addition, our business could be negatively affected if our customers or suppliers do not have access to financing on economically viable terms.*").

We face the risk that the United Internet Group, as our main provider of treasury and finance services, may be negatively impacted by adverse deposit and/or financing conditions resulting from an updated evaluation of our or United Internet Group's solvency, particularly from rating agencies, and/or negative developments related to the financial markets, such as, for example, (i) a limited availability of funds (particularly U.S. dollar funds), (ii) negative interest rates and (iii) impacts arising from more restrictive regulation of the financial sector, central bank policy, or financial instruments. The realization of any of the above could result in adverse deposit, hedging and/or financing conditions for the Group.

The occurrence of any of the above or of any other treasury- or finance-related risks resulting from our treasury and finance arrangements and related service arrangements could have a material adverse effect on our business, financial position and results of operations.

3.2.4 We may be unable to obtain sufficient debt financing at reasonable terms or at all, and our debt cost may become more expensive in the future. In addition, our business could be negatively affected if our customers or suppliers do not have access to financing on economically viable terms.

Our ability to obtain debt financing, guarantees or derivative or hedging lines from financial institutions at commercially acceptable terms, including volume and costs, could depend on several factors, some of which are beyond our control, such as general economic conditions, the availability of credit from financial institutions, market interest rates and global and European Union's (the "**EU**") monetary policy and financial markets regulation. This includes, for example, the current base rate raises of central banks aiming to curtail inflation and potential further raises going forward which may lead to even increased costs of debt in the future. In addition, deterioration in our business results, financial position or any potential future credit ratings could lead to higher financing and hedging costs, to reduced availability of credit, hedging and guarantee lines, reduced access to capital markets, other commercially unfavorable terms or an acceleration of loans or provision of security.

Any increase in current interest expenses and future refinancing costs could have a material adverse effect on our business, financial position and results of operations.

In addition, we cannot rule out that, following the Offering, we may decide or be required to obtain additional financing from banks, public offerings or private placements of debt or equity securities, strategic relationships or other arrangements, subject to certain limitations currently provided for under the financing arrangements in place with the United Internet Group, such as, for example, restrictive covenants on financial indebtedness as well as certain controls and consent requirements (*e.g.*, in regard to acquisition financings beyond a certain threshold amount) for the benefit of the relevant lender. The cost of obtaining additional third-party funding for our business could be higher than financing received from the United Internet Group. In addition, third-party providers of debt financing such as banks might not be willing or, due to internal thresholds or other limitations, able to provide or extend credits or other forms of debt financing to us because they already provided similar financing to other entities of the United Internet Group. The same applies to any other kind of product we may decide to or be required to purchase or obtain from banks, insurance companies or other third parties (*e.g.*, hedging instruments or guarantees). We cannot rule out that, once we have received a credit rating, such rating may be negatively impacted by the existing or future credit or other rating of other entities of the United Internet Group.

Our business activities could be similarly negatively affected if our customers or suppliers do not have access to financing on economically viable terms and may therefore reduce their volume of orders for our products or stop these altogether, or they may delay or default on their payments owed to us, which could negatively affect our results of operations and financial position.

3.2.5 Goodwill representing a significant portion of our total assets might be subject to impairment in the future.

As of September 30, 2022, we recorded goodwill of € 819.2 million on our consolidated statement of financial position, corresponding to 53.1% of our total assets. Goodwill and certain other intangible assets (*i.e.*, trademarks and domains) have an indefinite useful life and are not amortized but rather are subject to impairment tests on at least annual basis.

A variety of factors, including deterioration in performance, adverse market conditions and adverse changes in applicable laws or regulations, may cause an impairment of goodwill and other intangible assets if they have a lasting negative impact on our business. Such risks may in particular materialize as a result of a long-lasting economic downturn due to, for example, effects of the Russian invasion of Ukraine and ongoing Russia-Ukraine war, either globally or in any particular region. In addition, an increase in the discount rate used, *i.e.*, the weighted average cost of capital (WACC), due to an adverse change in parameters (*e.g.*, beta factor, base interest rate, market risk premium, country risk premium) may lead to a higher impairment risk.

An impairment loss is recognized when the carrying amount of the cash-generating unit (CGU) exceeds the recoverable amount. The recoverable amount of a CGU to which goodwill has been allocated is the higher of fair value, net disposal costs, and its value in use. When calculating the value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market interest rates, considering the length of the investment period and the specific risks associated with the cash-generating unit.

The amount of any quantified impairment must be expensed immediately as a charge to our results of operations. Therefore, depending on future circumstances, we may not be able to realize the full value of our goodwill, and any determination of impairment of goodwill and other intangible assets could have a material adverse effect on our results of operations and financial condition.

3.2.6 The creation of financial, administrative, IT and other functions and services that were provided to date by the United Internet Group could be delayed, fail to succeed, or lead to unforeseen costs. In addition, United Internet Group could decide to no longer purchase services from IONOS in the future including, amongst others, data center services, which could have a negative effect on our results of operations.

As a subsidiary of the United Internet Group, we have historically relied on financial, administrative and other resources, assets, certain IT systems and other infrastructure of the United Internet Group to operate our business (including in the area of financing and treasury, accounting, insurance, pension plans, legal, tax and internal audit services, legal and contract management, compliance, IP, R&D, technical/analytical services and engineering, procurement of material, components and services, controlling, human resources and recruiting as well as corporate communications). We intend to continue to rely on such United Internet Group functions to a significant degree going forward (including, but not limited to, IT and data, media and marketing, human resources, legal and compliance, procurement, business support, accounting and financing, and group internal and statutory tax reporting services) while expanding our own financial, administrative and other support systems and functions. In general, these services are provided at arm's length on a cost plus 5% margin basis. However, there can be no assurance that the services provided by the United Internet Group in combination with the own functions that we have built will be sufficient at every time in the future to meet our needs. In such case, or if the United Internet Group elects to terminate service agreements for business critical services with effect as from December 31, 2024, we may incur significant costs and require high management attention to obtain these services from other third-party providers or to create our own support systems and functions (see also "*3.2.3 We may face difficulties in managing liquidity and financing risks, foreign currency exchange rate risks, interest rate risks, credit risks and in satisfying other treasury and finance requirements, in particular as a result of our dependency on the United Internet Group.*").

Furthermore, the consolidated financial statements included in this Prospectus for periods prior to the Offering may not fully reflect the actual costs of the IONOS Group operating independently. The Company may incur increased administrative costs and other expenses as a listed company, including expenses for services that will continue to be provided by the United Internet Group pursuant to service agreements, as well as for hiring of new personnel to set up the functions needed to operate as a stand-alone company. We may also lose the benefit of some economies of scale that United Internet Group was able to achieve with respect to administrative operations and functions which we build up on our own.

In addition, IONOS Group has in the past provided and currently provides certain services to United Internet Group including, amongst others, data center services for the United Internet Group's consumer access and consumer applications segments. If the United Internet Group stops purchasing such services from IONOS in the future, this could have a negative effect on our results of operations.

3.3 Compliance, Legal, Regulatory and Tax Risks

3.3.1 We may fail to comply with increasingly fast evolving privacy, cloud and other data related laws and regulations and the cost of compliance may increase substantially.

Laws and regulations governing data privacy and protection and data sovereignty requirements are rapidly evolving, extensive, complex, include inconsistencies and uncertainties and may differ in the different jurisdictions in which we operate. Examples of recent and anticipated developments that have impacted or could impact our business include the following:

- the General Data Protection Regulation ("**GDPR**") (EU) 2016/679 of April 27, 2016 and the respective implementation legislation in the national laws of the Member States of the EU, which in Germany is the Federal Data Protection Act (*Bundesdatenschutzgesetz*), both of which came into effect on May 25, 2018 and established requirements applicable to the handling of personal data, which impacts our operations and our customers and a breach of which may lead to administrative fines of up to the higher of € 20 million or 4% of the global annual turnover from the preceding year;

- the Directive (EU) 2016/1148 on cybersecurity of network and information systems of July 6, 2016, ("**NIS Directive**"), which was transposed into German law on June 23, 2017, and which imposes significant cybersecurity protection requirements on digital services providers like us that will further increase under the Directive (EU) 2022/2555 on measures for high common level of cybersecurity across the Union of December 14, 2022 (so-called "revised NIS Directive" or "NIS 2"), which EU member states must transpose into national law until October 17, 2024, while in Germany NIS 2 standards have in part already been anticipated by the Second Act on the Increase of the Security of IT Systems of May 28, 2021 (so-called "*IT-Sicherheitsgesetz 2.0*");

- the Digital Services Act, which was published in the EU's Official Journal on October 27, 2022; it entered into force on November 16, 2022, with most provisions being applicable as from February 17, 2024; this act will impose obligations on us with respect to the handling of illegal or potentially harmful content;

- the draft Regulation on Digital Operational Resilience for the Financial Sector, proposed by the European Commission on September 24, 2020, which would if adopted impose a number of requirements on cloud outsourcing arrangements in the financial sector, including subjecting us to audits, inspections and other supervision by financial regulators, and potentially to significant fines in case of non-compliance with its obligations;

- the German Act on Data Protection and Protection of Privacy in Telecommunications and Telemedia (*Gesetz zur Regelung des Datenschutzes und des Schutzes der Privatsphäre in der Telekommunikation und bei Telemedien*), as in force as of December 1, 2021, in particular regarding telecommunication-specific data protection obligations for our email services; and

- the United States Clarifying Lawful Overseas Use of Data Act (the "**CLOUD Act**"), which was signed into law in March 2018, which allows U.S. law enforcement authorities to access electronic information held by cloud providers subject to U.S. jurisdiction, even if that information is located outside of the United States. In general, the CLOUD Act only applies to data centers or data which are under the control of a U.S. company. Other than those data centers which are operated by U.S. companies of the Group, the data centers we operate are primarily located outside of the United States and under the control of German companies of the Group. Information stored on (non-U.S.) servers maintained by non-U.S. companies of the Group should not be deemed to be in possession, custody or control of the U.S. companies of the Group. Accordingly, such electronic information generally should not be subject to compelled disclosure under the CLOUD Act.

Failure to comply with any of the above requirements may have severe consequences, including administrative fines, claims for damages or lengthy investigations. Continued compliance on the other hand may require costly adaption measures, including increase of personnel and technical upgrades. This is, in particular the case for risks related to the GDPR. For example, we may fail to establish and maintain adequate data protection processes and documentation as required by existing regulations which become increasingly complex and more stringent. Our established processes may prove insufficient in individual cases or have weaknesses that may not be identified by our regular audits in a timely manner or at all.

We are also following developments regarding the frameworks that address the transfer of personal information outside of the EU, including the EU-US Privacy Shield framework, which was held invalid by the European Court of Justice in July 2020, as well as the European Commission's standard contractual clauses for data transfers published on June 4, 2021, with the result that the transfer of personal data from inside the EU to the United States may be significantly restricted unless and until an alternative framework is agreed upon. Such regulations regarding data sovereignty and data transfers across jurisdictions are likely to pose challenges in the future, in particular when working with companies in different jurisdictions. We believe that data sovereignty will continue to be important to customers generally, but their trust in legal shields preventing transfers of data into certain jurisdictions may be limited, and thus we may not be able to profit as expected from what we believe is a competitive advantage as a European provider.

All these rules and provisions are evolving and are subject to potentially differing interpretations, and international legislative and regulatory bodies may expand or enact laws regarding privacy and data security-related matters. These laws and regulations as well as any potential new privacy laws add additional complexity, requirements, restrictions and potential legal risk, require additional investment in resources to compliance programs, and could impact trading strategies and availability of previously useful data. Further need to expend additional resources to continue enhancing our information security measures may result from increased regulatory standards and/or contractual obligations accounting for generally increased information security risks in recent years because of the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyberattacks. Possible misuse and tapping of critical data by external service providers may also contribute to that effect. Since the outbreak of the COVID-19 pandemic, these data protection risks have been exacerbated by the increasing number of employees working in a home office setting with our external service providers.

In addition, potential warning letters by competitors and/or consumer advocacy groups with regards to business activities could ultimately lead to a changing in the way we carry out our business, in particular with respect to marketing efforts and product placement, and this could lead to lower conversion rates in our online business.

Any compromise or perceived compromise of the security of our systems or any failure or perceived failure by us to comply with privacy or security laws, policies, legal obligations or industry standards, or any security incident that results in the actual or alleged unauthorized release or transfer of personal data, may subject us to significant liability and expense as well as regulatory action and lawsuits, such as governmental enforcement actions and investigations, including significant fines and penalties, enforcement orders requiring us to cease processing or operating in a certain way and/or adverse publicity, including by consumer advocacy groups, and could cause our customers to lose trust in us, which could have a material adverse effect on our results of operations and our business.

3.3.2 Our business and results of operations could be affected by the regulatory frameworks in different ways, for example if we were unable to obtain or maintain required authorizations and certifications or if we failed to comply with our obligations.

In our operations, we are subject to several regulations and require certain certifications and authorizations and are subject to certain regulatory controls and information duties. These regulations comprise a broad range of legal areas. For example, in Germany, we are subject to an annual consultation and control by the German

Network Agency (*Bundesnetzagentur*) and undergo a bi-annual ISO recertification process with respect to the areas considered as "critical infrastructure", carried out by external auditors and the results of which are provided to the German Federal Office for Information Security (*Bundesamt für Sicherheit in der Informationstechnik*, "**BSI**").

In addition, due to our operations in the U.S. market, we also are or may become subject to various U.S. federal and state data privacy and cybersecurity laws and regulations, as well as other country- or state-specific laws and regulations (*e.g.*, on accessibility of websites for disabled persons, which requires complex technical adaptations to ensure compliance). Any actual or perceived non-compliance with any such laws or regulations may result in adverse effects on our business, including regulatory actions, litigation, fines, damages or reputational harm.

The increasing burden of complying with these regulations and of obtaining and extending the required certifications and authorizations, as well as a failure to adhere to any such regulations or obtain the required certifications and authorizations, could have a material adverse effect on our reputation, as well as our business, results of operations, cash flows and financial position, as well as our prospects.

3.3.3 The acquisition of a substantial interest in the Company by non-EU/non-EFTA investors requires government approval, which may restrict certain investments and limit demand for the Company's shares.

As an operator of "critical infrastructure" we fall into the scope of the cross-sector review of the German foreign investment control regime under the German Foreign Trade and Payments Ordinance (*Außenwirtschaftsverordnung*), which stipulates certain notification requirements for acquisitions involving critical infrastructure. Our Cloud Solutions business has also met the legal thresholds to qualify as critical infrastructure for purposes of German regulations in 2021, which already applied to the IONOS and STRATO Web Presence & Productivity business. Consequently, non-EU/non-EFTA investors who intend to directly or indirectly acquire 10% or more of the voting rights in the Company must notify the German Federal Ministry for Economic Affairs and Climate Action (*Bundesministerium für Wirtschaft und Klimaschutz*, "**BMWK**") in writing about the contemplated acquisition. The same applies to indirect acquisitions. The BMWK then assesses whether the acquisition might adversely affect the public order or security of the Federal Republic of Germany, other EU Member States or certain EU projects. During this time, a stand-still obligation applies for the acquisition. Should the BMWK determine potential adverse effects, the acquisition might be subject to restrictions or could even be prohibited.

3.3.4 We are subject to complex international tax regimes that are subject to changes, some of which could have significant impacts on the digital sector.

IONOS' tax burden is dependent on certain aspects of the tax laws across several different jurisdictions and their application and interpretation. Thus, tax matters are subject to a degree of uncertainty in terms of their assessment by the tax authorities in Germany and other countries. Even if IONOS believes that all circumstances have been reported correctly and in compliance with the law, the possibility cannot be ruled out that the tax authorities may come to a different conclusion in individual cases.

Due to our international focus, we are exposed to tax and customs risks, in particular with regard to the so-called transfer pricing rules that apply in several jurisdictions and, in relation to cross border business relationships. Pursuant to such rules, related enterprises are obligated to conduct any intercompany transactions on conditions that would also apply among unrelated third parties concluding comparable agreements (the so-called "at arm's length principle") and to provide sufficient documentation thereof, subject to the rules applicable to them in the relevant jurisdiction. The possibility that the tax authorities will challenge the Group's compliance with applicable transfer pricing rules cannot be ruled out. Furthermore, transfer pricing risks may increase in the future as intra-group cross-border business grows.

Several countries have implemented a tax on digital services or have amended or introduced VAT or sales tax regimes applicable to digital or electronically delivered services and products, demonstrating a global trend of rapid and unpredictable changes in tax legislation (or a broader interpretation of existing legislation) applicable to certain of our activities. Because the scope of application of these taxes differs between countries, we are not affected by all of these taxes. New or revised regulations may subject the Group or our customers to additional sales, income and other taxes. We cannot predict the effect of such initiatives. New or revised taxes could increase the cost of doing business online and our internal costs, which could impact both us and our customers.

Like any company, we are subject to regular tax audits. Therefore, we face the general risk that a subsequent payment of taxes could be assessed for previous taxable periods if the tax authorities take a different view of the interpretations and figures underlying our tax returns. Furthermore, changes in tax law or the interpretation of existing regulations by courts or tax authorities could have a negative impact on our business activities and financial position and results of operations. Although we try to identify changes in tax legislation or its interpretation at an early stage though regular training of our employees, exchanges with our external tax advisors and participation in expert panels and working groups, we may not be able to counter this risk effectively, at any time.

Any of the abovementioned events could adversely affect our business, results of operations, prospects and/or financial position.

3.3.5 Intellectual property infringement claims may be costly to defend, could require us to pay damages or royalties and could limit our ability to use certain technologies.

Companies in the technology sector are frequently subject to litigation or disputes based on allegations of infringement or other violations of intellectual property rights. We faced claims alleging that we infringed, or that our use of components or products supplied to us by third parties infringed, patents or other third-party intellectual property rights and may in the future face similar claims. For example, in February 2021, our U.S. entity 1&1 Ionos, Inc., entered into a settlement and licensing agreement with different licensors to settle claims relating to an alleged infringement of patents by 1&1 Ionos, Inc. In particular in the United States, there are so-called "non-practicing entities ("**NPEs**") who hold intellectual property rights (in particular, patents) for a product or process but with no intention to develop these. In certain instances, these entities hold patents with the intention of launching intellectual property infringement claims alleging an illegal use of these patents or elements thereof. Also we have been contacted by NPEs in the past in relation to our U.S. business. Against this backdrop, we cannot exclude that we may be involved in similar complaints and disputes in the future.

Any intellectual property claims, with or without merit, can be time-consuming and expensive to litigate or settle. An adverse determination could require that we pay damages, which could be substantial, or stop using technologies found to be in violation of third-party rights and could prevent us from selling some of our products. In order to avoid these restrictions, we may have to seek a license for the technology. Any such license may not be available on reasonable terms or at all, could require us to pay significant royalties and may significantly increase our operating expenses or otherwise seriously harm our business or results of operations. As a result, we may need to develop alternative non-infringing technologies, which could require significant effort and expense and might not be successful or, if alternative non-infringing technologies already exist, we may be required to license those technologies from third parties, which may be expensive or impossible. If we cannot license or develop technologies for any infringing aspects of our business, we may be forced to halt sales of our products incorporating the infringing technologies and may be unable to compete effectively. Any of these results may seriously harm our business.

Claims for intellectual property infringement and product warranty claims may have a material adverse effect on our business, results of operations, cash flows and financial position.

3.3.6 Any threat to, or impairment of, our intellectual property rights and know-how could cause us to incur costs to defend these rights and impair our ability to compete effectively.

As a Group that develops intellectual property and manufactures and markets branded products, we rely on trademarks, domain names, trade secrets, patents, copyrights, service marks, invention assignments, contractual restrictions and other intellectual property rights and confidentiality procedures to protect our brands, as well as our technological expertise. These protections may not adequately safeguard our intellectual property, which may have a material adverse effect on our results of operations. There is a risk that third parties, including our competitors, will infringe on our intellectual property rights, in which case we would have to defend these rights. This may result in significant costs. In addition, we may be unable to effectively combat the proliferation of imitations and counterfeits of our products.

In addition, the extent of patent or trademark protection varies from country to country and also depends, in the case of certain international trademarks applications, for example, on the level of active business activities in a given country. In some of the countries in which we operate, patent or trademark protection may be significantly weaker than in the EU or the United States. For example, IONOS is a relatively new brand, introduced into the market in 2018, with genuine protection only in our core markets (Europe and the United States). We have also purchased older trademarks from other companies that provide protection in other relevant regional markets (such as Canada or Mexico), but generally for a subset of protected goods and services rather than with a more general scope.

There can be no assurance that we will be able to take sufficient measures to effectively protect our trademarks, patents and technological developments and know-how, or effectively prevent others from developing and designing products or technologies which are similar to ours. If our trademarks, patents or technological developments cannot be adequately protected, this could impair the further development of our business and thus significantly impair our competitiveness.

There is also a risk that third parties, including our competitors, will seek a revocation of our intellectual property rights, take legal action to have our intellectual property rights declared null and void, or demand an assignment of such rights. These third parties may bring infringement claims against us or our customers. For instance, competitors may challenge, invalidate or circumvent any existing or future trademarks issued to, or licensed by, us. For example, we have been confronted, from time to time, with a limited number of challenges, such as an application for revocation filed in November 2022 against the European part of a certain international "IONOS" trademark (which in our assessment would not hinder the trademark protection for the "IONOS" brand, even if this particular trademark were to be revoked), or an ongoing opposition proceeding initiated by a competitor in 2021 regarding a figurative mark of STRATO. In both cases, a decision by the competent authority is currently outstanding. Accordingly, we could be involved in lengthy and costly litigation to protect our intellectual property, the outcome of which can be uncertain (even in cases in which we believe the proceedings brought against our intellectual property rights are without merits or not significant for the overall protection of our intellectual property rights).

Moreover, we rely to some extent on trade secret protection and confidentiality agreements with our employees and partners in order to protect certain products, technologies and other material know-how. Some of our intellectual property and know-how is not protected by registered intellectual property rights, as we consider the disclosure of trade secrets connected with a registration to be more harmful for us than the risk of secrecy violations. A failure to maintain sufficient secrecy, as well as the inability to effectively protect our trademarks and other intellectual property rights, could have a material adverse effect on our business, results of operations, cash flows, financial position, our customer relationships and our reputation.

If protections for our intellectual property and brands prove inadequate, or if we are not able to successfully defend and enforce our intellectual property rights and confidentiality agreements, this may have a material adverse effect on our business, results of operations, cash flows and financial position.

3.3.7 We may fail to renew trademark, patent or design applications and several of our patents will expire in the near future.

We may decide to file further trademark, patent or design applications seeking to protect selected newly developed brands, products, technologies, designs or concepts, or apply for registration of existing brands, products or patents in other relevant jurisdictions, but cannot be sure that trademark, patent or other registrations will be issued. There is also a risk that we could lose protection of trademarks if we fail to renew a trademark on a timely basis. In addition, even though a trademark has been duly registered, under local regulation the fact that a trademark is not used for a certain period (such as five years in the EU) may render the trademark registration voidable.

In addition, several of our patents were registered around 15 to 20 years ago and will expire in the near future. Should registered intellectual property rights expire or be subject to geographical restrictions, this could allow competitors to use our intellectual property in order to facilitate entry into the market or strengthen their position. Furthermore, in comparison to other areas, it can be difficult for new patent filings in the area of software to be granted. It is uncertain whether new patent applications (either filed, but not yet granted, or those we may file in the future) will be effectively granted, or whether reinstatement proceedings for expired patents will be successful or not. Moreover, there is also a risk that individual trademarks or other intellectual property rights, in particular held by Group entities outside Germany, could expire without this being noticed in time due to errors in the organization or in the relevant processes, with the potential consequence that these trademarks or other intellectual property rights may not be prolonged in time.

If we fail to renew a trademark on a timely basis or if protections for our intellectual property and brands expire without this being noticed in time, this may have a material adverse effect on our business, results of operations, cash flows and financial position.

3.3.8 We are and may become involved in disputes, litigation, arbitration or governmental proceedings.

Companies in the Group are, in the ordinary course of business, parties to, and may become involved in further, disputes, litigation, arbitration or governmental proceedings, such as, those with its employees, distribution partners, customers, suppliers, other contractual counterparties, or other third parties, including intellectual property, product liability or warranty claims or claims relating to the registration of domain names or the control over websites, distribution agreements, confidentiality agreements or other relationships and contracts. Potential claims could also arise if our standard terms and conditions, in particular with respect to consumer contracts (see also "*3.1.10 Standardized terms and conditions that we use may be held to be invalid, in particular as regards our business with end-consumers.*"), the proper advertisement of the products and services that we offer, including their respective terms, do not comply with legal requirements. Furthermore, we may become subject to proceedings by governmental authorities in connection with our compliance with laws and regulatory requirements.

While the current proceedings are not material to the Group as a whole, the materiality of any future proceedings as well as the outcome of individual proceedings cannot be predicted due to the uncertainties that are always associated with legal disputes. In the event of adverse judgments or settlement agreements, we could be subject to injunctive relief and removal and be obliged to make substantial payments, including payment of the opponent's litigation costs, which could also be significant. Even if we were successful in defending the cases, we would still suffer from the distraction of management resources to such litigation, incur certain expenses, and possibly face harm to our reputation from case-related publicity.

The potential liabilities, costs and operating restrictions associated with any potential involvement in disputes, litigation, arbitration or governmental proceedings may, therefore, have a material adverse effect on our business, financial position and results of operations.

3.3.9 We are subject to antitrust laws and regulations which may expose us to fines, damage claims and restrictions on our ability to do business.

We are subject to antitrust laws and regulations in the EU and other jurisdictions and therefore exposed to risks related to (private) enforcement actions and damage claims. In addition, we have made selected acquisitions in our recent past and may continue to make such selective acquisitions as part of our strategy, and we may enter into partnerships, each of which exposes us to additional risks and requires careful analysis of potential antitrust issues.

A finding of an infringement of antitrust laws and regulations could adversely affect us in a variety of ways. For example, it could result in significant fines (based on, among other factors, the value of the relevant sales), private enforcement claims by third parties, such as customers or competitors (including the exposure to joint and several liability in the context of cartel damage claims), disclosure of and changes in business practices, which may result in reduced revenue or margins, and reputational damage.

In addition, antitrust rules and regulations in certain jurisdictions, including merger control laws and regulations, may impose restrictions on our ability to carry out certain acquisitions or enter into cooperations and partnerships, thus limiting our ability to grow inorganically, or require forced divestments or other measures. We might also be forced to cease certain business activities as a result of such rules or regulations.

Any of the above factors could negatively affect our business, financial position, results of operations and prospects.

3.3.10 We are subject to sanctions, anti-corruption and similar compliance regulations, and our internal control systems may fail to prevent violations of such regulations which could cause financial, reputational and business damage.

Our operations subject us to compliance risks with respect to various rules and regulations, including, among other things, regarding international sanctions, and anti-corruption. Sanctions, and anti-corruption regimes evolve over time and it is difficult for us to predict the interpretation, implementation, or enforcement of governmental policies in this area. Government enforcement authorities or other third parties could find upon a review of our compliance policies and procedures that those policies and procedures are not designed or have not been implemented in a manner that effectively prevents and detects breaches of relevant laws. Our existing internal control and compliance systems may also not prove to be effective in detecting and preventing sanctions violations, corruption, or violations of other laws by our employees, sales agents, resellers, distributors, customers, or partners, especially as we sometimes have limited possibilities to enforce our internal control and compliance processes. Our failure to comply with applicable rules and standards could result not only in the imposition of fines and penalties, the confiscation of profits, adverse tax consequences and reputational damage, but also in the modification, termination, or reduction in value of some of our contracts with customers that have strict compliance policies with respect to their procurement. Compliance risk is higher where we, as part of our strategy, enter new markets and jurisdictions in which we have no previous experience (for example, in September 2022 we launched our activities under our STRATO brand in Sweden) and thus may not be able to identify all applicable laws and regulations.

At the same time, the implementation and stringent application of our internal control systems may result in a loss of existing customer relationships and business opportunities, including in certain markets we consider high-risk from a compliance perspective. In addition, we face increasing costs in light of the increasingly complex legal and regulatory requirements and the need to ensure compliance in all countries in which it conducts business. Moreover, the expansion of our internal control systems may result in the future in delays in our sales and procurement procedures and require considerable human and other resources. There is also a risk that relevant and updated internal policies, guidelines and instructions (relating to different areas, such as tax, legal and product quality) may not be effectively made available to all persons who are meant to apply them due to the lack of a group-wide common platform. This may result in policies not being followed consistently, potential breaches of legal regulations, as well as inefficiencies.

Any of the above factors could negatively affect our business, financial position, results of operations and prospects.

3.4 Risks Related to Our Shareholder Structure

3.4.1 The interests of United Internet AG, which will retain a substantial shareholding in IONOS Group SE following completion of the offering and will be able to continue to exercise a corresponding influence, may conflict with the interests of other investors.

In the context of the offering (the "**Offering**"), the current major shareholder of the Company, United Internet AG, Montabaur, Germany ("**United Internet AG**"), shall be selling up to 13.0% of the shares in the Company. Therefore, upon completion of the Offering, and assuming all offered shares offered from the holdings of both selling shareholders, including any over-allotment shares, are placed in the context of the Offering (including shares from a pre-IPO capital increase out of the Company's reserves (*Kapitalerhöhung aus Gesellschaftsmitteln*), which is expected to be registered with the Commercial Register of the Company on February 1, 2023), and assuming that the greenshoe option is exercised in full, United Internet AG will directly hold 62.1% of the shares in the Company.

Due to its remaining shareholding after the completion of the Offering, United Internet AG will be in a position to exert substantial influence or control at the Company's shareholders' meeting and will be able, solely through the exercise of its own votes, to adopt shareholders' resolutions at the Company that require only a simple majority. Among other things, this means that United Internet AG will be able to determine the use of balance sheet profits, resolve certain material capital measures, and set the dividend policy of the Company. United Internet AG will also be able to control the composition of the supervisory board and therefore, indirectly, of the management board of the Company.

In addition, United Internet AG could, depending on the shareholder presence at the general shareholders' meeting of the Company and solely through the exercise of its own votes adopt and effectively implement resolutions that require the consent of at least three quarters of the share capital represented at the time the resolution is adopted (for example, the creation of authorized or contingent capital, amendments to the corporate objectives, mergers, divestures and changes in corporate structure including, but not limited to, the conclusion of a domination agreement). Furthermore, United Internet AG could block resolutions at a shareholders' meeting if they attend the meeting and vote against the proposal.

Thus, conflicts of interest and differences of opinion could arise between United Internet AG, on the one hand, and the other shareholders, on the other, with regard to the exercise of voting rights in the shareholders' meetings of the Company. If this were to happen, United Internet AG would be able to assert its interests against the will of the other shareholders in the general shareholders' meeting because of the substantial voting rights it holds. A conflict of interest could, for example, arise if the Company wants to carry out a capital increase and United Internet AG were unable to fully participate, due to a lack of liquidity, in the capital increase but at the same time wanted to prevent being diluted; or if United Internet AG planned to sell shares in the Company while the Company envisaged to carry out a placement of new shares; or if United Internet AG were to develop competing corporate interests with the Group. A situation in which United Internet AG would not participate in a future capital increase of the Company could also make it more difficult for the Company to raise new capital. Even if United Internet AG did not in fact use its controlling stakes to influence the IONOS Group, the mere potential to exert influence and especially actual voting at the shareholders' meeting or the exertion of influence in any other way that conflicts with the interests of the Company's other shareholders could have material adverse effects on the Company's share price and make it more difficult for the Company to raise capital.

In addition, United Internet AG may also sell, or announce to sell, a portion or all of the shares it holds in the Company at any time following a lock-up period of 180 days, thereby affecting the share price of IONOS Group SE shares negatively (see also "*3.5.3 Future sales by the Company's shareholders or investors acquiring shares in the offering, or the perception that such sales could occur, could depress the price of the Company's shares.*").

3.4.2 Overlap in the composition of the boards of the Company and of United Internet AG as well as other companies affiliated with its current (indirect) shareholders, and other relationships with United Internet AG and any of its or the Company's (indirect) shareholders may result in conflicts of interest.

As of the date of the Prospectus, certain members of the supervisory board of the Company are members of the management board or the supervisory board of, or have certain relationships with, United Internet AG and certain other (indirect) shareholders of the Company or affiliates of such (indirect) shareholders. Specifically, Ralph Dommermuth, who is the Chairman of the Company's supervisory board, is also a member of the management board and CEO of United Internet AG and chairman of the management board of 1&1 AG, a subsidiary (78.32%) of United Internet AG; René Obermann, who is the deputy chairman of the Company's supervisory board, is managing director of Warburg Pincus Deutschland GmbH, a company affiliated with WP XII Venture Holdings II SCSp (which holds 24.9% of the Company's shares as of the date of the Prospectus); Dr. Claudia Borgas-Herold, a member of the Company's supervisory board, is a member of the supervisory board of 1&1 AG; Martin Mildner, also a member of the Company's supervisory board, is a member of the management board and CFO of United Internet AG, a member of the supervisory board of Tele Columbus AG (an indirect subsidiary of United Internet AG (pass-through interest of approximately 37.9%) and chairman of the supervisory board of 1&1 Mail & Media Applications SE. In addition, Mr. Dommermuth und Dr. Borgas-Herold were members of the supervisory board of Tele Columbus AG until February 9, 2022, and March 21, 2022, respectively.

Since the interests of United Internet AG and the Company will not necessarily always coincide or be aligned, the aforementioned dual mandates and other relationships of the Group's supervisory board members with United Internet AG or any of its subsidiaries not belonging to the IONOS Group may in the future result in conflicts of interest for these persons.

Some parts of the variable remuneration paid to Mr. Mildner (also in relation to other tasks for the United Internet Group) were and are linked to the success of the United Internet Group. Moreover, employees have purchased common shares in United Internet AG at a reduced price. These persons may therefore have an economic interest in promoting the affairs of the United Internet Group.

In some cases there may be a conflict of interest in engaging in and structuring business relations between the Group and companies of the group led by United Internet AG, which may be resolved to the detriment of the IONOS Group. In particular, it cannot be excluded that the involvement of the persons holding "dual mandates" and other employees of the Group in the group strategy of United Internet AG may result in some of these individuals, who hold offices or other functions in the Group, acting in the interests of United Internet AG. The same holds true with regard to the possible individual economic interests of such persons.

Furthermore, the Company's main indirect shareholders or any future major shareholders of the Company may have economic or business interests or goals that are not aligned, or that would turn out inconsistent with the Group's interests or goals. They may engage, participate or hold a right or interest in or render services to a business which competes with the Group, or have investments in companies that are suppliers or business partners of the Group. To the extent that major shareholders (including indirect shareholders) engage in the same or similar business activities or lines of business as the Group, or engage in business with any of the Group's suppliers, distributors/dealers or customers, the Group's ability to successfully operate and expand its business may be hampered. These investment activities could have a material adverse effect on the Group's business, financial position and results of operations.

3.5 Risks Related to the Offering and the Listing of the Shares

3.5.1 The shares of the Company have not previously been publicly traded, and there can be no assurance that a liquid trading market for the Company's shares will develop or can be maintained over time. Hence, in particular, the Company's share price and trading volume of its shares could fluctuate significantly, also as a result of a potential decline of the shares price and trading volume of United Internet AG shares, and investors could lose all or part of their investment.

Prior to the offering and listing of the Company's shares, there has been no public trading in the shares of the Company and they have never been offered to the public. There is no assurance that the final offer price will correspond to the price at which the shares are subsequently traded after the Offering or that an active, liquid trading market for the shares will develop or be sustained following the admission to trading and the listing of the Company's shares. Furthermore, low liquidity of the Company's shares may entail high volatility regarding share price. The fact that United Internet AG will continue to hold at least 62.1% and WP XII Venture Holdings II SCSp will continue to hold at least 20.6% of the Company's share capital even after a full placement of the shares offered in the Offering, based on the current expectation relating to the sale of the shares of the Company, limits the number of free float shares in the Company and could, therefore, adversely affect the development and maintenance of a liquid trading market for the shares.

Investors may not be able to sell their shares quickly, at the market price or at all if there is no active trading in the Company's shares. If an active market for the shares does not develop after the listing, the liquidity and market price of the shares may be adversely affected. Since the Company's share price will be affected primarily by the supply and demand for its shares, which cannot be foreseen, in particular, as the shares of the Company have not previously been publicly traded, it may fluctuate significantly. Such significant fluctuation might be in response to numerous factors, many of which are beyond the IONOS Group's control and may not necessarily be related to our business or short to mid-term prospects. These factors include, among others, fluctuations in actual or projected results of operations, changes in projected earnings or failure to meet securities analysts' earnings expectations, the absence of analyst coverage on the Company's shares, changes in trading volumes in the Company's shares, changes in macroeconomic conditions, including fluctuations in foreign currencies and market interest rates, the activities of competitors and suppliers, changes in the market valuations of similar companies, changes in investor and analyst perception of the Company or the Group's industry (including due to changes in public opinion, for example as a result of adverse media coverage), changes in the statutory framework in which the Group operates, actions by institutional shareholders, potential conflicts with major shareholders (in particular United Internet AG), ad-hoc developments (*e.g.*, management changes) and other factors.

In addition, the share price of the Company's shares could also decline should rating agencies downgrade their rating of the Company or of its parent company United Internet AG. In addition, if United Internet AG were to revise previously communicated targets or guidance downwards, this could directly or indirectly negatively affect the share price of the Company's shares. Similarly, a decline of the share price and trading volume of United Internet AG shares could negatively affect the Company's share price.

If an active market for the shares does not develop after the listing, the Company's shares may also be particularly prone to changes in general market conditions and fluctuations of share prices and trading volumes, particularly of shares of companies in the same sector, could lead to pressure on the Company's share price, even though there may not be a reason for this based on the Company's business performance or earnings outlook. Stock prices of many companies, including companies relating to cloud solutions, web presence and web productivity activities, have experienced price and volume fluctuations in a manner often unrelated to the operating performance of such companies. The COVID-19 pandemic has also led to repeated turmoil in global stock markets.

If the Company's share price or the trading volume in its shares declines as a result of the realization of any or all of these events, investors could lose part or all of their investment in the Company's shares.

3.5.2 The Company does not currently expect to pay dividends in the near future. The Company's ability to pay dividends depends, among other things, on the Group's results of operations, financial investment needs, the availability of distributable profit and on its overall financial position.

The Company does not currently intend to pay dividends in the near future. The Company's general shareholders' meeting will decide matters relating to the payment of future dividends. These decisions will be based on the particular situation of the Company at the time. The Company is a holding company with no material business operations of its own. The principal assets of the Company are its indirect equity interests in its operating subsidiaries. As a result, the Company's ability to pay dividends depends upon, among other things, its results of operations, financing and investment requirements, as well as the availability of distributable profit (*Bilanzgewinn*). Certain reserves must be established by law, including with respect to capitalized internally generated intangible assets, and must be deducted when calculating the distributable profit or determining the amount of dividends payable to shareholders. Because the Company conducts most of its operational business through its subsidiaries, its ability to pay dividends also depends on the ability of its operating subsidiaries to generate income and transfer profits. In addition, the Company's and the Group's respective future debt financing arrangements may contain covenants which limit the Company's ability to pay dividends under certain circumstances. Any of these factors, individually or in combination, could restrict the Company's ability to pay dividends. Given that the Company's shares are, and any dividends to be paid in respect of them will be, denominated in euro, an investment in the Company's shares by an investor whose principal currency is not the euro exposes the investor to an additional foreign currency exchange rate risk.

3.5.3 Future sales by the Company's shareholders or investors acquiring shares in the offering, or the perception that such sales could occur, could depress the price of the Company's shares.

Sales of a substantial number of the Company's shares in the public market following the listing of the Company's shares, or the perception that such sales might occur, could depress the market price of the Company's shares and could impair the Company's ability to raise capital through the sale of additional equity securities. The shares owned by the selling shareholders are subject to a customary lock-up following the listing of the Company's shares for a period of 180 days, which is subject to certain exemptions including the right of the selling shareholders to grant security over the Company's shares in connection with a potential margin loan facility. There is no assurance that the selling shareholders, whose respective interests may not be aligned with those of other shareholders of the Company, will not dispose of their shares in the Company under an exemption from the lock-up, as a result of an enforcement of any such security that may be granted in connection with any margin loan facility, or following the expiration of the lock-up period. If this happens, or if one or more of the Company's other shareholders effect a sale or sales of a substantial number of the Company's shares, or if the market believes that such sales might take place, this could have a material adverse effect on the share price of the Company's shares.

3.5.4 Future offerings of debt or equity securities by the Company may adversely affect the market price of the Company’s shares and could significantly dilute existing shareholdings in the Company. Investors in certain jurisdictions could be precluded from participating in any rights offering altogether.

The Company may require further capital in the future to finance the Group's business operations and planned growth or to fulfill regulatory requirements. Therefore, the Company may seek to raise capital through offerings of debt securities (possibly including convertible debt securities) or additional equity securities. An issuance of additional equity securities or securities with a right to convert into equity, such as convertible bonds or warrant bonds, could adversely affect the market price of the Company's shares and would dilute the economic and voting interests of existing shareholders if made without granting subscription rights to existing shareholders. Even if existing shareholders were granted subscription rights, investors in certain jurisdictions outside of Germany (in particular in the United States) may not be able to participate in future issues of Company's shares unless the Company decides to take additional steps to comply with applicable local laws and regulations of such jurisdictions. The Company cannot assure any shareholders outside of Germany that steps will be taken to enable them to exercise their subscription rights, or to permit them to receive any proceeds or other amounts relating to their subscription rights.

Because the timing and nature of any future offering would depend on market conditions, it is not possible to predict or estimate the amount, timing or nature of future offerings. In addition, the acquisition of other companies or investments in companies in exchange for newly issued shares of the Company, as well as the exercise of stock options by the Group's employees in the context of possible future stock option programs or the issuance of shares to employees in the context of possible future employee stock participation programs could lead to a dilution of the economic and voting interests of existing shareholders. Furthermore, a proposal to the general shareholders' meeting to take any of the above mentioned measures, with dilutive effects on the existing shareholdings, or any other announcement thereof, could adversely affect the market price of the Company's shares.

3.5.5 The Company will face additional administrative requirements and incur higher ongoing costs as a result of its operation as a publicly listed company.

As a publicly listed company, the Company will incur significant legal, accounting and other expenses that it did not incur as a private company, being a sub-group of the group led by the publicly listed United Internet AG. After the Offering, the Company will for the first time be subject to the legal requirements for companies listed on the regulated market of a public stock exchange, in particular the German Securities Trading Act (*Wertpapierhandelsgesetz*) and the Market Abuse Regulation as well as compliance with the regulations of the Frankfurt Stock Exchange. These requirements include periodic financial reporting and other public disclosures of information (including those required by the stock exchange listing authorities), regular calls and meetings with securities and industry analysts, and other required disclosures. Compliance with these rules and regulations will increase the Company's legal and financial compliance costs, introduce new costs (including costs related to investor relations and shareholder reporting), and make certain activities more time consuming and costly, also in light of changing and increasingly complex regulations. They also might make it more difficult for the Company to obtain director and officer liability insurance at reasonable costs and the Company may incur substantial costs to maintain sufficient coverage.

There is no guarantee that our accounting, controlling and legal or other corporate administrative functions will be capable of responding to these additional requirements without difficulties and inefficiencies that cause us to incur significant additional expenses and/or expose us to legal, regulatory or civil costs or penalties. We will also need to set-up new independent functions (such as our own investor relations management or internal compliance and control systems). Furthermore, the preparation, convening and conduct of general shareholders' meetings and the Company's regular communications with shareholders and potential investors will entail substantially greater expenses.

Our management may also need to devote time and other resources to these additional requirements that it could have otherwise devoted to other aspects of managing our operations, and these additional requirements could also entail substantially increased time commitments and costs for the accounting, controlling, legal and investor relations departments and other Group administrative functions. In addition, we may be required to hire additional employees or engage outside consultants to comply with such requirements, which could increase our costs and expenses.

Any inability of our administrative functions to handle the additional demands placed on us by becoming a company with listed shares, as well as any costs resulting therefrom, may have a material adverse effect on our business, results of operations and financial position.

3.5.6 The ability of shareholders to bring actions or enforce judgments against the Company or members of its management board or supervisory board may be limited.

The ability of shareholders to bring an action against the Company may be limited. The Company is a European company (*Societas Europaea, SE*) incorporated in Germany and governed by German law subject to the EU regulations on European companies, in particular the provisions of Council Regulation (EC) No. 2157/2001, as amended from time to time. The rights of shareholders are governed by German law and by the Company's articles of association. These rights differ from the rights of shareholders in other jurisdictions. It may be difficult for a shareholder to prevail in a claim against the Company or to enforce liabilities predicated upon the laws of jurisdictions other than Germany.

A shareholder may not be able to enforce a judgment against some or all of the members of the Company's management board or supervisory board. It may not be possible for a shareholder to effect service of process upon members of the management board or supervisory board within such shareholder's country of residence, or to enforce against members of the management board or supervisory board judgments of courts of such shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that a shareholder will be able to enforce any judgment in civil and commercial matters or any judgments against the members of the Company's management board or supervisory board who are residents of countries other than those in which the judgment is made. In addition, German and other courts may not accept jurisdiction and impose civil liability on members of the management board in any original action based solely on foreign securities laws brought against the Company or members of the management board or supervisory board in a court of competent jurisdiction in Germany or other countries. In addition, the Company cannot assure prospective investors that civil liabilities predicated upon foreign securities laws will be enforceable in Germany or any other jurisdiction.

4 GENERAL INFORMATION

4.1 Responsibility for the Contents of the Prospectus

IONOS Group SE, a European company (*Societas Europaea, SE*) with registered seat in Montabaur, Federal Republic of Germany ("**Germany**") and business address is in Elgendorfer Str. 57, 56410 Montabaur, Germany, is registered with the Commercial Register (*Handelsregister*) maintained by the Local Court (*Amtsgericht*) of Montabaur under HRB 25386 (formerly IONOS TopCo SE, 1&1 IONOS TopCo SE and 1&1 Internet TopCo SE, hereinafter also the "**Company**" and, together with its direct and indirect subsidiaries, "**IONOS Group**", "**Group**", "**IONOS**", "**we**", "**our**" and "**us**". The Company, together with J.P. Morgan SE, Taunustor 1, TaunusTurm, 60310 Frankfurt am Main, Germany, LEI 549300ZK53CNGEEI6A29 ("**J.P. Morgan**"), Joh. Berenberg, Gossler & Co. KG, Neuer Jungfernstieg 20, 20354 Hamburg, Germany, LEI 529900UC2OD7II24Z667 ("**Berenberg**"), Deutsche Bank Aktiengesellschaft, Taunusanlage 12, 60325 Frankfurt am Main, Germany, LEI 7LTWFZYICNSX8D621K86 ("**Deutsche Bank**"), BNP PARIBAS, 16, boulevard des Italiens, 75009 Paris, France, LEI R0MUWSFPU8MPRO8K5P83 ("**BNP PARIBAS**", and together with J.P. Morgan, Berenberg and Deutsche Bank, the "**Joint Global Coordinators**"), Barclays Bank Ireland PLC, One Molesworth Street, Dublin 2, Ireland, D02 RF29, LEI 2G5BKIC2CB69PRJH1W31 ("**Barclays**"), Goldman Sachs Bank Europe SE, Marienturm, Taunusanlage 9-10, 60329 Frankfurt am Main, Germany, LEI 8IBZUGJ7JPLH368JE346 ("**Goldman Sachs**", and, together with Barclays, the "**Bookrunners**" and, together with the Joint Global Coordinators, the "**Joint Bookrunners**"), COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany, LEI 851WYGNLUQLFZBSYGB56 ("**COMMERZBANK**"), DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Platz der Republik, 60325 Frankfurt am Main, Germany, LEI 529900HNOAA1KXQJUQ27 ("**DZ BANK**"), Landesbank Baden-Württemberg, Am Hauptbahnhof 2, 70173 Stuttgart, Germany, LEI B81CK4ESI35472RHJ606 ("**LBBW**" and, together with COMMERZBANK and DZ BANK, the "**Co-Lead Managers**" and, together with the Joint Bookrunners, the "**Underwriters**"), each assume responsibility for the contents of the prospectus (the "**Prospectus**") pursuant to Section 8 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and Article 11 para. 1 of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and hereby declare that, to the best of their knowledge, the information contained in the Prospectus is in accordance with the facts and that the Prospectus makes no omission likely to affect its import.

Berenberg is also acting as admission applicant (*Zulassungsantragsteller*) within the meaning of Section 2 no. 7 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and will apply, together with the Company, for admission to trading of the Company's shares to the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange.

4.2 General Disclaimers; Validity of the Prospectus

Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the respective national legislation of the relevant member state of the European Economic Area ("**EEA**"), have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Neither the Company nor the Underwriters are required by law to update the Prospectus subsequent to the date hereof, except in accordance with Article 23 of the Prospectus Regulation, which stipulates that every significant new factor, material mistake, or material inaccuracy relating to the information included in a prospectus which may affect the assessment of the securities and which arises or is noted between the time when the prospectus is approved and the closing of the offer period or the time when trading on a regulated market begins, whichever occurs later, shall be mentioned in a supplement to the prospectus without undue delay. In any event, the obligation to supplement a prospectus in case of a significant new factor, material mistake, or material inaccuracy relating to the information included in a prospectus which may affect the assessment of the securities no longer applies when a prospectus is no longer valid. The closing of the offer period for the shares that are the subject matter of the offering described in the Prospectus is expected to occur on February 7, 2023 and trading of the shares of the Company on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange is expected to begin on February 8, 2023.

Accordingly, the validity of the prospectus will expire with the commencement of trading of the Company's shares on the regulated market of the Frankfurt Stock Exchange, expected on February 8,

2023, and no obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will apply when this Prospectus is no longer valid.

4.3 Competent Authority Approval

The Prospectus constitutes a prospectus for the purposes of Article 3 of Regulation (EU) 2017/1129 and has been filed with and approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, or "**BaFin**") as competent authority under Regulation (EU) 2017/1129. BaFin has only approved the Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. BaFin's approval should not be considered as an endorsement of the Company nor of the quality of the shares that are the subject of the Prospectus. Investors should make their own assessment as to the suitability of investing in the securities. BaFin can be contacted at Marie-Curie-Str. 24-28, 60439 Frankfurt am Main, Germany, by telephone +49 228 4108-0, or via its website: www.bafin.de.

4.4 Subject Matter of the Prospectus

The Prospectus relates to (i) the public offering in Germany of 24,150,000 ordinary registered shares of the Company with no par value (*auf den Namen lautende Stückaktien*), each such share representing a notional value of € 1.00 in the Company's share capital and (ii) the admission of all shares of the Company (including shares from a capital increase out of capital reserves (*Kapitalerhöhung aus Gesellschaftsmitteln*) resolved by an extraordinary shareholders' meeting on January 26, 2023 ("**Pre-IPO Capital Increase**") and expected to be registered with the Commercial Register of the Local Court (*Amtsgericht*) of Montabaur on February 1, 2023) to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (the "**Admission to Trading**").

The public offering in Germany comprises:

- 15,771,000 ordinary registered shares with no par value from the holdings of United Internet AG, Montabaur, Germany (hereinafter also referred to as "**United Internet AG**"), registered with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Montabaur under no. HRB 5762 (the "**UI Secondary Shares**");
- 5,229,000 ordinary registered shares with no par value from the holdings of WP XII Venture Holdings II SCSp, a special partnership (*société en commandite spéciale*) under the laws of the Grand Duchy of Luxembourg ("**Luxembourg**"), registered with the Commercial and Company Register (*Registre de Commerce et des Sociétés*) of Luxembourg under no. B255281 and with registered office in 412F, route d'Esch, 1030 Luxembourg, Luxembourg (together with United Internet AG, the "**Selling Shareholders**" and each a "**Selling Shareholder**") (the "**WP Secondary Shares**", and together with the UI Secondary Shares, the **"Secondary Shares"**); and
- 2,365,650 ordinary registered shares with no par value from the holdings of United Internet AG to cover potential over-allotments (the "**UI Over-Allotment Shares**") and
- 784,350 ordinary registered shares with no par value from the holdings of WP XII Venture Holdings SCSp to cover potential over-allotments (the "**WP Over-Allotment Shares**", and together with the UI Over-Allotment Shares, the "**Over-Allotment Shares**"; and the Over-Allotment Shares together with the Secondary Shares, the "**Offer Shares**")

in each case, including shares from the Pre-IPO Capital Increase expected to be registered with the Commercial Register of the Local Court (*Amtsgericht*) of Montabaur on February 1, 2023.

Prior to the commencement of the public offering, WP XII Venture Holdings II SCSp holds 24.9% of the share capital of the Company. WP XII Venture Holdings II SCSp is 55% indirectly held by various private equity funds managed by Warburg Pincus LLC, a New York limited liability company. For more details, see "*17.1 Major Shareholders*". The remaining 75.1% of the share capital of the Company is held by United Internet AG.

The Admission to Trading relates to 140,000,000 ordinary registered shares with no par value (*auf den Namen lautende Stückaktien*), comprising

- all shares of the Company existing at the date of the Prospectus, including one existing preference registered share with no par value, which an extraordinary shareholders' meeting held on January 26, 2023 resolved to convert into one ordinary registered share and which is expected to be registered with the Commercial Register of the Local Court (*Amtsgericht*) of Montabaur on February 1, 2023), and

- the ordinary registered shares with no par value from the Pre-IPO Capital Increase,

each representing a notional value of € 1.00 in the Company's share capital, corresponding to the Company's entire share capital after registration of the implementation of the Pre-IPO Capital Increase and conversion of the existing preference registered share into an ordinary registered share.

4.5 Forward-Looking Statements

The Prospectus contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of the Prospectus. This applies, in particular, to statements in the Prospectus containing information on future earnings capacity, plans and expectations regarding the IONOS Group's business, its growth and profitability, as well as the general economic and legal conditions and other factors to which the IONOS Group is exposed. Statements made using the following wording constitute forward-looking statements: "expects", "anticipates", "predicts", "assumes", "estimates" (in relation to future years), "plans" or "intends". They can be found in several sections in the Prospectus, for example in the sections "*6.2 Reasons for the Offering and the Admission to Trading; Use of Proceeds*", "*9.1 Capitalization*", "*9.2 Total Financial Indebtedness*", "*11 Profit Estimate*, "*12 Market and Competitive Environment*", "*13.2 Investment Highlights*" and "*22 Recent Developments and Outlook*".

The forward-looking statements contained in the Prospectus are based on the Company's current estimates and assessments and made to the best of the Company's knowledge. These forward-looking statements are based on numerous assumptions and are subject to uncertainties and other factors, the occurrence or non-occurrence of which could cause actual circumstances, including with regard to the assets, business, financial position and results of operations as well as profitability of the Group, to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. Even if future results of the IONOS Group meet the expectations expressed herein, they may not be indicative of the results or developments in any subsequent periods.

IONOS' business is also subject to a number of uncertainties that could cause a forward-looking statement, estimate or prediction in the Prospectus to become inaccurate. Accordingly, investors are strongly advised to consider the Prospectus as a whole, including the following sections of the Prospectus: "*10 Operating and Financial Review*", "*12 Market and Competitive Environment*", "*13 Business*" and "*22 Recent Developments and Outlook*", which include more detailed descriptions of factors that might influence the IONOS Group's business performance and the markets in which it operates. The following factors and others described under other sections of the Prospectus should not be construed as exhaustive.

In light of the assumptions as well as uncertainties and other factors, it is also possible that the future events mentioned in the Prospectus may not occur or may differ materially from actual events. In addition, the forward-looking estimates and forecasts reproduced in the Prospectus from third-party sources could prove to be inaccurate. For more information on third-party sources see "*4.6 Information from Third Parties*". These factors are not necessarily all of the important factors that could cause the Company's actual results to differ materially from those expressed in any forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results. The foregoing may prevent the Company from achieving its financial and strategic objectives.

The forward-looking statements contained in the Prospectus speak only as of the date of the Prospectus. Investors are advised that neither the Company nor the Underwriters assume any obligation and do not intend to, except as required by law, publicly release any updates or revisions to these forward-looking statements to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based or to adjust them in line with future events or developments.

4.6 Information from Third Parties

The Prospectus contains industry and customer-related data as well as calculations sourced from industry reports published by third parties, market research reports, publicly available information and commercial publications of third parties. These publications generally state that the information they contain has originated from sources assumed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the calculations contained therein are based on assumptions. Such information has not been independently verified by the Company and the Company assumes no responsibility for the accuracy of any such information. Market studies are frequently based on information and assumptions that may be neither exact nor appropriate, and their methodology is by nature forward-looking and speculative.

The following sources of third party information were used in the preparation of this Prospectus:

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- Acronis website, information on the company, available from https://www.acronis.com/en-us/company/;

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- Deloitte, "The performance of Small and Medium Sized Businesses in a digital world – A report for the Connected Commerce Council, 2019" (the "**Deloitte SMB Report 2019**"), available from https://www2.deloitte.com/es/es/pages/financial-services/articles/connected-commerce-council-2019-en.html;

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The above-mentioned sources may reserve, and in some cases have expressly reserved, all rights provided by copyright law.

In addition, the Prospectus contains estimates of market and other data and information that are based in part on internal market observations and on various market studies from third parties to which we refer to in the Prospectus as "**Company Data Analysis**". Such Company Data Analysis is partly based on, or derived from, a combination of publicly available and non-public data, including market research from third parties, such as surveys conducted among small and medium businesses ("**SMBs**"), the key target customer group for IONOS, expert interviews and other market analyses (customized or not), such as studies and analyses from renowned market research and consulting firms, such as McKinsey, Gartner (*e.g.*, for cloud applications and services), Flexera, IDC and Bitkom Research GmbH, a subsidiary of the Bitkom Group, Germany's digital association (including those sources listed above, among others), as well as the evaluation of industry information (from conferences, sector events, etc.) that cannot be obtained from public sources. The Company's management believes that such Company Data Analysis assists prospective investors in gaining a better understanding of the industry in which companies of the Group operate in and the IONOS Group's position therein. The Prospectus also contains own internal Company assessments of the Company (*e.g.*, based on its own market observations and knowledge of the industry). The Company assumes that the statements derived from its Company Data Analysis and of its own market assessments are reliable, whereby the internal assessments regarding future developments and trends in the markets and businesses described in the Prospectus are subject, by their own nature, to uncertainty. They may differ from estimates made by competitors of the Group or from future studies conducted by market research institutes or other independent sources.

Where information in the Prospectus has been sourced from a third party, the Company confirms that this information has been accurately reproduced and that, to the extent the Company is aware and able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Prospective investors should nevertheless consider this information carefully.

Irrespective of the assumption of responsibility for the content of this Prospectus by the Company and the Underwriters (see "*4.1 Responsibility for the Contents of the Prospectus*"), neither the Company nor the Underwriters have independently verified the figures, market data or other information on which third parties have based their studies. Accordingly, prospective investors are advised to consider this information with caution and the Company and the Underwriters make no representation or warranty as to the accuracy, completeness or verification of any such information from third party studies included in this Prospectus. Prospective investors should note that the Company's own estimates (including the Company Data Analysis) and statements of opinion and belief are not always based on studies of third parties.

Information contained on any website or report mentioned in the Prospectus, including the websites of the IONOS Group (www.ionos.de; www.ionos-group.com) and its other region-specific websites and information accessible via any of these websites, is not incorporated by reference in the Prospectus and is not part of the Prospectus; it has not been scrutinized or approved by BaFin. The web links included above for certain sources have been last retrieved on January 25, 2023, unless otherwise mentioned.

4.7 Documents Available for Inspection

For as long as the Prospectus is valid (see "*4.2 General Disclaimers; Validity of the Prospectus*"), copies of the following documents are available for inspection during regular business hours at the Company's offices at Elgendorfer Str. 57, 56410 Montabaur, Germany:

(i) the Company's articles of association as in effect as of the date of the Prospectus (the "**Articles of Association**");

(ii) the Company's articles of association with the amendments as resolved on January 26, 2023 by the extraordinary shareholders' meeting of the Company expected to be registered with the Commercial Register of the Local Court of Montabaur, Germany, on February 1, 2023 (the "**Amended Articles of Association**");

(iii) the audited unconsolidated annual financial statements of the Company (under the corporate name IONOS TopCo SE) as of and for the fiscal year ended December 31, 2021, prepared in accordance with the requirements of German commercial law applicable to business corporations (*Handelsgesetzbuch*, "**HGB**") (the "**Audited Unconsolidated Annual Financial Statements**");

(iv) the unaudited condensed consolidated interim financial statements of the Company (formerly: IONOS TopCo SE) as of and for the nine-month period ended September 30, 2022, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("**EU**") ("**IFRS**") applicable to interim financial reporting (IAS 34) (the "**Unaudited Condensed Consolidated Interim Financial Statements**");

(v) the audited consolidated financial statements of the Company (under the corporate name IONOS TopCo SE, formerly 1&1 IONOS TopCo SE) as of and for the fiscal year ended December 31, 2021, prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e para. 1 German Commercial Code (*Handelsgesetzbuch*, "**HGB**") (the "**Audited Consolidated Financial Statements 2021**");

(vi) the audited consolidated financial statements of the Company (under the corporate name 1&1 IONOS TopCo SE) as of and for the fiscal year ended December 31, 2020, prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e para. 1 HGB (the "**Audited Consolidated Financial Statements 2020**"); and

(vii) the audited consolidated financial statements of the Company (under the corporate name 1&1 IONOS TopCo SE, formerly 1&1 Internet TopCo SE) as of and for the fiscal year ended December 31, 2019, prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e para. 1 HGB (the "**Audited Consolidated Financial Statements 2019**", and (iv) to (vi) together, the "**Audited Consolidated Financial Statements**"; in addition, the Audited Consolidated Financial Statements together with the Unaudited Condensed Consolidated Interim Financial Statements are herein referred to as the "**Consolidated Financial Statements**").

The Articles of Association and, once registered with the Commercial Register, the Amended Articles of Association listed under (i) and (ii) will also be available in electronic form, at least for as long as the Prospectus is valid, on the Company's website (www.ionos-group.com/investor-relations/corporate-governance). The Audited Unconsolidated Annual Financial Statements, the Unaudited Condensed Consolidated Interim Financial Statements and the Audited Consolidated Financial Statements listed under (iii) through (vii) as well as the Company's future consolidated, annual financial reports (*Jahresfinanzberichte*) and condensed consolidated interim half-year financial reports (*Halbjahresfinanzberichte*) as well as the quarterly group statements will be available on the Company's website www.ionos-group.com/investor-relations/publications/reports.html), from the German Company Register (*Unternehmensregister*) (www.unternehmensregister.de) (except for the quarterly group statements), and from the Company, Elgendorfer Str. 57, 56410 Montabaur, Germany. Annual financial reports (*Jahresfinanzberichte*) will also be published in the German Federal Gazette (*Bundesanzeiger*).

4.8 Note Regarding the Presentation of Financial Information

4.8.1 General

Unless otherwise indicated, financial information contained in the Prospectus has been prepared on the basis of IFRS.

The fiscal years ended December 31, 2022, December 31, 2021, December 31, 2020 and December 31, 2019 are also referred to in the Prospectus as "**fiscal year 2022**", "**fiscal year 2021**", "**fiscal year 2020**" and "**fiscal year 2019**", respectively. The current fiscal year, which will end on December 31, 2023, is also referred to as "**fiscal year 2023**".

In the Prospectus, where financial information is presented as "audited" in tables, this means that it was taken from the Audited Consolidated Financial Statements. Where financial information is presented in tables as "unaudited", it indicates that the financial information has not been taken from the Audited Consolidated Financial Statements, but has been taken either from the Unaudited Condensed Consolidated Interim Financial Statements or the Company's accounting records or internal management reporting system or has been calculated based on figures from the above-mentioned sources.

For information regarding the presentation of financial information contained in the Prospectus see the introduction to the section headed "*10 Operating and Financial Review*".

4.8.2 Note on Currency

The amounts set forth in the Prospectus in "**€**" or "**euro**" refer to the single currency of the participating member states in the third stage of the European Economic Union pursuant to the Treaty Establishing the European Community.

The following table explains the denotation of other currencies which are material to the Audited Consolidated Financial Statements, or which are otherwise used in the Prospectus:

Amounts in	**refer to the legal currency of**
"$", "U.S. dollar" or "USD"	the United States and its territories
"GBP" or "pound sterling"	the United Kingdom and its territories
"PLN" or "Polish zloty"	Poland

The Group's principal functional currency is the euro, and the Consolidated Financial Statements as well as the Audited Unconsolidated Annual Financial Statements have been prepared in euro. Each company within the Group determines its own functional currency. The financial statements of the consolidated subsidiaries prepared in a foreign currency are translated into euro on the basis of the functional currency concept in accordance with IAS 21 – "The Effects of Changes in Foreign Exchange Rates". Foreign currency transactions are initially translated to the functional currency at the prevailing spot rate on the day of 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 differences are expensed in the income statement. The exception to this rule are currency differences resulting from foreign currency loans, provided they are used to hedge against a net investment in a foreign operation. These are recognized directly in equity until the net investment is sold and only recognized in profit or loss on disposal. Deferred taxes arising from such currency differences are also recognized directly in equity. Non-monetary items valued at historical cost in a foreign currency, are translated at the exchange rate prevailing on the day of the transaction. Non-monetary items stated at fair value in a foreign currency are translated at the exchange rate prevailing at the time fair value was assessed. All goodwill items resulting from the acquisition of a foreign operation and all adjustments to fair value of the carrying amounts of assets and liabilities resulting from the acquisition of this foreign operation, are carried as assets and liabilities of the foreign operation and translated at the closing rate.

The assets and liabilities of foreign operations are translated into euro at the closing rate. Income and expenses are translated at the exchange rate prevailing on the date of the transaction (for practical considerations, a weighted average rate is used for translation). The resulting translation differences are recognized separately in equity. The cumulative amount for a foreign operation which is stated in equity is reversed with an effect on the income statement when the foreign operation is sold.

For fiscal years 2021, 2020 and 2019, the following exchange rates against the euro were used by the IONOS Group for significant currencies (in relation to € 1, in each case):

Closing rates	**U.S. Dollar**	**Pound Sterling**	**Polish Zloty**
December 31, 2021	1.133	0.840	4.600
December 31, 2020	1.228	0.900	4.557
December 31, 2019	1.123	0.850	4.260

Average annual rates	**U.S. Dollar**	**Pound Sterling**	**Polish Zloty**
January 1, 2021 to December 31, 2021	1.183	0.860	4.565
January 1, 2020 to December 31, 2020	1.140	0.889	4.438
January 1, 2019 to December 31, 2019	1.119	0.877	4.298

Fluctuations in the currency exchange rates between the euro and other currencies will affect the other currency amounts received by holders of the Offer Shares on conversion of the dividends, if any, paid in euro on the Offer Shares.

4.8.3 Note Regarding Figures and Technical Terms

Financial information presented in parentheses or preceded by a "minus" sign in the Prospectus denotes a negative amount. Certain numerical data, financial information and market data in the Prospectus have been rounded in accordance with commercial rounding. Unless otherwise indicated, all financial information presented in the tables and text in the Prospectus is shown in thousands or millions of euros (€ thousand or € million), commercially rounded to the nearest thousand or million, as applicable. Unless otherwise indicated, percentage changes and ratios in the tables or text of the Prospectus are calculated based on the numbers as presented in the Prospectus, *i.e.*, after rounding of such numbers, and then commercially rounded to a whole percentage or to one digit after the decimal point. In some instances, such rounded figures and percentages may not add up to 100% or to the totals or subtotals contained in the Prospectus. Furthermore, totals and subtotals in tables may differ slightly from unrounded figures contained in the Prospectus due to rounding in accordance with commercial rounding. A dash ("—") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure has been rounded to zero.

A glossary of certain technical terms and other terms and abbreviations used in the Prospectus is provided at the end of the Prospectus under the heading "*23 Glossary*".

4.9 Alternative Performance Measures

In accordance with the Commission Delegated Regulation (EU) 2016/301 and the European Securities and Markets Authority ("**ESMA**") Guidelines on alternative performance measures ("**APMs**") of October 5, 2015 (the "**ESMA Guidelines**"), the following sections set out information related to certain financial measures of the IONOS Group that are not defined by IFRS and which the Group regards as APMs within the meaning of the ESMA Guidelines. In addition, section "*10.3 Key Performance Indicators*" contains information on certain financial measures and certain other non-financial measures that the Group uses as indicators to measure and analyze the development of its customer base and customer satisfaction.

4.9.1 Overview

The following sections provide an overview of the APMs presented by us, including a definition of each of the APMs in section "*4.9.2 APM Definitions*" and a reconciliation of such APMs to the respective nearest IFRS item under "*4.9.3 Reconciliation*".

We present these APMs as (i) supplemental information because they are used by our management to measure operating performance or as an auxiliary control profitability parameter, including in presentations to our management, and as a basis for strategic planning and forecasting, and (ii) they represent measures that we believe are widely used by certain investors, securities analysts, and other parties as supplemental measures of operating and financial performance. These APMs may enhance management's and investors' understanding of our financial performance, for example, by excluding items that are not classified as part of our ongoing operations such as non-recurring and non-operating items.

These APMs are not defined by IFRS or any other generally accepted accounting principles, and such items should not be considered as an alternative to the historical financial results or other indicators of our results of operations, financial position and cash flows based on IFRS financial measures. The APMs, as defined by us, may not be comparable to similarly titled measures as presented by other companies due to differences in the way our APMs are calculated. Even though the APMs are used by management to assess ongoing operating performance and indebtedness, and though these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results, cash flows or assets and liabilities as reported under IFRS or other generally accepted accounting principles.

4.9.2 APM Definitions

APM	Definition	Relevance of its Use
Total revenue..................................	We define total revenue as revenue from contracts with customers and revenue from contracts with related parties.	We disclose total revenue as an APM as we believe it is a meaningful financial measure to evaluate the volume of our business activities over time.
Gross profit margin........................	We define gross profit margin as the ratio of gross profit to total revenue.	We disclose gross profit margin as an APM, as we believe it is a meaningful financial measure to assess our profitability.
Adjusted gross profit	We define adjusted gross profit as gross profit adjusted for depreciation and amortization, personnel expenses and costs for data center operation, each as accounted for under cost of sales.	We disclose adjusted gross profit as an APM, as we believe it is a meaningful financial measure to assess our profitability excluding the effects from company-specific application of depreciation and amortization, personnel expenses and costs for data center operation.
Adjusted gross profit margin..........	We define adjusted gross profit margin as the ratio of adjusted gross profit to total revenue.	We disclose adjusted gross profit margin as an APM, as we believe it is a meaningful financial measure to assess our profitability excluding the effects from company-specific application of depreciation and amortization, personnel expenses and costs for data center operation.

APM	Definition	Relevance of its Use
EBITDA..	We define EBITDA as the Group's earnings before income taxes, share of the profit or loss of associates accounted for using the equity method, finance costs and finance income, and depreciation and amortization. EBITDA is calculated as operating result, plus amortization and depreciation as well as impairment of intangible assets and property, plant and equipment, less write-ups of intangible assets, where applicable.	We disclose EBITDA as an APM, as we believe it is a meaningful financial measure to evaluate the performance of our business activities over time. EBITDA is a measure of performance excluding company-specific financing activities, the effects from differing international tax regimes and the effects from company-specific application of depreciation and amortization methods and margins of discretion in valuation. We understand that this financial measure is broadly used by analysts, rating agencies and investors in assessing performance of various companies.
EBITDA Margin*...............................	We define EBITDA Margin as the ratio of EBITDA to total revenue.	We disclose EBITDA Margin as an APM, as we believe it provides useful information on how our business developed in our markets over time and enhances the ability of investors and prospective investors to compare profitability with other companies.
Adjusted EBITDA............................	We define Adjusted EBITDA as the Group's EBITDA adjusted for either non-recurring items or non-operating items. These adjustment items are the following: (i) adjustment for long-term incentive plans ("**LTIP**"), which includes the cost of employee stock ownership programs; (ii) adjustment for stand-alone activities, which includes costs of preparing the spin-off of the IONOS Group from the Group led by United Internet AG (United Internet AG, together with its direct and indirect subsidiaries, the "**United Internet Group**") and the establishment of the IONOS Group as an independent group (primarily costs of the billing carve-out project (separation from the billing systems of 1&1 Telecommunication SE); for more information, see "*13.6 Customers, Customer Care and Billing*"); (iii) adjustment for IPO costs, which includes external costs incurred in connection with the initial public offering of the Company; (iv) adjustment for certain consulting fees incurred for one-off projects, such as reorganization measures; and (v) adjustment for certain severance payments, which includes expenses related to reorganization and restructuring measures, primarily consisting of severance payments and other personnel-related costs. We note that, as from fiscal year 2022, the adjustment items additionally include the adjustment for certain gains / losses from the sale of subsidiaries or investments in associated companies. Such adjustment occurred neither in fiscal years 2021, 2020 and 2019 nor in the nine-month period ended September 30, 2022, but occurred for the first time in the fourth calendar quarter of 2022.	We disclose Adjusted EBITDA as an APM, as we believe it is a meaningful financial measure eliminating non-recurring items (one-off items) or non-operating items which are not relevant to the regular business operations from EBITDA, to be able to show the underlying operational and financial strength of the Group.
Adjusted EBITDA Margin*...............	We define Adjusted EBITDA Margin as the ratio of Adjusted EBITDA to total revenue.	We disclose Adjusted EBITDA Margin as an APM, as we believe it provides useful information on how our business developed in our markets over time and enhances the ability of investors and prospective investors to compare profitability with other companies.

APM	Definition	Relevance of its Use
Total capital expenditures	We define total capital expenditures as the sum of additions to intangible assets and additions to property, plant and equipment; we categorize total capital expenditures into maintenance capital expenditures, which include capital expenditures for replacements and in the ordinary course of business, and growth capital expenditures, which include all capital expenditures that are not maintenance capital expenditures.	We disclose total capital expenditures as an APM, as we believe it is a meaningful financial measure of the volume of our investments.
Adjusted Cash Contribution	We define Adjusted Cash Contribution as Adjusted EBITDA less maintenance capital expenditures (excl. additions to right-of-use assets).	We disclose Adjusted Cash Contribution as an APM, as we believe it is a meaningful financial measure to evaluate the underlying operational performance available to support the capital investment and capital structure of the Group.
Cash Conversion Rate	We define Cash Conversion Rate as Adjusted Cash Contribution divided by Adjusted EBITDA.	We disclose Cash Conversion Rate as an APM, as we believe it is a meaningful financial measure to assess and compare the capital intensity and efficiency of the Group.
Net Debt	We define Net Debt as the sum of non-current liabilities to related parties, current liabilities to related parties, and current liabilities due to banks less receivables from related parties and cash and cash equivalents.	We disclose Net Debt as an APM, as we believe it is a meaningful indicator of our capital structure.
Net Leverage Ratio	We define Net Leverage Ratio as the ratio of Net Debt and Adjusted EBITDA.	We disclose Net Leverage Ratio as an APM, as we believe it is a meaningful indicator of our capital structure.

* In the Audited Consolidated Financial Statements 2021, EBITDA Margin and Adjusted EBITDA Margin were presented as calculated as the ratio of EBITDA and Adjusted EBITDA, as applicable, to revenue from contracts with customers. We have decided to report EBITDA Margin and Adjusted EBITDA Margin for fiscal year 2022 and going forward calculated on the basis of total revenue. EBITDA Margin and Adjusted EBITDA Margin presented in this Prospectus for the fiscal years 2021, 2020 and 2019 have been recalculated based on the new definition applicable from fiscal year 2022 on the basis of total revenue to reflect our operations as an independent group.

4.9.3 Reconciliation

The table below sets out the APMs of the IONOS Group as of and for the fiscal years ended December 31, 2021, 2020 and 2019, and as of and for the nine-month periods ended September 30, 2022 and 2021:

	As of and for the Fiscal Year Ended December 31,			As of and for the Nine-Month Period Ended September 30,	
	2021	2020	2019	2022	2021
(in € thousand, unless otherwise indicated)	**(unaudited, unless otherwise indicated)**			**(unaudited)**	
Total revenue [1]	1,103,297	988,281	924,021	953,639	803,147
Gross profit margin [2]	51.5%	54.4%	54.8%	46.6%	52.3%
Adjusted gross profit [3]	797,312	727,866	693,551	628,270	585,823
Adjusted gross profit margin [3]	72.3%	73.6%	75.1%	65.9%	72.9%
EBITDA [4]	326,301*	340,257*	319,446*	258,857	250,186
EBITDA Margin [4]	29.6%	34.4%	34.6%	27.1%	31.2%
Adjusted EBITDA [5]	355,176*	355,102*	329,797*	275,754	270,350
Adjusted EBITDA Margin [5]	32.2%	35.9%	35.7%	28.9%	33.7%
Total capital expenditures [6]	150,559	111,822	72,352	126,549	77,722
Adjusted Cash Contribution [7]	317,898	310,328	283,089	245,069	243,300
Cash Conversion Rate [7]	89.5%	87.4%	85.8%	88.9%	90.0%
Net Debt (as of the respective reporting date) [8]	1,255,585	1,326,747	1,492,957	1,205,024	n/a
Net Leverage Ratio (as of the respective reporting date) [8]	3.5x	3.7x	4.5x	3.3x	n/a

* Audited

1) The following table shows the reconciliation of total revenue of the IONOS Group for fiscal years 2021, 2020 and 2019 as well as for the nine-month periods ended September 30, 2022 and 2021:

	For the Fiscal Year Ended December 31,			For the Nine-Month Period Ended September 30,	
	2021	2020	2019	2022	2021
(in € thousand)	(unaudited, unless otherwise indicated)			(unaudited)	
Revenue from contracts with customers	1,059,990*	944,373*	886,963*	917,479	771,783
+ Revenue from contracts with related parties	43,307*	43,908*	37,058*	36,160	31,364
Total revenue	**1,103,297**	**988,281**	**924,021**	**953,639**	**803,147**

* Audited

2) The following table shows the reconciliation of gross profit to gross profit margin of the IONOS Group for fiscal years 2021, 2020 and 2019 as well as for the nine-month periods ended September 30, 2022 and 2021:

	For the Fiscal Year Ended December 31,			For the Nine-Month Period Ended September 30,	
	2021	2020	2019	2022	2021
(in € thousand, unless otherwise indicated)	(unaudited, unless otherwise indicated)			(unaudited)	
Gross profit	**567,896***	**537,606***	**506,789***	**444,473**	**420,309**
/ Total revenue	1,103,297	988,281	924,021	953,639	803,147
Gross profit margin	**51.5%**	**54.4%**	**54.8%**	**46.6%**	**52.3%**

* Audited

3) The following table shows the reconciliation of gross profit to adjusted gross profit and adjusted gross profit margin of the IONOS Group for fiscal years 2021, 2020 and 2019 as well as for the nine-month periods ended September 30, 2022 and 2021:

	For the Fiscal Year Ended December 31,			For the Nine-Month Period Ended September 30,	
	2021	2020	2019	2022	2021
(in € thousand, unless otherwise indicated)	(unaudited, unless otherwise indicated)			(unaudited)	
Gross profit	**567,896***	**537,606***	**506,789***	**444,473**	**420,309**
+ Depreciation and amortization[1]	76,665*	71,617*	73,630*	60,069	55,834
+ Personnel expenses[1]	100,308*	79,984*	73,706*	79,559	73,487
+ Costs for data center operation[1]	52,443*	38,659*	39,426*	44,169	36,193
Adjusted gross profit	**797,312**	**727,866**	**693,551**	**628,270**	**585,823**
/ Total revenue	1,103,297	988,281	924,021	953,639	803,147
Adjusted gross profit margin	**72.3%**	**73.6%**	**75.1%**	**65.9%**	**72.9%**

* Audited
1) Each as accounted for under cost of sales.

4) The following table shows the reconciliation of operating result to EBITDA and EBITDA Margin of the IONOS Group for fiscal years 2021, 2020 and 2019 as well as for the nine-month periods ended September 30, 2022 and 2021:

	For the Fiscal Year Ended December 31,			For the Nine-Month Period Ended September 30,	
	2021	2020	2019	2022	2021
(in € thousand, unless otherwise indicated)	(unaudited, unless otherwise indicated)			(unaudited)	
Operating result	**213,651***	**229,367***	**221,632***	**174,007**	**167,449**
+ Depreciation and amortization of intangible assets and property, plant and equipment	112,650*	110,890*	117,252*	84,850	82,737
- Write-up brand	–	–	19,438[1]	–	–
EBITDA	**326,301***	**340,257***	**319,446***	**258,857**	**250,186**
/ Total revenue	1,103,297	988,281	924,021	953,639	803,147
EBITDA Margin	**29.6%**	**34.4%**	**34.6%**	**27.1%**	**31.2%**

* Audited
1) Refers to the write-up of the STRATO brand in fiscal year 2019 (for further information see "*10.2.4 Innovation, Brand Building and Product Portfolio*").

5) The following table shows the reconciliation of operating result to Adjusted EBITDA and Adjusted EBITDA Margin of the IONOS Group for fiscal years 2021, 2020 and 2019 as well as for the nine-month periods ended September 30, 2022 and 2021:

	For the Fiscal Year Ended December 31,			For the Nine-Month Period Ended September 30,	
	2021	2020	2019	2022	2021
(in € thousand, unless otherwise indicated)	(unaudited, unless otherwise indicated)			(unaudited)	
Operating result	**213,651***	**229,367***	**221,632***	**174,007**	**167,449**
+ Depreciation and amortization of intangible assets and property, plant and equipment	112,650*	110,890*	117,252*	84,850	82,737
- Write-up brand	–	–	19,438[1)]	–	–
EBITDA	**326,301***	**340,257***	**319,446***	**258,857**	**250,186**
+ Adjustment for LTIP [2)]	*12,788*	*9,468*	*7,424*	2,837	10,383
+ Adjustment for stand-alone activities [3)]	*11,833*	*4,249*	–	10,876	8,378
+ Adjustment for IPO costs [4)]	*2,951*	–	–	3,183	–
+ Adjustment for consulting fees incurred for one-off projects [5)]	*1,303*	*440*	*2,927*	–	1,403
+ Adjustment for severance payments [6)]	–	*688*	–	–	–
+ Total adjustments	28,875	14,845	10,351	16,897	20,164
Adjusted EBITDA	**355,176**	**355,102**	**329,797**	**275,754**	**270,350**
/ Total revenue	1,103,297	988,281	924,021	953,639	803,147
Adjusted EBITDA Margin	**32.2%**	**35.9%**	**35.7%**	**28.9%**	**33.7%**

* Audited

1) Refers to the write-up of the STRATO brand in fiscal year 2019 (for further information see "*10.2.4 Innovation, Brand Building and Product Portfolio*").

2) Includes costs of employee stock ownership programs.

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

4) Includes external costs incurred in connection with the IPO.

5) Includes certain consulting fees incurred in connection with one-off projects such as reorganization measures.

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

6) The following table shows the reconciliation of total capital expenditures of the IONOS Group for fiscal years 2021, 2020 and 2019 as well as for the nine-month periods ended September 30, 2022 and 2021:

	For the Fiscal Year Ended December 31,			For the Nine-Month Period Ended September 30,	
	2021	2020	2019	2022	2021
(in € thousand)	(unaudited, unless otherwise indicated)			(unaudited)	
Additions to intangible assets	5,284*	4,159*	7,359*	4,208	2,412
+ Additions to property, plant and equipment	145,275*	107,663*	64,993*	122,341	75,310
Total capital expenditures	**150,559**	**111,822**	**72,352**	**126,549**	**77,722**
Thereof growth capital expenditures	*55,740*	*21,492*	*17,659*	*46,521*	*40,785*
Thereof maintenance capital expenditures	*94,819*	*90,329*	*54,691*	*80,028*	*36,937*
Thereof attributable to additions to right-of-use assets	*57,541*	*45,556*	*7,984*	*49,343*	*9,887*

* Audited

7) The following table shows the reconciliation of operating result to Adjusted Cash Contribution and Cash Conversion Rate of the IONOS Group for fiscal years 2021, 2020 and 2019 as well as for the nine-month periods ended September 30, 2022 and 2021:

	For the Fiscal Year Ended December 31,			For the Nine-Month Period Ended September 30,	
	2021	2020	2019	2022	2021
(in € thousand, unless otherwise indicated)	(unaudited, unless otherwise indicated)			(unaudited)	
Operating result	**213,651***	**229,367***	**221,632***	**174,007**	**167,449**
+ Depreciation and amortization of intangible assets and property, plant and equipment	112,650*	110,890*	117,252*	84,850	82,737
- Write-up brand	–	–	19,438[1)]	–	–
EBITDA	**326,301***	**340,257***	**319,446***	**258,857**	**250,186**
+ Total adjustments[2)]	28,875	14,845	10,351	16,897	20,164
Adjusted EBITDA	**355,176**	**355,102**	**329,797**	**275,754**	**270,350**
- Maintenance capital expenditures (excl. additions to right-of-use assets)	37,278	44,774	46,708	30,685	27,050

(in € thousand, unless otherwise indicated)	For the Fiscal Year Ended December 31, 2021	2020	2019	For the Nine-Month Period Ended September 30, 2022	2021
	(unaudited, unless otherwise indicated)			(unaudited)	
Adjusted Cash Contribution	**317,898**	**310,328**	**283,089**	**245,069**	**243,300**
/ Adjusted EBITDA	355,176	355,102	329,797	275,754	270,350
Cash Conversion Rate	**89.5%**	**87.4%**	**85.8%**	**88.9%**	**90.0%**

* Audited

1) Refers to the write-up of the STRATO brand in fiscal year 2019 (for further information see "*10.2.4 Innovation, Brand Building and Product Portfolio*").

2) For a breakdown see reconciliation of operating result to Adjusted EBITDA and Adjusted EBITDA Margin above.

8) The following table shows the calculation of Net Debt and Net Leverage Ratio of the IONOS Group as of December 31, 2021, 2020 and 2019 as well as September 30, 2022 and 2021:

(in € thousand, unless otherwise indicated)	As of December 31, 2021	2020	2019	As of September 30, 2022
	(unaudited, unless otherwise indicated)			(unaudited)
Non-current liabilities to related parties	1,315,000*	1,466,000*	1,586,000*	1,265,000
+ Current liabilities to related parties	5,935*	7,249*	9,155*	5,987
+ Current liabilities due to banks	0*	4*	517*	302
- Receivables from related parties	15,830*	40,701*	62,892*	23,437
- Cash and cash equivalents	49,520*	105,805*	39,823*	42,828
Net Debt	**1,255,585**	**1,326,747**	**1,492,957**	**1,205,024**
/ Adjusted EBITDA (for the fiscal year/twelve-month period ended as of the respective reporting date)	355,176	355,102	329,797	360,580
Net Leverage Ratio	**3.5x**	**3.7x**	**4.5x**	**3.3x**

* Audited

5 THE OFFERING

5.1 Subject Matter of the Offering

The public offering relates to 24,150,000 ordinary registered shares of the Company, each such share representing a notional share of € 1.00 in the share capital and carrying full dividend rights as from January 1, 2022, comprising

- 21,000,000 Secondary Shares, including 15,771,000 UI Secondary Shares as well as 5,229,000 WP Secondary Shares, and

- 3,150,000 Over-Allotment Shares, including 2,365,650 UI Over-Allotment Shares as well as 784,350 WP Over-Allotment Shares.

The offering of the Offer Shares consists of an initial public offering in Germany and private placements in certain jurisdictions outside of Germany (together, the **"Offering"**). In the United States of America (the "**United States**", "**U.S.**" or "**USA**"), the Offer Shares will be offered and sold only to certain qualified institutional buyers ("**QIBs**") as defined in, and in reliance on, Rule 144A, or pursuant to another available exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Outside the United States, the Offer Shares will be offered and sold only in "offshore transactions" within the meaning of, and in reliance on, Regulation S under the Securities Act.

The Offer Shares have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold or otherwise transferred to or within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

J.P. Morgan, Berenberg, Deutsche Bank and BNP PARIBAS are acting as Joint Global Coordinators and Joint Bookrunners; Barclays and Goldman Sachs are each acting as a Joint Bookrunner; COMMERZBANK, DZ BANK and LBBW are acting as Co-Lead Managers and, together with the Joint Bookrunners, as Underwriters.

The Company will not receive any proceeds from the sale of the Offer Shares. The Selling Shareholders will receive the proceeds from the sale of the Secondary Shares and from the potential sale of Greenshoe Shares to the extent that the Greenshoe Option (as defined under "*5.7 Stabilization Measures, Over-Allotments and Greenshoe Option*") is exercised, in each case less commissions in connection thereto.

The Underwriters are acting exclusively for the Company and the Selling Shareholders and no one else in connection with the Admission to Trading and the Offering, respectively. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Company and the Selling Shareholders for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

In making an investment decision, each prospective investor must rely on its own examination, analysis and enquiry of the Company and the terms of the Offering, including the merits and risks involved. None of the Company, the Selling Shareholders or the Underwriters, or any of their respective affiliates or representatives, is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Company's shares by such offeree or purchaser. Each prospective investor should consult with its own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares.

Under certain circumstances, the Offering may be terminated, see also "*5.12.3 Termination/Indemnification*".

5.2 Price Range, Offer Period, Offer Price and Allotment

The price range within which purchase orders for the Offer Shares may be placed is € 18.50 to € 22.50 per Offer Share (the "**Price Range**").

The period during which investors may submit purchase orders for the Offer Shares is expected to begin on January 30, 2023 and is expected to end on February 7, 2023 (the "**Offer Period**"). On the last day of the Offer

Period, offers to purchase may be submitted (i) until 12:00 noon (Central European Time, "**CET**") by private investors (natural persons) and (ii) until 2:00 pm (CET) by institutional investors.

The following banks and their specified affiliates have declared to be able to accept orders from private investors in Germany. Orders placed by private investors through other banks than the syndicate banks or their specified affiliates will be subject to the discretionary allocation process and hence may receive smaller allocations on a relative basis, if any. Private investors in Germany will be able to place their order through one of the following banks: Berenberg, Deutsche Bank (including maxblue), BNP PARIBAS (including Consorsbank and DAB BNP Paribas), COMMERZBANK (including comdirect), DZ Bank and Cooperative Banks of Genossenschaftliche FinanzGruppe Volksbanken Raiffeisenbanken, LBBW, BW Bank and at savings banks of Deutsche Sparkassen/S-Finanzgruppe (including S Broker).

Purchase orders by private investors should be submitted in number of Offer Shares only rather than in currency amounts and may include a price limit. Depending on the bank, private investors may or may not be able to indicate a price limit for their purchase orders. In case a price limit is not possible, purchase orders will be placed at a price equalling the high end of the Price Range. In case a price limit is allowed, price limits for purchase orders from private investors must be expressed in full euro amounts or increments of 25, 50 or 75 cents. Should no price limit be indicated, purchase orders submitted by private investors will be valid throughout the entire Price Range.

In case a private investor does not have any relationship with one of the relevant banks or their specified affiliates listed above, the private investor may be required to open a securities account and a cash account. Opening an account with any of the banks listed above as well as placing a purchase order may require completing appropriate forms and/or documentation customarily required by the relevant bank.

The Selling Shareholders reserve the right, together with the Joint Global Coordinators, to increase or decrease the total number of Offer Shares, to increase or decrease the upper limit and/or the lower limit of the Price Range and/or to extend or shorten the Offer Period. Changes in relation to the number of Offer Shares, changes to the Price Range or the extension or shortening of the Offer Period will not invalidate any offers to purchase that have already been submitted. If such change requires the publication of a supplement to the Prospectus, investors who submitted purchase orders before the supplement is published have the right, pursuant to Article 23 of the Prospectus Regulation, to withdraw these offers to purchase within two working days after the publication of the supplement. Instead of withdrawing their offers to purchase placed prior to the publication of the supplement, investors may also change their orders or place new limited or unlimited offers to purchase within two working days following the publication of the supplement.

To the extent that the terms of the Offering are changed, such change will be published by means of electronic media (such as Reuters or Bloomberg) and, if required by Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse, as amended ("**Market Abuse Regulation**"), as an ad-hoc release via an electronic dissemination information system, on the Company's website (https://www.ionos-group.com/investor-relations/ipo.html) and as a supplement to the Prospectus. Investors who have submitted offers to purchase will not be notified individually.

Investors are free to withdraw their offers to purchase until the end of the Offer Period. The placement price (the "**Offer Price**") and the final number of Offer Shares to be placed in the Offering will be set jointly by the Selling Shareholders and the Joint Global Coordinators on behalf of the Underwriters. The price will be set on the basis of the purchase orders submitted by investors during the Offer Period that have been collated in the order book prepared during a bookbuilding process. These orders will be evaluated according to the prices offered and the investment horizons of the respective investors. This method of setting the number of shares that will be placed at the Offer Price is, in principle, aimed at achieving the highest possible Offer Price and thus maximizing proceeds. Consideration will also be given to whether the Offer Price and the number of shares to be placed allow for the reasonable expectation that the share price will demonstrate steady performance in the secondary market given the demand for the Company's shares as reflected in the order book. Attention will be paid not only to the prices offered by investors and the number of investors wanting shares at a particular price, but also to the composition of the group of shareholders in the Company that would result at a given price, and expected investor behavior.

Upon the occurrence or non-occurrence of certain customary events (see "*5.12.3 Termination/Indemnification*"), the Underwriters may terminate the underwriting agreement regarding the offer and sale of the Offer Shares in connection with the Offering entered into with the Company and the Selling Shareholders on January 27, 2023 (the "**Underwriting Agreement**"), even after commencement of trading (*Aufnahme des Handels*) of the Company's shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and until settlement and delivery of the Offer Shares, *i.e.*, the Underwriting

Agreement may be terminated by the Underwriters until and including February 10, 2023 (for more information, see "*5.12.3 Termination/Indemnification*"). In the case of a termination of the Underwriting Agreement, the Offering will not take place, allocations of Offer Shares to investors will become ineffective, and investors have no claim regarding the delivery of the Offer Shares. Thus, the termination of the Underwriting Agreement may lead to a revocation of the Offering even after commencement of trading (*Aufnahme des Handels*) of the Company's shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

The Company, the Selling Shareholders and the Underwriters in their capacity as underwriters will not charge any expenses and taxes related to the Offering and the Admission to Trading of the Company's shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange to investors. Investors will have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.

The Offer Price and the final number of Offer Shares placed in the Offering (*i.e.*, the result of the Offering) are expected to be set on February 7, 2023. After the Offer Price has been set, the Offer Shares will be allotted to investors on the basis of the offers to purchase then available. The Offer Price and the final number of Offer Shares (that is, the result of the Offering) are expected to be published on February 7, 2023 by means of an ad-hoc release on an electronic information dissemination system and on the Company's website (https://www.ionos-group.com/investor-relations/ipo.html). Investors who have placed orders to purchase Offer Shares with one of the Underwriters can obtain information from that Underwriter about the Offer Price and the number of Offer Shares allotted to them on the business day following the setting of the Offer Price.

Book-entry delivery of the allotted Offer Shares against payment of the Offer Price is expected to take place two business days after commencement of trading. Particularly if the placement volume proves insufficient to satisfy all orders placed at the placement price, the Underwriters reserve the right to reject orders, or to accept them in part only.

5.3 Expected Timetable

The expected timetable for the Offering, which may be extended or shortened and remains subject to change, is as follows:

January 27, 2023.............	Approval of the Prospectus by BaFin
	Publication of the approved Prospectus on the website of IONOS Group SE (https://www.ionos-group.com/investor-relations/ipo.html)
	Application for admission of the Company's shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange
January 30, 2023.............	Commencement of the Offer Period
February 1, 2023.............	Registration of the implementation of the Pre-IPO Capital Increase with the Commercial Register
February 7, 2023.............	Close of the Offer Period for private investors (natural persons) at 12:00 noon CET and for institutional investors at 2:00 pm CET
	Determination and publication of the Offer Price and the final number of Offer Shares allocated by means of an ad-hoc release on an electronic information dissemination system and on the Company's website (https://www.ionos-group.com/investor-relations/ipo.html)
	Admission decision to be issued by the Frankfurt Stock Exchange
February 8, 2023.............	Commencement of trading in the Company's shares on the regulated market segment of the Frankfurt Stock Exchange and to the sub-segment thereof with additional post-admission obligations (Prime Standard)
On or about February 10, 2023................................	Book-entry delivery of the Offer Shares against payment of the Offer Price (settlement and closing)

The Prospectus will be published on the website of IONOS Group SE (https://www.ionos-group.com/investor-relations/ipo.html). Printed copies of the Prospectus will be available for distribution free-of-charge at IONOS Group SE, Elgendorfer Str. 57, 56410 Montabaur, Germany, during regular business hours.

5.4 Information on the Shares

5.4.1 Share Capital of the Company; Form and Certification of the Shares

As of the date of the Prospectus, the share capital of the Company amounts to € 360,001 and is divided into 360,000 ordinary registered shares (*Namensaktien*) with no par value (*Stückaktien*) and one preference registered share with no par value which shall be converted into one ordinary registered share according to a resolution adopted by an extraordinary shareholders' meeting of the Company held on January 26, 2023, which is expected to be registered with the Commercial Register on February 1, 2023, each representing a notional value of € 1.00 of the Company's share capital. The share capital has been fully paid up. The Company's shares were created pursuant to the laws of Germany and are denominated in euro.

The Secondary Shares and the Over-Allotment Shares offered in the course of the Offering from the holdings of the Selling Shareholders will comprise shares of the Company existing at the date of the Prospectus and shares from the Pre-IPO Capital Increase out of the Company's reserves. Upon registration of (i) the implementation of the Pre-IPO Capital Increase and (ii) the conversion of the existing preference registered share into one ordinary registered share in the Commercial Register, the Company's share capital will be increased from € 360,001 by € 139,639,999 to € 140,000,000. The implementation of the Pre-IPO Capital Increase and the conversion of the preference registered share into one ordinary registered share are expected to be registered in the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Montabaur on February 1, 2023.

The Company's existing ordinary registered shares are represented by a global share certificate which is deposited with Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, Germany ("**Clearstream**"). The global share certificate representing the ordinary registered shares from the Pre-IPO Capital Increase and the ordinary registered share resulting from the conversion of the preference registered share is expected to be deposited with Clearstream on February 1, 2023. The right of the shareholders to receive individual certificates representing their shares is excluded by the Company's Articles of Association and by the Amended Articles of Association.

5.4.2 Voting Rights

Each share confers one vote at the general shareholders' meeting of the Company. The voting rights are not restricted. Major shareholders do not have different voting rights.

5.4.3 Dividend Rights, Participation in Liquidation Proceeds

Each of the Company's existing shares carry, and each of the shares from the Pre-IPO Capital Increase will carry, full dividend rights as from January 1, 2022.

According to the current dividend policy of the Company, the Management Board of the Company does not expect to propose the payment of an annual dividend in the near future, but rather plans to continue to invest in the organic development of its business and to finance the implementation of its growth strategy. In case sufficient distributable profits are reported in the Company's audited unconsolidated annual financial statements prepared in accordance with the requirements of German commercial law applicable to corporations as laid down in the German Commercial Code (*Handelsgesetzbuch*), a minimum statutory dividend might be paid. See also "*8.2 Dividend Policy and Earnings per Share*".

In the event of the Company’s liquidation, any proceeds will be distributed to the holders of the Company's shares in proportion to their interest in the Company's share capital.

5.4.4 Delivery and Settlement

The delivery of the Offer Shares against payment of the Offer Price and customary security commissions (*Effektenprovision*) is expected to take place two banking days (*i.e.*, days on which commercial banks are open in Frankfurt/Main for regular banking business) after the commencement of trading, which means delivery is expected to occur on February 10, 2023. The Offer Shares will be made available to shareholders in book-entry form as co-ownership interests in the global share certificate. J.P. Morgan will act as settlement agent.

At their discretion, investors may choose to have shares they acquire in the Offering credited to the securities account of a German bank held for their account at Clearstream.

5.4.5 Transferability, Selling Restrictions

Subject to the registration of the Amended Articles of Association in the Commercial Register (expected to occur on February 1, 2023, but in any event before pricing and allocation of the Offer Shares, the transferability of the shares of the Company is neither restricted by law nor by the Amended Articles of Association of the Company. Subject to the registration of the Amended Articles of Association in the Commercial Register, the Company's shares are freely transferable in accordance with the legal requirements for registered shares (*Namensaktien*). There are no legal restrictions on their ability to be traded, except for the restrictions referred to in section "*5.9 Selling Restrictions*" and no legal restrictions with respect to disposals or transferability, except for the restrictions set forth in section "*5.13 Lock-Up Agreements*".

5.4.6 ISIN / WKN / Trading Symbol

International Securities Identification Number (ISIN)...	DE000A3E00M1
German Securities Identification Number (*Wertpapierkennnummer*, WKN).......	A3E00M
Trading Symbol	IOS

5.5 Information on the Existing Shareholders

Immediately prior to the Offering, United Internet AG holds 75.1% and WP XII Venture Holdings II SCSp holds 24.9% of the existing shares of the Company. Following completion of the Offering and assuming a full placement of the Secondary Shares and the Over-Allotment Shares and full exercise of the Greenshoe Option (as defined under "*5.7 Stabilization Measures, Over-Allotments and Greenshoe Option*"), United Internet AG and WP XII Venture Holdings II SCSp are expected to continue to hold approximately 62.1% and 20.6%, respectively, of the Company's share capital. For further details on the ownership structure of the Company (including its indirect shareholders), see "*17 Shareholder Structure*".

5.6 Allotment Criteria

The allotment of Offer Shares to private investors and institutional investors will be decided by the Company and the Selling Shareholders after consultation with the Joint Global Coordinators. The decision ultimately rests with the Company and the Selling Shareholders. Allotments will be made on the basis of the quality of the individual investors (*e.g.*, the expected investment horizon and trading behavior) as well as individual orders and other important allotment criteria to be determined by the Company and the Selling Shareholders after consultation with the Joint Global Coordinators. No non-EU/non-EFTA investor will be allotted Offer Shares corresponding to 10% or more of the voting rights in the Company following implementation of the Pre-IPO Capital Increase; for further information, see "*3.3.3 The acquisition of a substantial interest in the Company by non-EU/non-EFTA investors requires government approval, which may restrict certain investments and limit demand for the Company's shares.*". To comply with such restriction, or if the placement volume proves insufficient to satisfy all orders placed at the Offer Price, the Company and the Selling Shareholders, after consultation with the Joint Global Coordinators, reserve the right to reject orders or to accept them in part only.

The allotment to private investors who placed their orders through one of the syndicate banks or a specified affiliate (see "*5.2 Price Range, Offer Period, Offer Price and Allotment*" above) will be in accordance with the "Principles for the Allotment of Share Issues to Private Investors" of the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) (*Grundsätze für die Zuteilung von Aktienemissionen an Privatanleger*) issued by the German Commission of Stock Exchange Experts (*Börsensachverständigenkommission*) on June 7, 2000. "Qualified Investors" (*qualifizierte Anleger*) under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) in connection with the Prospectus Regulation, as well as "professional clients" (*professionelle Kunden*) and "suitable counterparties" (*geeignete Gegenparteien*) as defined in the German Securities Trading Act (*Wertpapierhandelsgesetz*) are not viewed as "private investors" within the meaning of the allotment rules. Multiple subscriptions by the same investors are permitted. The details of the allotment procedure will be stipulated after expiration of the Offer Period and published in accordance with the above-mentioned allotment principles.

5.7 Stabilization Measures, Over-Allotments and Greenshoe Option

In connection with the placement of the Offer Shares, J.P. Morgan, acting for the account of the Underwriters, will act as the stabilization manager (the "**Stabilization Manager**") and may, as Stabilization Manager acting in accordance with legal requirements (Article 5 para. 4 and 5 of the Market Abuse Regulation in conjunction with Articles 5 through 8 of the Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016 supplementing the Market Abuse Regulation), on behalf of the Underwriters, make over-allotments and take stabilization measures. Stabilization measures may be taken on any trading venue where the Company's shares are traded. Such measures aim at supporting the market price of the Company's shares during the Stabilization Period (as defined below), thereby alleviating selling pressure generated, for example, by short-term investors and maintaining an orderly market in the Company's shares. As set forth in Article 6 para. 5 of the Commission Delegated Regulation (EU) 2016/1052, the Stabilization Manager shall act as central point responsible and shall assume responsibility for the public disclosure requirements and for handling any request from any competent authorities referred to in such regulation.

The Stabilization Manager must record each stabilization order and transaction pursuant to applicable regulations. In addition, details of all stabilization transactions must be reported to the competent authorities of each trading venue on which the securities are admitted to trading or traded, as well as the competent authority of each trading venue where transactions in associated instruments for the stabilization of securities are carried out (if any).

The Stabilization Manager is under no obligation to take any stabilization measures. Therefore, no assurance can be provided that any stabilization measures will be taken. Where stabilization measures are taken, these may be terminated at any time without notice. Such measures may be taken from the date of commencement of trading in the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) – expected to take place on February 8, 2023 – and must be terminated no later than 30 calendar days after such date (the "**Stabilization Period**"). Any profits or losses out of or in connection with stabilization measures shall be borne by the Joint Global Coordinators.

These measures may result in the market price of the Company's shares being higher than would otherwise have been the case. Moreover, the market price may temporarily be at an unsustainable level. Stabilization measures shall not be carried out above the Offer Price.

Under the possible stabilization measures, investors may, in addition to the Secondary Shares, be allotted the Over-Allotment Shares as part of the allotment of the Offer Shares (the "**Over-Allotment**"). For the purpose of a potential Over-Allotment, the Stabilization Manager, for the account of the Underwriters, will be provided with up to 3,150,000 Over-Allotment Shares (thereof 2,365,650 UI Over-Allotment Shares from the holdings of United Internet AG and 784,350 WP Over-Allotment Shares from the holdings of WP XII Venture Holdings SCSp) in the form of a securities loan; the number of Over-Allotment Shares will not exceed 15% of the total number of Secondary Shares placed with investors. In addition, United Internet AG (for the UI Over-Allotment Shares) and WP XII Venture Holdings SCSp (for the WP Over-Allotment Shares) have granted the Underwriters the option to acquire a number of Company's shares equal to the number of allotted Over-Allotment Shares at the Offer Price less agreed commissions (the "**Greenshoe Option**", and any Over-Allotment Shares purchased upon exercise of the Greenshoe Option, the "**Greenshoe Shares**"). The Greenshoe Option will terminate 30 calendar days after commencement of trading of the Company's shares expected to take place on February 8, 2023.

The Stabilization Manager, acting in the name and for the account of the Underwriters, is entitled to exercise the Greenshoe Option up to the extent to which Over-Allotment Shares were allocated to investors in the Offering; the number of shares from the holdings of United Internet AG and WP XII Venture Holdings SCSp for which the Greenshoe Option is exercised is to be reduced by the number of shares held by the Stabilization Manager as of the date on which the Greenshoe Option is exercised and that were acquired by the Stabilization Manager in the context of stabilization measures.

Once the Stabilization Period has ended, an announcement will be made within one week in various media outlets distributed across the entire EEA stating (i) whether stabilization measures were taken, (ii) when stabilization started and when it last occurred, (iii) the price range within which the stabilization measures were taken for each of the dates during which stabilization measures were carried out, and (iv) the trading venue(s) on which stabilization transactions were carried out, where applicable.

Exercise of the Greenshoe Option will be disclosed to the public promptly, together with all appropriate details, including the date of exercise of the Greenshoe Option and the number and nature of Over-Allotment Shares involved, in accordance with Article 8 lit. (f) of Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016 supplementing the Market Abuse Regulation.

5.8 Identification of Target Market

Solely for the purposes of the product governance requirements contained within: (a) Directive 2014/65/EU of May 15, 2014 on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 of April 7, 2016 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process. As a result, it has been determined that such Offer Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, distributors (for the purpose of the MiFID II Product Governance Requirements) should note that: the price of the Offer Shares may decline and investors could lose all or part of their investment. The Offer Shares offer no guaranteed income and no capital protection; and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II (including Commission Delegated Regulation (EU) 2017/565, as amended); or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Offer Shares and determining appropriate distribution channels.

5.9 Selling Restrictions

The distribution of this Prospectus and the sale of the Offer Shares may be restricted by law in certain jurisdictions. No action has been or will be taken by the Company, the Selling Shareholders or the Underwriters to permit a public offering of the Offer Shares anywhere other than in Germany or the transmission or distribution of this Prospectus into any other jurisdiction, where additional actions for that purpose may be required.

Accordingly, neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction other than in Germany, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required to inform themselves about and observe any such restrictions, including those set out in the following paragraphs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The acceptance of the offer outside of Germany may be subject to restrictions. Persons who intend to accept the offer outside of Germany are requested to inform themselves of and comply with the restrictions that exist outside of Germany.

5.9.1 United States

This document does not constitute an offering for the sale of securities in the United States. The Offer Shares have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold or otherwise transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States.

The Offer Shares are being offered and sold (i) outside the United States only in reliance on Regulation S under the Securities Act and (ii) within the United States only to QIBs pursuant to an exemption from the registration requirements under the Securities Act. The Company does not intend to register the Offering or any portion thereof in the United States or to conduct a public offering of the Offer Shares in the United States.

In addition, until 40 days after the commencement of the Offering, an offer or sale of shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale does not comply with Rule 144A or another exemption from registration under the Securities Act.

5.9.2 European Economic Area

In relation to each member state of the European Economic Area (each a "**Relevant Member State**"), no Offer Shares have been offered or will be offered pursuant to the Offering to the public in a Relevant Member State other than in Germany, except that the Offer Shares may be offered to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Regulation:

(i) to any qualified investor as defined in Article 2 lit. (e) of the Prospectus Regulation,

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 lit. (e) the Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer, or

(iii) in any other circumstances falling within Article 1 para. 4 of the Prospectus Regulation,

provided that no such offer (as set forth in clauses (i) to (ii)) of Offer Shares will result in a requirement for the publication by the Company or any Underwriter of a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this restriction, the expression an "offer of securities to the public" in relation to any Offer Shares in any Relevant Member State means a communication to persons in any form and by any means, presenting sufficient information on the terms of the Offering and the Offer Shares to be offered, so as to enable an investor to decide to purchase or subscribe for any Offer Shares.

5.9.3 United Kingdom

Sales in the United Kingdom are also subject to restrictions. No shares of the Company have been offered or will be offered pursuant to the Offering to the public in the United Kingdom, except that the Offer Shares may be offered to the public in the United Kingdom at any time under the following exemptions under the U.K. Prospectus Regulation:

(i) to any legal entity which is a qualified investor as defined under Article 2 of the U.K. Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the U.K. Prospectus Regulation), subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or

(iii) in any other circumstances falling within Section 86 of the Financial Services and Markets Act 2000, as amended ("**FSMA**"),

provided that no such offer of the Offer Shares shall require the Company or any Underwriter to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the U.K. Prospectus Regulation. For the purposes of this provision, the expression an "**offer to the public**" in relation to the Offer Shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the Offering and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Offer Shares and the expression "**U.K. Prospectus Regulation**" means the Prospectus Regulation as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.

In addition, in the United Kingdom, this Prospectus is only addressed and directed to qualified investors as defined under Article 2 of the U.K. Prospectus Regulation (i) who have professional experience in matters relating to investments falling within Article 19 para. 5 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), and/or (ii) who are high net worth entities falling within Article 49 para. 2 lit. (a) to (d) of the Order, and (iii) other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**Relevant Persons**"). In the United Kingdom, any investment or investment activity to which this Prospectus relates is available only to, and will only be engaged in with, Relevant Persons. Any person in the United Kingdom who is not a Relevant Person must not act or rely on this Prospectus or any of its contents.

5.10 Admission to the Frankfurt Stock Exchange and Commencement of Trading

The Company, together with Berenberg, who is acting as admission applicant (*Zulassungsantragsteller*) within the meaning of Section 2 no. 7 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*), expects to apply on January 27, 2023 for admission of its entire share capital (including the shares from the Pre-IPO Capital Increase) to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, the sub-segment thereof with additional post-admission obligations (Prime Standard).

The decision on the admission of the shares of the Company is expected to be announced on February 7, 2023. The decision on the admission of the Company's shares to trading will be made solely by the Frankfurt Stock Exchange at its discretion.

Trading of the shares of the Company on the Frankfurt Stock Exchange is expected to commence on February 8, 2023.

5.11 Designated Sponsor

Berenberg has agreed to assume the function of a designated sponsor (either itself or through one of its affiliates) of the Company's shares traded on the Frankfurt Stock Exchange. The agreement shall have an initial term of two years and shall be extended automatically for an indefinite time unless terminated.

Pursuant to the designated sponsor's agreement entered into between the Company and Berenberg as designated sponsor, the designated sponsor will, among other things, place limited buy and sell orders for shares of the Company in the electronic trading system of the Frankfurt Stock Exchange during regular trading hours. This is intended to achieve greater liquidity in the market for the shares. The designated sponsor is entitled to delegate its duties under the designated sponsor's agreement to third parties. In accordance with Sections 81 and 82 of the Exchange Rules (*Börsenordnung*) for the Frankfurt Stock Exchange, the designated sponsor's agreement stipulates the duties and responsibilities of the designated sponsor. Among other things, the designated sponsor shall be available during trading hours and, upon receipt of a request for a quote, shall promptly supply quotes and enter into transactions on such basis. In addition, the designated sponsor shall provide quotes throughout the auction.

5.12 Underwriters and Underwriting Agreement

5.12.1 General

The Company, the Selling Shareholders and the Underwriters entered into an Underwriting Agreement dated January 27, 2023 with respect to the offer and sale of the Offer Shares.

According to the Underwriting Agreement, each of the Underwriters has agreed, under certain conditions, including the execution of a pricing agreement, to acquire the number of Offer Shares specified in the Underwriting Agreement, but in any event only up to the maximum number of Offer Shares set below opposite such Underwriter's name:

Underwriter	Maximum Number of Offer Shares to be Underwritten*	Percentage of Maximum Number of Offer Shares to be Underwritten*
J.P. Morgan SE Taunustor 1, TaunusTurm 60310 Frankfurt am Main Germany LEI 549300ZK53CNGEEI6A29	7,609,665	31.51%
Joh. Berenberg, Gossler & Co. KG Neuer Jungfernstieg 20 20354 Hamburg Germany LEI 529900UC2OD7II24Z667	5,581,065	23.11%
Deutsche Bank Aktiengesellschaft Taunusanlage 12 60325 Frankfurt am Main Germany LEI 7LTWFZYICNSX8D621K86	5,581,065	23.11%
BNP PARIBAS 16, boulevard des Italiens 75009 Paris France LEI R0MUWSFPU8MPRO8K5P83	1,700,160	7.04%
Barclays Bank Ireland PLC One Molesworth Street Dublin 2 Ireland, D02 RF29 LEI 2G5BKIC2CB69PRJH1W31	1,458,660	6.04%
Goldman Sachs Bank Europe SE Marienturm, Taunusanlage 9-10 60329 Frankfurt am Main Germany LEI 8IBZUGJ7JPLH368JE346	1,458,660	6.04%

Underwriter	Maximum Number of Offer Shares to be Underwritten*	Percentage of Maximum Number of Offer Shares to be Underwritten*
COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz) 60311 Frankfurt am Main Germany LEI 851WYGNLUQLFZBSYGB56	253,575	1.05%
DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main Platz der Republik 60325 Frankfurt am Main Germany LEI 529900HNOAA1KXQJUQ27	253,575	1.05%
Landesbank Baden-Württemberg Am Hauptbahnhof 2 70173 Stuttgart Germany LEI B81CK4ESI35472RHJ606	253,575	1.05%
Total	**24,150,000**	**100.00%**

* Assuming the issuance of all the shares from the Pre-IPO Capital Increase, the full placement of the Secondary Shares and of the Over-Allotment Shares and full exercise of the Greenshoe Option.

Pursuant to the terms and conditions of the Underwriting Agreement, the Selling Shareholders are required to pay a base fee of 1.6% of the aggregate gross sale proceeds of the Offering (including any proceeds from the sale of the Greenshoe Shares) to the Underwriters. In addition, the Underwriters may receive a discretionary incentive fee from the Selling Shareholders (see "*5.12.2 Commissions*"). In the Underwriting Agreement, the Company and the Selling Shareholders have agreed to indemnify the Underwriters against certain liabilities.

The obligations of the Underwriters under the Underwriting Agreement are subject to various conditions, including, among other things, (i) the registration of (a) the implementation of the Pre-IPO Capital Increase, (b) the conversion of the preference registered share into an ordinary registered share as well as (c) the Amended Articles of Association resulting in the deletion of the restriction on transferability in the Company's Articles of Association in the Commercial Register (expected to occur on February 1, 2023), (ii) the agreement of the Underwriters, the Company and the Selling Shareholders on the Offer Price, the final number of Offer Shares to be purchased by the Underwriters and the conclusion of a pricing agreement, an agreement on the allocation of costs among the Selling Shareholders and the Company covering also the indemnity against liability claims in connection with the Offering, and an IPO insurance agreement between the Company and an insurance company, (iii) the absence of a material adverse event, such as a reasonably likely material adverse change in or affecting the condition, business, prospects, management, consolidated financial position, shareholders' equity or results of operations of the Group, or a suspension in trading of the Company's securities (other than an intraday suspension for technical reasons) or in securities generally on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the London Stock Exchange or the New York Stock Exchange, (iv) receipt of customary certificates or legal opinions and other letters, and (v) the making of necessary filings and the receipt of necessary approvals in connection with the Offering and the admission of the Company's shares to trading on the Frankfurt Stock Exchange.

The Underwriters have provided and may in the future provide services to companies of the Group and the Selling Shareholders as well any of the direct and indirect shareholders of the Company in the ordinary course of business and may extend credit to and have regular business dealings with companies of the Group and the Selling Shareholders in their capacity as financial institutions (for a more detailed description of the interests of the Underwriters in the Offering, see "*5.14 Interests of Persons Participating in the Offering*").

In connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for its own account, may take up Offer Shares in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in the Prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. None of the Underwriters intends to disclose the extent of any such investment or transactions unless required by law or regulatory obligations. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps with investors) in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of shares in the Company.

5.12.2 Commissions

The Underwriters will offer the Offer Shares at the Offer Price. Pursuant to the terms and conditions of the Underwriting Agreement, the Selling Shareholders shall pay the Underwriters certain commissions in connection with the Offering as consideration for the services to be provided and expenses to be incurred by or on behalf of the Underwriters.

The commissions include a base fee of 1.6% of the aggregate gross sale proceeds of the Offering (including any proceeds from the sale of the Greenshoe Shares).

In addition, the Selling Shareholders may, at their free discretion, decide to pay to the Underwriters an incentive fee of up to 1.2% of the aggregate gross sale proceeds of the Offering (including any proceeds from the sale of the Greenshoe Shares). The Underwriters have no legal claim to the payment of the discretionary incentive fee.

The Selling Shareholders have also agreed to reimburse the Underwriters for certain costs and expenses (according to an internal split).

The Underwriters may involve selling agents in connection with the Offering and, in this context, may share part of the received commissions with such selling agents.

5.12.3 Termination/Indemnification

The Underwriting Agreement provides that the Underwriters may under certain circumstances terminate the Underwriting Agreement, including after the shares have been allotted and listed, until delivery and settlement has occurred. Grounds for termination include, in particular:

- a loss or interference with respect to the business of IONOS Group from fire, explosion, flood or other calamity (whether or not covered by insurance), or from any labor dispute or court or governmental action which is materially adverse for the IONOS Group taken as a whole;

- Since September 30, 2022, (A) there has been any material change or development reasonably likely to result in a material change to the equity of the Company; (B) there has been any material change or development reasonably likely to result in a material change in the long-term debt of the Company or the IONOS Group; (C) there has been any material adverse change, or any development involving a reasonably likely prospective material adverse change, in or affecting the condition, business, prospects, management, consolidated financial position, shareholders' equity or results of operations of the Company or the IONOS Group or such as would prevent the Company from performing any of its obligations under the Underwriting Agreement; or (D) the Company or the IONOS Group has incurred any liability or obligation, direct or contingent, or entered into any material transaction not in the ordinary course of business, otherwise in each of case (A), (B), (C) and (D) than as set forth, described or contemplated in the Prospectus;

- a suspension or material limitation in trading (other than for technical reasons) in securities of the Company or in securities generally on the Frankfurt Stock Exchange, the London Stock Exchange or the New York Stock Exchange;

- a general moratorium on banking activities in Frankfurt am Main, London or New York declared by the relevant authorities or a material disruption in commercial banking or securities settlement, payment or clearance services in Europe or the United States;

- any change in national or international financial, political, or economic conditions or currency exchange rates or currency controls which have a material adverse impact on the financial markets in Germany, the United Kingdom or the United States;

- a material change or material development involving a prospective material change in the German taxation affecting the Company and/or its subsidiaries, the shares of the Company or the transfer thereof or the imposition of exchange controls by Germany, the United Kingdom or the United States;

- the outbreak or escalation of hostilities, or the declaration of a national emergency or war involving any Member State of the European Union, the United Kingdom or the United States; and
- the occurrence of any acts of terrorism or any other calamity or crisis or an escalation of the war in Ukraine which have a material adverse impact on the financial markets in Germany, the United Kingdom or the United States.

If the Underwriting Agreement is terminated, the Offering will not take place, in which case any allotments already made to investors will be invalidated, and investors will have no claim for delivery. Claims with respect to security commissions already paid and costs incurred by an investor in connection with the subscription of Offer Shares will be governed solely by the legal relationship between the investor and the financial institution to which the investor submitted its purchase order. Investors who engage in short selling bear the risk of being unable to satisfy their delivery obligations.

The Company and the Selling Shareholders have further agreed in the Underwriting Agreement to indemnify the Underwriters against certain liabilities, including liabilities under applicable securities laws that may arise in connection with the Offering.

5.13 Lock-Up Agreements

5.13.1 Lock-Up of the Company

In the Underwriting Agreement, the Company has agreed with each Underwriter that the Company will not, and will not agree to, without the prior written consent by at least two of J.P. Morgan, Berenberg and Deutsche Bank (such consent not to be unreasonably withheld or delayed), for a period of 180 calendar days following the first day of trading of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (expected to take place on February 8, 2023) (the "**First Day of Trading**"):

(a) announce or effect an increase of the share capital of the Company out of authorized capital;

(b) submit a proposal for a capital increase to any shareholders' meeting for resolution;

(c) announce to issue, effect or submit a proposal for the issuance of any securities convertible into shares of the Company or with option rights for shares of the Company; or

(d) enter into a transaction or perform any action economically similar to those described in (a) through (c) above,

in each case above other than as expressly described in the Prospectus (*e.g.*, the Company lock-up does not apply to the Pre-IPO Capital Increase described in the Prospectus).

In addition, the Company may, however, offer, sell, grant and issue options, warrants and shares of the Company (i) under management and/or employee participation programs (including the long-term incentive program set up for the management), share purchase and share option schemes or (ii) as partial or full consideration for a business acquired by the Company or for purposes of entering into a joint venture, provided that in case of (ii) the parties to the joint venture or acquiring entity to which such shares will be issued agree towards the Joint Global Coordinators to be bound by the same lock-up undertaking as the Company.

5.13.2 Lock-Up of the Selling Shareholders

In the Underwriting Agreement, each of the Selling Shareholders has undertaken not to, without the prior written consent by at least two of J.P. Morgan, Berenberg and Deutsche Bank (such consent not to be unreasonably withheld or delayed), for a period of 180 days following the First Day of Trading (expected to take place on February 8, 2023):

(a) offer, pledge, allot, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of the Company, or any other member of the IONOS Group, or any other securities of the Company, or any other member of the IONOS Group, including securities convertible into or exercisable or exchangeable for shares of the Company, or any other member of the IONOS Group;

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of shares of the Company, whether any such transaction described in clause (a) above or this clause (b) is to be settled by delivery of shares of the Company or such other securities, in cash or otherwise;

(c) make any demand for, or exercise any right with respect to, the registration under U.S. securities laws of any shares of the Company or any security convertible into or exercisable or exchangeable for shares of the Company or any derivatives thereon;

(d) propose any increase in the share capital of the Company, vote in favor of such a proposed increase or otherwise support any proposal for the issuance of any securities convertible into shares of the Company, with option rights for shares of the Company; or

(e) enter into a transaction or perform any action economically similar to those described in (a) through (d) above,

in each case of the clauses (a) to (e) above other than for the purposes of the Offering or as expressly described in the Prospectus.

The above restrictions shall not apply to (i) transfers to any affiliate of the respective Selling Shareholder, provided that such transferee(s) agree(s) to be bound by the same lockup restrictions as the Selling Shareholder, as well as (ii) accepting a general offer made to all holders of shares of the Company on terms which treat all such holders alike (including, for the avoidance of doubt, executing and delivering an irrevocable commitment or undertaking to accept such offer).

Furthermore, the lock-up restrictions for the Selling Shareholders shall not apply to:

(a) the creation or subsistence of any current or future pledge, charge or other encumbrance or security interest (collectively, "**Security Interests**") over, or in relation to, the shares of the Company of any Shareholder or its affiliates to or for the benefit of one or more finance providers or a security agent or security trustee on their behalf (a "**Margin Loan Lender**") in connection with any facility or other financing agreement granted or to be granted to such Shareholder or its affiliates ("**Margin Loan Facility**"); or

(b) any enforcement of any Security Interests over, or in relation to, the shares of the Company granted to or for the benefit of a Margin Loan Lender in connection with any Margin Loan Facility (including any sale at the direction of the beneficiary(ies) of any such Security Interest), provided that any proposed transferee of such shares pursuant to an enforcement of security shall have agreed, for the remainder of the lock-up period, to be bound by the same lock-up restrictions as the Shareholder.

5.14 Interests of Persons Participating in the Offering

In connection with the Offering and the Admission to Trading, the Underwriters have a contractual relationship with the Company and the Selling Shareholders. The Underwriters advise the Company and the Selling Shareholders on the Offering and the Admission to Trading and coordinate the structuring and execution of the Offering. In addition, Berenberg has been appointed to act as designated sponsor and as admission applicant (*Zulassungsantragsteller*) within the meaning of Section 2 no. 7 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*). Upon a successful completion of the Offering, the Underwriters will receive a commission from the Selling Shareholders (see "*5.12.2 Commissions*"). As a result of these contractual relationships, the Underwriters have a financial interest in the successful completion of the Offering.

Furthermore, in connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for their own account, may acquire shares in the Offering and in that capacity may retain, purchase or sell for its own account such shares or related investments and may offer or sell such shares or other investments otherwise than in connection with the Offering.

Accordingly, references in the Prospectus to shares being offered or placed should be read as including any offering or placement of shares to any Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps, warrants or contracts for differences) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of shares in the Company. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so or as disclosed in the Prospectus.

The Selling Shareholders will receive the proceeds from the sale of the Secondary Shares and from the sale of the Greenshoe Shares (if any) in the Offering. Assuming a placement of all 21,000,000 Secondary Shares at the mid-point of the Price Range, full placement of 3,150,000 Over-Allotment Shares and full exercise of the Greenshoe Option, and payment in full of the discretionary incentive fee to the Underwriters, net proceeds to the Selling Shareholders would amount, in the aggregate, to approximately € 461.2 million (see also "*6.1 Proceeds and Costs of the Offering and the Admission to Trading*"). Accordingly, the Selling Shareholders have an interest in the successful completion of the Offering. For an overview of direct and indirect shareholders of the Selling Shareholders, see "*17.1 Major Shareholders*".

Some of the Underwriters or their affiliates have – and may from time to time in the future continue to have – business relations (including commercial banking, investment banking, advisory, risk management, hedging and ancillary activities) with, and may perform services for, IONOS, the Selling Shareholders or their affiliates in the ordinary course of business and for which they may receive customary compensation, fees, and/or commissions. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (*e.g.*, bank loans and/or credit default swaps) in the Company, the Selling Shareholders and their respective affiliates, for their own account and for the account of their customers. They may also hold, at any time, long and short positions in such securities and instruments. In addition, some of the Underwriters (in each case either directly, or through an affiliate) may enter into financing documentation to act as a lender under a margin loan financing arrangement, in respect of which they may in the future receive fees and commissions. Pursuant to such potential margin loan, the Selling Shareholders could grant a security interest over Company shares owned by them to one or more lenders or their affiliates under such margin loan. In case of a default of the Selling Shareholders under the margin loan, the lenders would be in a position to enforce their security interest over such shares, which may therefore result in a disposal or sale of Company shares by the lenders. In addition, should the market price of the Company shares decrease, the lenders might carry out hedging transactions in order to cover financial risk relating to the pledged shares. Further, the Underwriters and any of their respective affiliates may also provide risk management products to the Company and/or the Selling Shareholders or any parties related to any of them in connection with the Offering for which they could receive payment(s), earn a profit and/or suffer or avoid a loss contingent on the closing of the Offering (and the quantum of such amounts may potentially be significantly in excess of the fees earned by the relevant Underwriter for its services acting as Joint Global Coordinator, Joint Bookrunner or Underwriter in connection with the Offering).

Certain members of the supervisory board of the Company (the "**Supervisory Board**") are members of the governing bodies of, or have certain relationships with, United Internet AG and certain other (indirect) shareholders of the Company or affiliates of such (indirect) shareholders. Specifically, Ralph Dommermuth, who is the Chairman of the Company's Supervisory Board, is also a member of the management board and CEO of United Internet AG and chairman of the management board of 1&1 AG, a subsidiary (78.32%) of United Internet AG; René Obermann, who is the Deputy Chairman of the Company's Supervisory Board, is managing director of Warburg Pincus Deutschland GmbH, a company affiliated with WP XII Venture Holdings II SCSp (which holds 24.9% of the Company's shares as of the date of the Prospectus); Dr. Claudia Borgas-Herold, a member of the Company's Supervisory Board, is a member of the supervisory board of 1&1 AG; Martin Mildner, also a member of the Company's Supervisory Board, is a member of the management board and CFO of United Internet AG, a member of the supervisory board of Tele Columbus AG (an indirect associate of United Internet AG (pass-through interest of approximately 37.9%) and the chairman of the supervisory board of 1&1 Mail & Media Applications SE. Accordingly, their interests with respect to the Offering and admission of the Company's shares to trading on the Frankfurt Stock Exchange may not be aligned with those of the Company or the Company's other shareholders, which constitutes a potential conflict of interest.

Some parts of the variable remuneration paid to Mr. Mildner (also in relation to other tasks for the United Internet Group) were and are linked to the success of the United Internet Group. Moreover, employees have purchased common shares in United Internet AG at a reduced price. These persons may therefore have an economic interest in the Offering. Both members of the management board of the Company (the "**Management Board**"), the CEO of the Company, Mr. Weiss and the CFO of the Company, Ms. Schmidt, have received units as participants of a management incentive program of the Company, that will vest on the First Day of Trading (see "*19.2.4.1.2 Management Incentive Program I*" and "*19.2.4.3.7 MIP I Rollover: New Long-Term Investment Program*"). In addition, the term and compensation of both members of the Management Board are dependent on the successful implementation of the Offering (see "*19.2.2 Current Members of the Management Board*" and "*19.2.4.3 New Remuneration System (post-IPO)*"). Therefore, such participants have an interest in the successful completion of the Offering and the Admission to Trading.

Other than the interests described above, there are no material interests, in particular no material conflicts of interest, with respect to the Offering.

6 PROCEEDS AND COSTS OF THE OFFERING AND THE ADMISSION TO TRADING; REASONS FOR THE OFFERING AND THE ADMISSION TO TRADING; USE OF PROCEEDS

6.1 Proceeds and Costs of the Offering and the Admission to Trading

The Company will not receive any proceeds from the sale of the Offer Shares.

The Selling Shareholders will receive the proceeds of the Offering resulting from the sale of the Secondary Shares and from the sale of Greenshoe Shares, if and to the extent that the Greenshoe Option in relation to the Over-Allotment Shares is exercised, in each case after deduction of commissions.

Assuming full placement of the Secondary Shares at the mid-point of the Price Range, full exercise of the Greenshoe Option and payment in full of the discretionary incentive fee to the Underwriters, the Company estimates that the net proceeds to the Selling Shareholders from the sale of the Secondary Shares and from the sale of the Greenshoe Shares would amount, in the aggregate, to approximately € 461.2 million.

The expenses related to the Offering and the Admission to Trading of the Company's entire share capital on the Frankfurt Stock Exchange) are expected to total approximately € 33.9 million at the mid-point of the Price Range, assuming full placement of the Secondary Shares at the mid-point of the Price Range, full exercise of the Greenshoe Option and payment in full of the discretionary incentive fee to the Underwriters. These expenses will be borne by the Selling Shareholders (according to a split as agreed between them).

Investors will not be charged expenses by the Company or the Underwriters in connection with their role as underwriters. Investors may, however, have to bear customary transaction and handling fees charged by their brokers or other account-keeping financial institutions.

6.2 Reasons for the Offering and the Admission to Trading; Use of Proceeds

The Company intends to have the Company's shares admitted to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard) to achieve better access to the capital markets and further support the development of the IONOS Group. The Company and the Selling Shareholders believe the Admission to Trading (and subsequent listing) of the Company's shares will provide a number of benefits to the Group, including an enhanced external profile, further improved brand recognition, alignment of management incentives, access to capital markets, and increased flexibility and ability to support and develop the Group's business through organic growth and selective acquisitions.

The Selling Shareholders will offer the Secondary Shares and the Over-Allotment Shares to partially divest their respective shareholdings in the Company, to ensure sufficient free float and trading liquidity in the Company's shares and to facilitate potential stabilization measures.

7 DILUTION

The Offering comprises only shares of the Company from the holdings of the Selling Shareholders (*i.e.*, the current shareholders of the Company), including the shares from the Pre-IPO Capital Increase.

According to the consolidated statement of financial position in the Unaudited Condensed Consolidated Interim Financial Statements of the Company as of and for the nine-month period ended September 30, 2022, the IONOS Group's net asset value (the "**Net Asset Value**"), which is calculated as total assets less total liabilities, amounted to € -153.0 million as of September 30, 2022, and would amount to € -425.1 per share of the Company based on 360,001 outstanding shares of the Company immediately prior to the commencement of the Offering (*i.e.*, prior to the registration of the implementation of the Pre-IPO Capital Increase).

After completion of the Offering, the net asset value attributable to the shareholders as of September 30, 2022, would amount to € -1.09 per share, based on 140,000,000 outstanding shares after registration of the implementation of the Pre-IPO Capital Increase. Thus, the amount by which the net asset value per share is below the Offer Price of € 20.50 (based on the mid-point of the Price Range) would be € 21.59 (immediate dilution of 105.3% for investors acquiring Offer Shares in the Offering).

	As of September 30, 2022
	(unaudited)
Offer Price per share (in €; based on the mid-point of the Price Range)	20.50
Total number of Company shares after the implementation of the Pre-IPO Capital Increase	140,000,000
Net Asset Value per share as of September 30, 2022 (360,001 outstanding shares of the Company before implementation of the Pre-IPO Capital Increase) (in €)	-425.1
Net Asset Value per share as of September 30, 2022 (assuming 140,000,000 outstanding shares of the Company after implementation of the Pre-IPO Capital Increase) (in €)	-1.09
Amount by which the Offer Price per share (mid-point of the Price Range) exceeds the Post-IPO Net Asset Value attributable to shareholders per share (immediate dilution to the new shareholders of the Company per share) (in €)	21.59
Percentage by which the Offer Price per share exceeds the Post-IPO Net Asset Value attributable to the Shareholders per share	-105.3%

For information on the shareholdings of the Group's major shareholders (including indirect shareholders) immediately prior to implementation of the Offering and upon completion of the Offering, see "*17 Shareholder Structure*".

8 DIVIDEND POLICY

8.1 General Rules on Allocation of Profits and Dividend Payments

The shareholders' share of the Company's profits is determined based on their respective interests in the Company's share capital. For a European company (*Societas Europaea, SE*) with a two-tier management and control system under European and German law such as the Company, the distribution of dividends for any given fiscal year and the amount and payment date thereof, are resolved by the Company's general shareholders' meeting (*ordentliche Hauptversammlung*) of the subsequent fiscal year, based upon either a joint proposal by the Management Board and the Supervisory Board or upon the Management Board's or the Supervisory Board's proposal. The shareholders' meeting must be held within the first six months of each fiscal year.

Dividends may only be distributed from the distributable profit (*Bilanzgewinn*) of the Company. The net retained profits are calculated based on the Company's unconsolidated annual financial statements prepared in accordance with the requirements of German commercial law applicable to corporations as laid down in the German Commercial Code (*Handelsgesetzbuch*) ("**German GAAP**"). In contrast to the Company's consolidated financial statements, which are prepared in accordance with IFRS, the unconsolidated annual financial statements are prepared in accordance with German GAAP. These accounting principles differ from IFRS in material respects. The unconsolidated annual financial statements of the Company are approved by the Management Board and the Supervisory Board unless the Management Board and the Supervisory Board refer the approval to the general shareholders' meeting. In determining the retained earnings, the net income or net loss for a fiscal year (*Jahresüberschuss/-fehlbetrag*) is adjusted for profit or loss carryforward from the previous year (*Gewinn-/Verlustvortrag*) as well as for reversals from and transfers to reserves. Certain reserves are required to be set by law and amounts mandatorily allocated to these reserves in the given fiscal year must be deducted when calculating the retained earnings available for distribution.

The Management Board must prepare unconsolidated annual financial statements (balance sheet, income statement and notes to the financial statements) and a management report for the previous fiscal year by the statutory deadline and present these to the Supervisory Board and the auditors immediately after preparation. At the same time, the Management Board must present to the Supervisory Board a proposal for the allocation of the Company's net retained profits pursuant to Article 61 of the Council Regulation (EC) no. 2157/2001 of October 8, 2001 on the statute for a European company (SE), as amended (the "**SE Regulation**") in conjunction with Section 170 para. 2 of the German Stock Corporation Act (*Aktiengesetz*). According to Article 61 of the SE Regulation in conjunction with Section 171 of the German Stock Corporation Act, the Supervisory Board must review the unconsolidated financial statements, the Management Board's management report and the proposal for the allocation of the net retained profits and report to the shareholders' meeting in writing on the results of such review.

The shareholders' meeting's resolution on the allocation of the net retained profits requires a simple majority of the share capital to be passed. The shareholders' meeting may also resolve to transfer amounts to the surplus reserves or to carry forward any profits. It may also decide on another use of the net retained profits including a use other than a distribution among the shareholders.

Dividends resolved by the shareholders' meeting are due and payable in compliance with the rules of the respective clearing system on the third business day following the relevant shareholders' meeting, unless a later due date is specified in the dividend resolution or the Amended Articles of Association. Since all of the Company's dividend entitlements will be evidenced by one or more global share certificates deposited with Clearstream, Clearstream will transfer the dividends to the shareholders' custodian banks for crediting to their accounts. German custodian banks are under an obligation to distribute these funds to their customers. Shareholders using a custodian bank located outside of Germany must inquire at their respective bank about the terms and conditions applicable in their case. To the extent dividends can be distributed by the Company in accordance with applicable statutory law and corresponding decisions are taken, there are no restrictions on shareholders' rights to receive such dividends.

Generally, withholding tax (*Kapitalertragsteuer*) is withheld from dividends paid. For more information on the taxation of dividends see "*20.2 Taxation of Dividends*".

Any dividends not claimed within three years become time-barred. Once the statute of limitations applies, the right to receive the relevant dividend payments passes to the Company.

The existing shares of the Company are, and the shares from the Pre-IPO Capital Increase will be, entitled to profit participation as from January 1, 2022, *i.e.*, for the full fiscal year 2022 and for all subsequent fiscal years. The dividends will be paid out in accordance with the rules of the clearing system of Clearstream, as stated above. Details on dividend payments and the respective payment agent will be published in the German Federal Gazette (*Bundesanzeiger*) immediately after the general shareholders' meeting. Neither German law nor the Company's Amended Articles of Association provide for a special procedure for the exercise of dividend rights by shareholders not resident in Germany. Dividends paid are paid on a non-cumulative basis.

8.2 Dividend Policy and Earnings per Share

The Company's ability and intention to pay dividends in the future will depend on its financial position, results of operations, capital requirements, investment alternatives and other factors that the Management Board and Supervisory Board may deem relevant, and any proposals by the Management Board and Supervisory Board regarding dividend payments will be subject to the approval at the general shareholders' meeting. The Company can provide no assurance that it will pay dividends in future years. The Company expects that the principal source of funds for the payment of dividends, if any, will be interest and similar income generated by it as well as dividends and other payments received from its current and future subsidiaries. The determination of each subsidiary's ability to pay dividends is made in accordance with applicable law.

The Management Board of the Company does not expect to propose the payment of an annual dividend in the near future, but rather plans to continue to invest in the organic development of its business and to finance the implementation of its growth strategy. In case sufficient distributable profits are reported in the Company's audited unconsolidated annual financial statements prepared in accordance with German GAAP, a minimum statutory dividend might be paid.

If and when a dividend shall be paid, then the precise dividend payout ratio will be determined on a yearly basis considering all relevant factors, including the financing requirements of the Group. The Company's ability to pay dividends in future years will depend on the amount of distributable profit (calculated based on the Company's unconsolidated annual financial statements prepared in accordance with German GAAP) in a given fiscal year. The Company can provide no assurance regarding the amounts of future retained earnings, if any, and consequently, the Company can provide no assurance that it will pay dividends in future years. Moreover, the Company's results of operations set out in the Audited Unconsolidated Annual Financial Statements of the Company may not be indicative of the amounts of future dividend payments.

9 CAPITALIZATION AND INDEBTEDNESS

Investors should read the tables in this section in conjunction with "*10 Operating and Financial Review*" and the Unaudited Condensed Consolidated Interim Financial Statements of the Company, including the notes thereto, which are presented in the "*21 Financial Information*" section.

9.1 Capitalization

The following table sets forth an overview of the capitalization of the IONOS Group as of October 31, 2022, derived from the Company's accounting records on a historical basis and as adjusted for the assumed implementation of the Pre-IPO Capital Increase. The information in the right-hand column is based on the assumption that the Pre-IPO Capital Increase had been executed on October 31, 2022.

(in € thousand)	As of October 31, 2022 (unaudited)	As of October 31, 2022 Adjusted for the Pre-IPO Capital Increase (unaudited)
Total current debt (including current portion of non-current debt)[1]	312,023	312,023
Guaranteed	–	–
Secured	–	–
Unguaranteed/Unsecured	312,023	312,023
Total non-current debt (excluding current portion of non-current debt)[2]	1,397,114	1,397,114
Guaranteed	–	–
Secured	–	–
Unguaranteed/Unsecured	1,397,114	1,397,114
Shareholders' Equity[3]	-153,025	-153,025
Share capital[4]	360	140,000
Legal reserve	–	–
Other reserves[5]	-153,385	-293,025
Total[6]	1,556,112	1,556,112

* Assuming that the issue of 139,639,999 shares under the Pre-IPO Capital Increase had been effected on October 31, 2022, not considering any tax effects.

1) 'Total current debt' is referred to as 'Current liabilities' in the Group's consolidated statement of financial position.

2) 'Total non-current debt' is referred to as 'Non-current liabilities' in the Group's consolidated statement of financial position.

3) 'Shareholders' Equity' is calculated as the sum of 'Share capital', 'Legal reserve' and 'Other reserves'.

4) 'Share capital' is referred to as 'Issued capital' in the Group's consolidated statement of financial position.

5) 'Other reserves' is calculated as the sum of 'Reserves', 'Non-controlling interests' and 'Currency translation adjustment', each as presented in the Group's consolidated statement of financial position as of September 30, 2022 as shown in the Unaudited Condensed Consolidated Interim Financial Statements.

6) 'Total' is calculated as the sum of 'Total current debt', 'Total non-current debt' and 'Shareholders' Equity'.

9.2 Total Financial Indebtedness

The following table shows an overview of the total financial indebtedness of the IONOS Group as of October 31, 2022, derived from the Company's accounting records on a historical basis. The Pre-IPO Capital Increase would not result in a change of the information shown in the table below, even if it had already been implemented on October 31, 2022.

(in € thousand)	As of October 31, 2022 (unaudited)
A. Cash[1]	49,067
B. Cash equivalents[1]	–
C. Other current financial assets[2]	28,801
D. Liquidity (A + B + C)	77,868
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)[3]	1
F. Current portion of non-current financial debt[4]	14,623
G. Current financial indebtedness (E + F)	14,624
H. Net current financial indebtedness (G - D)	-63,244
I. Non-current financial debt (excluding current portion and debt instruments)[5]	1,381,066
J. Debt instruments[6]	–
K. Non-current trade and other payables[7]	–
L. Non-current financial indebtedness (I + J + K)	1,381,066
M. Total financial indebtedness (H + L)	1,317,822

1) 'Cash' corresponds to 'Cash and cash equivalents' as presented in the Group's consolidated statement of financial position. As of October 31, 2022, the cash amounts recognized were not subject to any restrictions.

2) 'Other current financial assets' corresponds to 'Other financial assets', but excluding receivables from creditors with debit balances and other similar items, and current receivables from cash pooling, which are part of current 'Receivables from related parties' as presented under 'Current assets' in the Group's consolidated statement of financial position.

3) 'Current financial debt (including debt instruments but excluding current portion of non-current financial debt)' corresponds to current 'Liabilities due to banks" as presented in the Group's consolidated statement of financial position.

4) 'Current portion of non-current financial debt' corresponds to the current lease liabilities, which are part of current 'Other financial liabilities' as presented in the Group's consolidated statement of financial position.

5) 'Non-current financial debt (excluding current portion and debt instruments)' corresponds to non-current 'Liabilities to related parties' and non-current lease liabilities, which are part of non-current 'Other financial liabilities' as presented in the Group's consolidated statement of financial position.

6) 'Debt Instruments' does not apply. IONOS had no outstanding debt instruments as of October 31, 2022.

7) 'Non-current trade and other payables' does not apply.

9.3 Lease Liabilities

As of October 31, 2022, current other financial liabilities included current lease liabilities in the amount of € 14.6 million and non-current other financial debt included non-current lease liabilities in the amount of € 116.1 million.

9.4 Indirect and Contingent Indebtedness

As of October 31, 2022, we had contingent liabilities amounting to € 34.2 million, mainly in connection with variable purchase price components from the acquisition of STRATO AG amounting to € 27.9 million, the acquisition of ProfitBricks GmbH (later 1&1 IONOS Cloud GmbH, and in 2019 merged into 1&1 IONOS SE, now renamed IONOS SE) amounting to € 4.4 million and the acquisition of we22 Aktiengesellschaft amounting to € 1.9 million. Since they are due within the next twelve months, they were recognized as a current financial liability. The amount of the variable purchase price components depends largely on the development of the entity's earnings.

Except as set out above, we did not have any other commitments or contingencies as of October 31, 2022 that would have a material negative impact on our net assets, financial position and results of operations.

9.5 Working Capital Statement

In the Company's opinion, the working capital of the IONOS Group is sufficient to meet the present requirements of the IONOS Group over a period of at least twelve months from the date of the Prospectus. The Company shall not receive any proceeds from the Offering, since only Offer Shares from the holdings of the Selling Shareholders are being offered. Therefore, no such proceeds have been considered for the calculation of the working capital of the IONOS Group.

9.6 No Significant Change

Between September 30, 2022 and the date of the Prospectus, there have been no significant changes in the Group's financial position or financial performance.

10 OPERATING AND FINANCIAL REVIEW

Investors should read the following discussion and analysis of our results of operations, financial position and cash flows in conjunction with the sections "3 Risk Factors", "4.5 Forward-Looking Statements", "4.8 Note Regarding the Presentation of Financial Information", "4.9 Alternative Performance Measures" and "12 Market and Competitive Environment" as well as the Audited Consolidated Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements of the Company, which are included in the Prospectus. The Audited Consolidated Financial Statements were prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e para. 1 of the German Commercial Code (HGB) and the German-language versions of these consolidated financial statements have been audited in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted standards for financial statement audits promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer e.V., IDW). The Unaudited Condensed Consolidated Interim Financial Statements were prepared in accordance with IFRS applicable for interim financial reporting (IAS 34) and have not been audited. For further information on the financial statements, see section "16.5 Auditors" and also pages F-1 et seq.

The Company's Audited Consolidated Financial Statements, the Unaudited Condensed Consolidated Interim Financial Statements and the other historical financial information included in the Prospectus do not necessarily indicate the Company's future results of operations, financial position and cash flows. In addition, the results of operations for interim periods included in the Prospectus are not necessarily indicative of the results to be expected for the full year or any future reporting period.

In this section, where financial information is presented as "audited" in tables, this means that it was taken from the Company's Audited Consolidated Financial Statements. Where financial information is presented in tables as "unaudited", this indicates that the financial information has not been taken from the Company's Audited Consolidated Financial Statements but has been taken either from the Company's Unaudited Condensed Consolidated Interim Financial Statements, or from the Company's accounting records or internal management reporting system, or has been calculated based on figures from the above-mentioned sources.

Certain tables in this section also include certain APMs. However, these APMs are not defined by IFRS or any other generally accepted accounting principles, and such items should not be considered as an alternative to the historical financial results or other indicators of the Company's results of operations, financial position and cash flows based on IFRS financial measures. The APMs, as defined by the Company, may not be comparable to similarly titled measures as presented by other companies due to differences in the way the Company's APMs are calculated. Even though the APMs are used by the management to assess ongoing operating performance and indebtedness, and though these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of the Company's results, cash flows or assets and liabilities as reported under IFRS. For definitions, calculations and reconciliations of our APMs please see section "4.9 Alternative Performance Measures".

Financial information presented in parentheses or preceded by a "minus" sign in the Prospectus denote a negative amount. Certain numerical data, financial information and market data in the Prospectus have been rounded in accordance with commercial rounding. Unless otherwise indicated, all financial information presented in the tables and text in this section of the Prospectus is shown in thousands or millions of euros (€ thousand or € million), commercially rounded to the nearest thousand or million, as applicable. Unless otherwise indicated, changes, percentage changes and ratios in the tables and text of the Prospectus are calculated based on the numbers as presented in the Prospectus, i.e., after rounding of such numbers, and then commercially rounded to a whole percentage or to one digit after the decimal point. In some instances, such rounded figures and percentages may not add up to 100% or to the totals or subtotals contained in the Prospectus. Furthermore, totals and subtotals in tables may differ slightly from unrounded figures contained in the Prospectus due to rounding in accordance with commercial rounding. A dash ("—") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure has been rounded to zero.

10.1 Overview

IONOS, headquartered in Germany, is a global digitalization partner and sees itself as a trusted cloud enabler, with a comprehensive product portfolio including web presence & productivity as well as cloud solutions, supported by an award-winning customer care (see "*13.2.4 We have a large, diverse and loyal customer base with approximately 6.0 million customers worldwide and strong economics per customer, supported by an award-winning customer service platform*") and state-of-the-art infrastructure, primarily addressing small and medium-sized businesses (as previously defined, "**SMBs**"), but also private users (*e.g.*, freelance professionals) and larger enterprise customers. As such, we offer a portfolio of solutions for the digital space, including digital platforms. In Europe and the United States, we host in total approximately 22 million domains in our own regional data centers (as of September 30, 2022). IONOS is the European market leader in web hosting in terms of the number of domains hosted (approximately 11.6 million in Europe as of September 30, 2022, according to data published by HostSens on the number of national top-level domains ("**TLD**") for European countries hosted by different hosting companies), with focus markets in Germany, the United Kingdom, Spain, France and Poland, but also a strong presence in other markets such as Austria and the Netherlands. We have approximately 6.0 million customers and manage approximately 8.9 million customer contracts worldwide, thereof approximately 7.9 million in Europe (as of September 30, 2022). In fiscal year 2021, the Group had a total revenue of € 1,103.3 million and an Adjusted EBITDA of € 355.2 million. As of September 30, 2022, IONOS employed 4,239 employees (based on headcount) in nine countries in which the Group has operations or offices. Our business model is to a large extent subscription-based, which results in a high level of recurring revenue, high scalability and a strong cash conversion.

Our business is organized in two business areas, namely Web Presence & Productivity and Cloud Solutions, which accounted for 89.6% and 10.4%, respectively, of our revenue from contracts with customers for fiscal year 2021.

- In our Web Presence & Productivity business area, we offer both "do-it-yourself" ("**DIY**") and "do-it-for-me" ("**DIFM**") services as well as professional design solutions, including a curated WordPress ecosystem, with products such as web presence solutions (*e.g.*, domain registration, web hosting, website builders) and additional productivity products and services (*e.g.*, ecommerce applications, email and Office applications, dedicated servers as well as value added services such as search engine optimization, business apps and storage and security solutions).

- In our Cloud Solutions business area, we see ourselves as a trusted European cloud provider with the usability required by SMBs and an offering comprising both public cloud and private cloud solutions. The Cloud Solutions business area covers the on-demand provision of storage, computing and network resources via the Internet for users. It includes a broad range of services, *e.g.*, Infrastructure as a Service ("**IaaS**") services (rented servers in shared data centers), Platform as a Service ("**PaaS**") (a platform to develop, run and manage web apps), and Software as a Service ("**SaaS**") (software licensing and delivery, centrally hosted by the vendor). IONOS' Cloud Solutions products also comprise our "Compute Engine" solution (a flexible IaaS solution for cloud computing applications), storage and backup, network services, managed services, databases and private cloud infrastructure solutions (including dedicated servers).

We manage our business as one operating segment and therefore have only one reportable segment in accordance with IFRS 8. Accordingly, in accordance with internal management reporting, neither the Web Presence & Productivity business area nor the Cloud Solutions business area form operating segments for the purpose of segment reporting under IFRS 8 – "Operating Segments".

10.2 Principal Factors Affecting the Results of Operations, Financial Position and Cash Flows of the IONOS Group

The following section provides an overview of the principal market-related external factors and business-related operational factors which, in our view, have affected our results of operations, financial position and cash flows in fiscal years 2019, 2020 and 2021, as well as during the nine-month period ended September 30, 2022 and are expected to continue to do so in the future.

10.2.1 Market Development and Trends

Our results of operations are affected by the development of, and trends in, our markets. During fiscal years 2019, 2020 and 2021, as well as during the nine-month period ended September 30, 2022, our business areas Web Presence & Productivity and Cloud Solutions benefited from significant growth in their markets (for more information and the definition of our Served Addressable Market see section "*12.3.1 Overview of Market Development and Outlook*").

We believe our Served Addressable Market is very attractive, with an estimated value in 2021 of approximately € 37.6 billion. The market grew at a compound annual growth rate ("**CAGR**") of around 14% over the 2015-2019 period; during 2019-2021, growth accelerated to 17% on a CAGR basis. The market growth is expected to further accelerate, with a 2021-2026 CAGR of approximately 19%. Within our Served Addressable Market, the Web

Presence & Productivity market segment is expected to grow at a steady pace, with a 2021-2026 CAGR of approximately 9%, while the market segment relating to Cloud is expected to show the highest growth over the 2021-2026 period, at a CAGR of approximately 29% (all data in this paragraph according to the McKinsey SMB Article; CAGRs calculated by the Company from the underlying figures included in that source for the relevant product/services categories and regions).

The industry has been driven by several overarching trends, most of which are expected to continue and intensify. The key growth drivers in our Served Addressable Market include structural megatrends as well as the underlying growing share of companies using web hosting services, coupled with a rising average revenue per customer, mainly due to the continued growth in added services such as website builder, ecommerce, email and Office as well as selected price increases. Digitalization has been a high priority for SMBs over the past decade, but the digitalization efforts (including the adoption trend and mission-critical nature of having digital presences) and related spending by SMBs have significantly accelerated during the COVID-19 pandemic. This trend is expected to continue growing at a significant pace over the next few years to come. Another key driver for the web hosting and related services market segment (Web Presence & Productivity) is the large number of SMBs (particularly those below 10 full-time equivalent ("**FTE**")), with the low current service penetration providing significant upside. The share of companies using web hosting services is also expected to continue to grow over the next years, including a trend towards higher average spend per customer, mainly due to the continued growth in added services such as website building tools, ecommerce, email and Office. In addition, we expect a continued growth of ecommerce, including the evolution of requirements related to an online presence: Today, an SMB's website usually needs to be mobile-ready, integrated with social media channels, search engines, trust/reputation platforms and ecommerce marketplaces.

Moreover, according to the McKinsey SMB Article, a key driver for the continued future growth in our Served Addressable Market is the still significant whitespace in the market. We expect a positive effect on our Served Addressable Market from an increasing cloud adoption, with SMBs shifting from on-premise to cloud environments and we see opportunities from the strong increase in cloud spending, with the COVID-19 pandemic having triggered a further uplift. In general, our revenue growth will depend on our ability to deploy our strategy successfully, allowing us to benefit fully from the positive trends in our markets.

We believe that market development and trends in our Served Addressable Market will affect our future revenue and results of operations to a considerable degree.

For risks related to the development of our market environment and our future performance, see sections "*3.1.2 The markets in which we operate are highly competitive, and if we fail to deliver advanced software solutions and adapt our offering to respond to customer needs, our business, financial position, and results of operations could be harmed.*" and "*3.1.12 Unfavorable economic conditions and geopolitical tensions, including international conflicts and trade tensions, may negatively affect our business, financial position and results of operations.*".

10.2.2 Competitive Environment

Our results of operations may be affected by the intensity of competition in our markets, which may not only affect our market share and, consequently, revenue, but also in price pressure, thereby affecting our margins and profitability.

As regards the Web Presence & Productivity industry, according to our market observations, the market has seen some consolidation (in particular as regards companies structuring their offerings in line with the digital platform approach). Besides our competitors GoDaddy Inc., headquartered in Temple/Arizona, United States ("**GoDaddy**"), Newfold Digital Inc., Burlington/Massachusetts, United States ("**Newfold Digital**") (with brands such as Bluehost, Web.com and Host Gator), team.blue N.V., Gent, Belgium ("**team.blue**"), Squarespace, Inc., New York/New York, United States ("**Squarespace**"), Wix.com Ltd., Tel Aviv, Israel ("**Wix**"), and Jimdo GmbH, Hamburg, Germany ("**Jimdo**"), we also compete in Europe with OVH Groupe SAS, Roubaix, France (which acts under the brand "**OVHcloud**") in web hosting, and with other mostly local players, in a fragmented landscape with many country-specific offerings. Major players for web hosting in the United States (where our market share is much smaller) include GoDaddy, Wix, Squarespace and Newfold Digital. Within Europe, IONOS has a leading market position in Germany, Austria, Poland and Portugal (with market shares of 42%, 32%, 23% and 45%, respectively) and is the second largest web hosting player in the United Kingdom and Spain (with market shares of approximately 11% and 8%, respectively) (market shares and positions based on the number of clients of web hosters published by HostAdvice per September 2022 (aggregated for the different Group brands active in each country; HostAdvice considers each domain to be a "client" for purposes of the market share analysis, so that effectively the analysis is based on the number of domains for each company). In France, we have the second largest number of registered domains with the ".fr" TLD, according to data compiled by HostSens for September 2022.

In the rapidly growing Cloud market segment, players typically have a particular focus in capturing market share. Local cloud specialists (such as Hetzner Online GmbH, Gunzenhausen, Germany ("**Hetzner**"), Leaseweb Global B.V., Amsterdam, the Netherlands ("**Leaseweb**"), and OVHcloud in Europe, and DigitalOcean, Inc., New York/New York, United States ("**DigitalOcean**") in the United States) mainly focus on niche individual market segments – whether geographically or with specific expertise on certain products –, whereas so-called "hyperscalers" (*i.e.*, Microsoft Azure ("**Azure**"), a service operated by Microsoft Corporation, Redmond/Washington, United States ("**Microsoft**"), Amazon's subsidiary Amazon Web Services, Inc., Seattle/Washington, United States ("**AWS**") and "**Google Cloud**", a group of services offered by Google LLC, Mountain View/California, United States ("**Google**")) tend to compete on cost and technical sophistication.

In our view, while the large players in the Cloud market segment have significant market shares in terms of Cloud-related revenue (in particular, hyperscalers), IONOS is in the position of a challenger, offering an alternative to hyperscalers with a focus on strong price/performance value, digital sovereignty and easy-to-use solutions. We believe we are viewed as a strong, reliable Cloud partner, in particular for the key customer group of SMBs, in our core markets in Europe (especially in Spain and Germany) and North America. In Germany, a report by the ISG ranked IONOS for the first time in the "leaders quadrant" for hyperscale infrastructure and platform services in the German Public Cloud market, a ranking it maintained in the 2022 edition of the same report (ISG Provider Lens "Public Cloud – Services & Solutions, Germany 2021/Quadrant Report", December 2021 and ISG Provider Lens "Public Cloud – Solutions and Services" Quadrant Report for Germany, December 2022, customized reports provided to IONOS). The international market research and consulting company recognized the cloud offering of IONOS as a comprehensive, attractive portfolio with high compliance security and unbeatable price-performance offering, and considered IONOS as one of the five leading cloud providers in Germany, alongside AWS, Microsoft, Google and T-Systems International GmbH, Frankfurt am Main, Germany ("**T-Systems**"), a wholly-owned subsidiary of Deutsche Telekom AG, Bonn, Germany.

We believe that during fiscal years 2019, 2020 and 2021 as well as during the nine-month period ended September 30, 2022, our results of operations have benefitted from our strong market positions in most of our markets as described above and in more detail in section "*12 Market and Competitive Environment*" and we expect to benefit from our market positions in the future.

For related risks of our competitive environment for our future performance, see section "*3.1.2 The markets in which we operate are highly competitive, and if we fail to deliver advanced software solutions and adapt our offering to respond to customer needs, our business, financial position, and results of operations could be harmed.*"

10.2.3 Customer Acquisition and Retention

Our results of operations, and revenue in particular, have been affected by the success of our efforts to acquire and retain customers. We believe that our ability to acquire and retain customers will also affect our future results of operations to a considerable degree. Moreover, due to our business being subscription-based to a large extent, approximately 90% of our total revenue in fiscal year 2021 is of a recurring nature.

As a general matter, our customer base tends to be highly loyal. This may be illustrated by the development of our customer churn rate and the average lifetime of our customers over time (in years): Our customer churn rate declined by 1.2 percentage points from 14.2% in fiscal year 2019 to 13.0% in fiscal year 2021. On the other hand, the average lifetime of our customers over time (in years) increased by 0.7 years from 7.0 years in fiscal year 2019 to 7.7 years in fiscal year 2021.

Our ability to capture market share, acquire new customers and generate future sales growth and sustained economic value is driven by our ability to develop and offer innovative products and software solutions and expand our offerings portfolio as well as our ability to promote our brands and offerings. In fiscal years, 2019, 2020 and 2021, we spent € 71.4 million, € 66.7 million, and € 81.3 million, respectively, on purchased marketing and advertising services accounted for under selling expenses (this includes purchased Internet marketing services, purchased TV advertising/sponsoring services, purchased new customer activities and purchased marketing campaign services). We also resolved an additional marketing budget of approximately € 30 million in December 2021 to be spent in fiscal year 2022 for the purpose of further raising our brand awareness in our most important European markets.

In terms of our marketing and sales strategy, we focus not only on gaining new customers, but also support our existing customers so that they can make the most of the purchased products and services. This allows us to generate cross-selling effects with existing customers. Moreover, we use data-driven and customer-tailored price increases to fully realize our revenue potential.

The number of our customers increased from 5,644.6 thousand as of December 31, 2019 by 137.0 thousand, or 2.4%, to 5,756.6 thousand as of December 31, 2020 and by 112.0 thousand, or 2.0%, to 5,893.6 thousand as of December 31, 2021. In the nine-month period ended September 30, 2022, the number of our customers further increased compared to December 31. 2021 – by 68.3 thousand, or 1.2%, to 5,961.9 thousand. We have been successful in cross- and upselling our customers in the past and expect to continue to be able to do so in the future. Therefore, we believe that the number of customers, especially that of new customers, is an indicator for our future revenue growth.

Our customers generally increase spending steadily, particularly in the first three or four years of becoming customers, by subscribing for additional products or upgrading the services for which they subscribe. Our monthly ARPU, which we define as monthly average revenue per customer, calculated by dividing total revenue (excluding revenue from the Aftermarket Business, as defined below) by the mean of the number of customers at the beginning of the reporting period plus the number of customers at the end of the reporting period, divided again by the number of months in the reporting period, increased by € 0.60 from € 12.68 in fiscal year 2020 to € 13.28 in fiscal year 2021 and by € 0.30 from € 12.38 in fiscal year 2019 to € 12.68 in fiscal year 2020. The main drivers for the development of our ARPU are cross- and upselling effects as well as, to a lesser extent, price adjustments in relation to our offerings. In the nine-month period ended September 30, 2022, ARPU further increased by € 0.21 to € 13.94. Next to the number of our customers, ARPU is the second largest driver of our total revenue. Our "**Aftermarket Business**" comprises the revenue from contracts with customers from the Sedo business, which include the consolidated revenue from contracts with customers from Sedo GmbH, Sedo.com LLC and DomCollect International GmbH.

For risks related to our customer acquisition and retention, see section "*3.1.3 We depend on our ability to attract and retain customers and increase our sales to new and existing customers.*".

10.2.4 Innovation, Brand Building and Product Portfolio

As an Internet service provider, we do not conduct any conventional research and development (R&D) comparable to a manufacturing company, which is why IONOS does not report any R&D financial measures. Nevertheless, innovation, in particular the ability to further develop innovative products and services, to combine them and to launch them in large markets, is important for the Group's success (see section "*13.8 Product Design; Programming and Innovation*"). With our large team of IT and cloud specialists (approximately 1,000 as of December 31, 2021), we are able to react quickly and flexibly to new ideas and trends and to enhance established products and adapt them to changing needs. Due to our competence in product development, enhancement and rollout, we are independent of third-party developments and suppliers in many areas.

After the acquisition of STRATO in 2017, our management pursued a "one-brand strategy". However, based on the insights gained from the parallel use of the IONOS and STRATO brands in fiscal year 2019, the management of the Company decided to shift from a single brand to a multi-brand strategy and thus continue using the other existing brands next to the IONOS brand. Due to such strategic change, we no longer expected an erosion of the STRATO brand. Against this backdrop, we expected the STRATO brand to generate net cash inflows in the foreseeable future and therefore recognized a write-up of the STRATO brand in the amount of € 19.4 million in fiscal year 2019. This special effect from the write-up of the STRATO brand had a positive impact on our operating result, pre-tax result and net income in 2019.

We believe that our multi-brand strategy capitalizes on the strength of the established brands and their strong brand awareness either in their local market or in their market section, such as: STRATO for European basic offerings; arsys as a local web hosting provider and cloud specialist; World4You as an Austrian web hoster; home.pl as a provider for domain registration, web hosting and VAS; and fasthosts as web hosting provider and cloud solutions specialist in the United Kingdom; several domain expert brands such as United Domains, InterNetX and sedo, as well as the website builder specialist brand we22.

We believe that our ability to provide innovative products and software solutions and expand our offerings portfolio as well as our ability to promote our brands and offerings will have a considerable effect on our revenue and results of operations in the future.

For risks relating to innovations, our brands and our future performance see sections "*3.1.9 Our future success depends on our ability to continue to innovate in response to market demands and to increase customer adoption of our offerings.*", "*3.1.18 If we are unable to maintain and promote our brands, this may have a negative impact to our reputation and results of operations.*" and "*3.3.7 We may fail to renew trademark, patent or design applications and several of our patents and will expire in the near future.*".

Moreover, our results of operations have been affected by changes in our product portfolio and changes in revenue streams in relation thereto. For example, while we have sold several of our solutions as white label products in previous years, we have reduced the share of products that we offer as white label products recently. In particular, STRATO has stopped offering any white label products as of December 31, 2021. This decision had a negative effect on our revenue from contracts with customers in the amount of a high single digit million euro amount in fiscal year 2021 as well as on our EBITDA in the amount of a single digit million euro amount in fiscal year 2021. Certain solutions, however, such as the CM4all website builder will continue to be offered as a "white label" solution for other Internet providers and business customers. A white label product is a product which is offered without the brand or logo of the producer and instead uses the branding requested by the purchaser.

10.2.5 Mergers & Acquisitions

Our mergers & acquisitions efforts focused on value accretive M&A transactions, *e.g.*, by acquiring local champions and product specialists (for information on our past M&A transactions see "*13.3 History and Development of the Group*") and were used to accelerate international growth and improve market positioning in our European footprint or to accelerate our product capability ramp-up in strategic fields. Provided we identify suitable opportunities, we also plan to further expand internationally and in terms of our product portfolio, as well as to pursue highly selective and disciplined acquisitions in an opportunistic manner. Our M&A strategy includes (i) acquisitions to increase market shares in countries in which we are already active (*e.g.*, as with the STRATO acquisition), (ii) acquisitions to expand internationally (as mentioned above) through acquisitions of established players, thus allowing us to scale-up our activities in a new country more quickly (*e.g.*, as in our home.pl acquisition), or (iii) so-called "bolt-on" acquisitions to broaden our product portfolio and to gain access to new strategic fields (a rationale we followed, for example, with our we22 acquisition).

On February 1, 2021, IONOS SE (formerly 1&1 IONOS SE), an indirect subsidiary of the Company, acquired the German software company we22 Aktiengesellschaft (now we22 GmbH), Cologne, Germany, and its subsidiaries ("**we22 Group**"). This included the transfer of more than 160 employees located in Cologne, Berlin, Erfurt and Boston. The we22 Group develops highly scalable software and infrastructure solutions aimed at creating, maintaining and hosting websites. Pivotal to its offering is the white label CM4all website builder which is used by business customers (with a focus on small businesses) and end consumers to create websites – worldwide and in more than 25 languages. CM4all's set of service tools enables it to almost completely take over the creation and operation of their website from its users. As a highly scalable ecosystem, the CM4all website builder can be operated on-premise or cloud-based, for small to very large customer groups, with or without service tools, and in each case with qualified consulting and support from the we22 Group experts. Under the Web4Business brand, 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 supplements the hosting business of IONOS and builds on its strategy of making acquisitions to complement organic growth.

The purchase price for the acquisition of the shares in we22 Aktiengesellschaft (now we22 GmbH) during 2021 amounted to € 22.6 million, resulting in a cash outflow of € 21.2 million net of the cash acquired. Further payments of additionally agreed obligations of € 3.1 million depending on conditions precedent in 2021 and 2022 were considered remuneration for post-combination services. Moreover, the shareholder loans were settled before closing. There is a further payment obligation with a fair value of € 2.8 million as of December 31, 2021 which shall be based on the future equity value of the IONOS Group as of December 31, 2024. The related payment will not be made before 2025, other than in case of an earlier change of control in the Company, and is also considered remuneration for post-combination services.

we22 Aktiengesellschaft (now we22 GmbH) and its subsidiaries have been included in the Company's Audited Consolidated Financial Statements 2021 for the first time as of the acquisition date, the first-time consolidation being in accordance with IFRS 3 Business Combinations and under the acquisition method.

At the end of fiscal year 2020, we sold our entire shareholding in Afilias, Inc, Horsham, Pennsylvania/USA ("**Afilias**"). The sales proceeds amounted to € 77.6 million in fiscal year 2020. Net of income taxes and considering non-controlling interests, the revaluation of the equity investment resulted in a first step in a revaluation reserve of € 73.2 million as of December 31, 2020 and was subsequently reclassified to the reserves. This resulted in a positive effect on total comprehensive income of € 33.2 million before income taxes and minority interests in fiscal year 2020. Net of income taxes and considering minority interests, this effect amounted to € 31.3 million in fiscal year 2020. As of December 31, 2020, the revaluation reserves amounted to nil. Subsequently a true-up payment of € 0.4 million was received in summer 2021.

For risks relating to our mergers & acquisitions strategy, see section "*3.1.17 We may be unable to successfully implement our acquisition strategy if we fail to identify, enter into or integrate acquisitions.*"

10.2.6 Our Cost Base

Our results of operations are affected by the development of our cost base and we believe that the development of our costs will also affect our future results of operations to a considerable degree.

Our results of operations are affected by the development of the costs of our employees which mainly depends on the general development of wages in the industries we serve and in particular in the professional fields that we require for our business. Competition for talent in general and qualified employees in particular is intense, especially in technology-driven industries such as the cloud computing and web hosting industry. Our personnel expenses increased by € 18.8 million from € 181.5 million in fiscal year 2019 to € 200.3 million in fiscal year 2020 and further by € 34.7 million to € 235.0 million in fiscal year 2021. Personnel expenses increased further to € 180.8 million in the nine-month period ended September 30, 2022 compared to € 171.8 million in the nine-month period ended September 30, 2021. Our personnel expenses include expenses for wages and salaries of, social security costs and pension costs. For further information on the development of the headcount of our employees please see section "*13.12 Employees*".

In addition, our results of operations are affected by the development of other costs that have an effect on our gross profit and adjusted gross profit, for example costs of electricity and maintenance as well as costs of domains, licenses and costs of co-location data center sites with third parties. For example, rising energy prices had a negative impact of approximately € 11 million on our gross profit and adjusted gross profit in the nine-month period ended September 30, 2022. For fiscal year 2023, we have already agreed fixed prices for approximately half of our energy needs to safeguard against further increases in energy prices. As we deliberately invest into future growth we may incur additional costs, in particular personnel costs in relation to sales, marketing and international expansion. Increased costs are also caused by regulatory restrictions or changes, price fluctuations, export and sales restrictions and controls, as well as other factors beyond our control (such as business interruptions or border closures due to contagious diseases, including potential further "waves" of the COVID-19 pandemic in Europe, China or other countries). In addition, the general increase in prices for goods and services may lead to a significant reduction of our margins, due to our limited ability to pass on such increases to our customers. In addition, some of our licensors are large companies with significant bargaining power, which may in the future impose more onerous licensing terms on us. In such cases, we may be unable to shift to other providers to license comparable technologies at a reasonable price or at all, and any migration of significant software (also for our own operations) could increase our costs. Cost of sales include personnel expenses and costs for data center operation, which we consider technology and innovation-related and which together with depreciation and amortization accounted for under cost of sales we adjust for purposes of adjusted gross profit. In fiscal years 2021, 2020 and 2019, these personnel expenses and costs for data center operation accounted for under cost of sales amounted to € 152.7 million, € 118.7 million and € 113.1 million, respectively. In the nine-month periods ended September 30, 2022 and 2021, they amounted to € 123.7 million and € 109.7 million, respectively.

As a result of increased total revenue and cost discipline, we were able to increase our Adjusted EBITDA by € 25.3 million from € 329.8 million in fiscal year 2019 to € 355.1 million in fiscal year 2020. In fiscal year 2021, we have decided to re-invest our increase in Adjusted EBITDA into future growth of our Cloud Solutions business and further international expansion, resulting in an Adjusted EBITDA of € 355.2 million. In the nine-month period ended September 30, 2022, we were able to further increase our Adjusted EBITDA by € 5.4 million from € 270.4 million in the nine-month period ended September 30, 2021 to € 275.8 million in the nine-month period ended September 30, 2021. Our Adjusted EBITDA Margin remained stable in fiscal years 2019 and 2020 at 35.7% and 35.9%, respectively. In fiscal year 2021, our Adjusted EBITDA Margin declined to 32.2% mainly due to certain special effects including most notably certain brand investments into the future growth of our Cloud Solutions in the amount of approximately € 37 million. Excluding these special investments in fiscal year 2021, our Adjusted EBITDA Margin would have amounted to approximately 36%. In the nine-month period ended September 30, 2022, our Adjusted EBITDA Margin declined to 28.9% mainly as a result of higher energy prices of approximately € 11 million as well as certain incremental brand investments of approximately € 17 million. It should be noted that adjusted gross profit, Adjusted EBITDA and Adjusted EBITDA Margin are not defined financial measures under IFRS. For the definitions, calculations and reconciliation of the APMs presented in this section, including adjusted gross profit, Adjusted EBITDA and Adjusted EBITDA Margin, see section *"4.9 Alternative Performance Measures"*.

For risks that are relevant for the development of our cost base, see sections "*3.1.5 We depend on suppliers, service providers and other partners, including development partners, to deliver hardware and software, in particular domains and licenses, and rely on third-party software, including open source solutions, in order to operate successfully.*", "*3.1.12 Unfavorable economic conditions and geopolitical tensions, including international conflicts and trade tensions, may negatively affect our business, financial position and results of operations.*" and "*3.1.14 To maintain the security of our systems, we depend on certain third-party solutions and certain mechanisms which are in part beyond our control.*".

10.2.7 Resilient Financial Profile and High Cash Generation

We believe that we have a resilient business model with a strong financial profile. This has been demonstrated in the past by the continuing growth of our total revenue even in times of market downturn such as, for example, the period 2008 through 2011, during which we managed to increase our total revenue each year. Similarly, our total revenue increased in the period from 2019 to 2021 despite negative effects from the COVID-19 pandemic, which significantly impacted the overall economy. Customer spend in the Web Presence & Productivity business area typically amounts to between € 10 and 20 per month, which is presumably lower than monthly energy cost, for the provision of digital infrastructure to our customers.

In addition, our working capital requirements and capital for our general corporate purposes, including acquisitions and capital expenditures have historically been managed via or by the United Internet Group. As of December 31, 2021, the financing provided by United Internet AG through IONOS Holding SE included a vendor loan of € 889.0 million for the acquisition of shares in 1&1 IONOS SE (now: IONOS SE) and a loan of € 350.0 million for the acquisition of shares in STRATO AG. In addition, there is a long-term loan liability to United Internet AG in the amount of € 76.0 million as of December 31, 2021. These acquisition financings resulted in considerable interest expenses and cash outflows in fiscal years 2021, 2020 and 2019 as well as the nine-month period ended September 30, 2022 and 2021 (for further information see section "*10.9 Shareholder Loans and Selected Other Financial Liabilities*").

However, driven by the high cash generation of our business detailed below, we were able to reduce our Net Debt from € 1,326.7 million as of December 31, 2020 by € 71.1 million to € 1,255.6 million as of December 31, 2021 and by € 166.3 million from € 1,493.0 million as of December 31, 2019 to € 1,326.7 million as of December 31, 2020. As of September 30, 2022, we were able to further reduce our Net Debt by € 50.6 million from € 1,255.6 million as of December 31, 2021 to € 1,205.0 million. The main drivers for Net Debt are the partial repayment of the shareholder loans (for further information see below section "*13.17.1 Financing Agreements*") due to our highly cash-generative underlying business as well as our overall cost discipline not only concerning operational expenditures (for further information see "*10.2.6 Our Cost Base*") but also with regard to our total capital expenditures (for further information see below section "*10.8 Capital Expenditures*"). Moreover, the sale of our shareholding in Afilias, the proceeds of which were used to further deleverage, has had a positive effect on Net Debt in fiscal year 2020 (for further information see section "*10.2.5 Mergers & Acquisitions*"). The United Internet Group will continue to support our finance and treasury function post-IPO as well. Post-IPO, there are currently no definite plans to terminate the shareholder financing in the near future. It should be noted that Net Debt is not a defined financial measure under IFRS. For the definitions, calculations and reconciliation of the APMs presented in this section, including Net Debt, see section *"4.9 Alternative Performance Measures"*.

For risks in connection with our financing structure, see sections "*3.2.3 We may face difficulties in managing liquidity and financing risks, foreign currency exchange rate risks, interest rate risks, credit risks and in satisfying other treasury and finance requirements, in particular as a result of our dependency on the United Internet Group.*", "*3.1.12 Unfavorable economic conditions and geopolitical tensions, including international conflicts and trade tensions, may negatively affect our business, financial position and results of operations.*" and "*3.1.14 To maintain the security of our systems, we depend on certain third-party solutions and certain mechanisms which are in part beyond our control.*".

In addition to the resilient financial position we maintained, we believe that our business is characterized by the large share of subscription-based recurring revenue (approximately 90% of our total revenue), a high scalability due to its platform approach and, in particular, high cash generation. These factors, in addition to limited maintenance capital expenditure needs, have allowed us to increase our Adjusted Cash Contribution from € 310.3 million in fiscal year 2020 to € 317.9 million in fiscal year 2021 from € 283.1 million in fiscal year 2019 to € 310.3 million in fiscal year 2020. In fiscal years 2021, 2020 and 2019, this resulted in a strong Cash Conversion Rate of 89.5%, 87.4% and 85.5%, respectively. In the nine-month period ended September 30, 2022, our

Adjusted Cash Contribution and Cash Conversion Rate amounted to € 245.1 million and 88.9%, respectively, both impacted by higher energy costs of approximately € 11 million and incremental brand investments of approximately € 17 million. Excluding such factors our Cash Conversion Rate would have been at approximately 90%. We had an adjusted gross profit of € 797.3 million, € 727.9 million and € 693.6 million as well as an adjusted gross profit margin of 72.3%, 73.6% and 75.1% in fiscal years 2019, 2020 and 2021, respectively. In the nine-month period ended September 30, 2022, adjusted gross profit increased to € 628.3 million (compared to € 585.8 million in the nine-month period ended September 30, 2021). However, our adjusted gross profit margin declined to 65.9% in the nine-month period ended September 30, 2022 (compared to 72.9% in the nine-month period ended September 30, 2021) due to the combined effects of higher energy costs and the strong growth of our Aftermarket Business which is characterized by a lower gross profit margin. But for these two effects, our adjusted gross profit margin would have been in the 75% to 80% range.

Adjusted Cash Contribution, Cash Conversion Rate, adjusted gross profit and adjusted gross profit margin are not defined financial measures under IFRS. For the definitions, calculations and reconciliation of the APMs presented in this section, including Adjusted Cash Contribution, Cash Conversion Rate, adjusted gross profit and adjusted gross profit margin, see section *"4.9 Alternative Performance Measures"*.

10.2.8 Foreign Exchange Rate Fluctuations

Our results of operations are also affected by foreign exchange rate fluctuations. The effect 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. Our results of operations are therefore affected by exchange rate fluctuations, in particular regarding the exchange rates of the U.S. dollar, the British pound sterling and the Polish zloty to the euro, which may cause volatility in our earnings. Currency risks (*i.e.*, risks from translating the assets and liabilities of foreign companies into the Group reporting currency) which do not affect our cash flows are not hedged.

The following table shows the sensitivity to a reasonably possible change in the U.S. dollar, the British pound sterling 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 on the Group's net income in the reporting periods indicated.

	Effect on Net Income for the Fiscal Year ended December 31,		
	2021	**2020**	**2019**
(in € thousand)		**(audited)**	
Change in USD rate +10%/-10%	+/- 1,452	+/- 1,897	+/- 2,992
Change in GBP rate +10%/-10%	+/- 3,321	+/- 2,929	+/- 3,029
Change in PLN rate +10%/-10%	+/- 931	+/- 912	n/a

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.

10.3 Key Performance Indicators

10.3.1 Description of Selected Key Performance Indicators

10.3.1.1 Financial Key Performance Indicators

We use a number of financial KPIs to measure the results of our operations and manage our business:

- *Total revenue*
- *Revenue from contracts with customers*
- *EBITDA*
- *EBITDA Margin*

- *Adjusted EBITDA*
- *Adjusted EBITDA Margin*
- *Adjusted Cash Contribution*
- *Cash Conversion Rate*
- *Net Debt*

For additional information, including the definition, calculation and reconciliation of certain of our financial KPIs which are considered APMs, please see section "*4.9 Alternative Performance Measures*".

10.3.1.2 Other/Non-Financial Key Performance Indicators

- *Number of customers*: We measure the number of our customers worldwide. As of December 31, 2021, we had approximately 5.9 million customers worldwide (as of September 30, 2022: approximately 6.0 million).

- *Number of customer contracts*: We measure the number of our customer contracts worldwide. As of December 31, 2021, we managed approximately 8.8 million customer contracts worldwide, thereof approximately 7.8 million in Europe (as of September 30, 2022: 8.9 million customer contracts, thereof 7.9 million in Europe).

- *ARPU*: We define ARPU as monthly average revenue per customer, calculated by dividing total revenue (excluding revenue from the Aftermarket Business) by the mean of the number of customers at the beginning of the reporting period plus the number of customers at the end of the reporting period, divided again by the number of months in the reporting period.

- *Net Promoter Score℠ (NPS®)*: We levy Net Promoter Score (NPS) data on a quarterly basis, based both on an online NPS survey and an NPS email survey to which customers are invited immediately after a customer care contact. The data is collected for each of our IONOS, STRATO, fasthosts and arsys brands and then aggregated to build our overall Global NPS. The NPS is determined from empirical data collected by means of a simple quantitative survey (see section "*13.6 Customers, Customer Care and Billing*" for more information on the methodology and definitions of our NPS). For the fourth quarter of fiscal year 2021, we measured a Global NPS of 35.3. Net Promoter® and NPS® are registered trademarks of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld. Net Promoter Score℠ is a service mark of Bain & Company, Satmetrix Systems and Fred Reichheld.

10.3.2 Overview of Selected Key Performance Indicators

The following table provides an overview of selected financial KPIs of the Group as of and for the fiscal years ended December 31, 2021, 2020 and 2019, as well as for the nine-month periods ended September 30, 2022 and 2021:

	As of and for the Fiscal Year ended December 31,			**As of and for the Nine-Month Period ended September 30,**	
	2021	**2020**	**2019**	**2022**	**2021**
(in € thousand, unless otherwise indicated)	**(unaudited, unless otherwise indicated)**			**(unaudited)**	
Total revenue	1,103,297	988,281	924,021	953,639	803,147
Revenue from contracts with customers	1,059,990*	944,373*	886,963*	917,479	771,783
EBITDA	326,301*	340,257*	319,446*	258,857	250,186
EBITDA Margin	29.6%	34.4%	34.6%	27.1%	31.2%
Adjusted EBITDA	355,176*	355,102*	329,797*	275,754	270,350
Adjusted EBITDA Margin	32.2%	35.9%	35.7%	28.9%	33.7%
Adjusted Cash Contribution	317,898	310,328	283,089	245,069	243,300
Cash Conversion Rate	89.5%	87.4%	85.8%	88.9%	90.0%
Net Debt (as of the respective reporting date)	1,255,585	1,326,747	1,492,957	1,205,024	n/a

* Audited

The following table provides an overview of selected non-financial KPIs of the Group for the fiscal years ended December 31, 2021, 2020 and 2019, as well as for the nine-month period ended September 30, 2022:

	As of and for the Fiscal Year ended December 31,			As of and for the Nine-Month Period ended September 30,
	2021	2020	2019	2022
	(unaudited)			(unaudited)
Number of customers	5.9 million	5.8 million	5.6 million	6.0 million
Number of customer contracts	8.8 million	8.5 million	8.2 million	8.9 million
ARPU (average per month in €)	13.28	12.68	12.38	13.94
Global NPS	35.3[1)]	33.1[1)]	28.2[1)]	30.9[2)]

1) Figure relates to the fourth quarter of the respective fiscal year.
2) Figure relates to the third quarter of the respective fiscal year.

10.4 Description of Key Line Items from the Consolidated Statement of Comprehensive Income

Certain individual line items in the consolidated statement of comprehensive income of IONOS are described below:

Revenue – IONOS distinguishes between revenue from contracts with customers and revenue from contracts with related parties.

Revenue from contracts with customers includes revenue for different product categories, such as the revenue from the business with small and medium-sized companies, *e.g.*, with domains, web hosting and website builder, professional hosting and the domain business under the InterNetX, sedo, and united-domains brands. 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

Customers generally pay in advance for a contractually fixed time period for the services to be provided by the Group. 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. As regards domains, any discounts are recorded immediately as a deduction from revenue. If one-off domain set-up fees qualify as a bargain extension option, revenue is recognized over the expected duration of the contract with the customer. The web hosting packages offered usually combine domain registrations with further services, such as storage capacity (Webspace) and software-as-a-service (SaaS). 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.

The Group grants its customers a voluntary 30-day right of cancellation. According to IFRS 15, this cancellation right 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 voluntary cancellation right was not material as of December 31, 2019, 2020 and 2021 or as of September 30, 2022; it was therefore not included in the determination of revenue. Its materiality is reviewed in regular intervals.

The Group acts as an agent for certain products, thereby recognizing sales commission as revenue when the service is rendered. Revenue from these products is therefore shown net and recognized at a point in time in the Group's consolidated financial statements. In addition, revenue from the performance-based advertising form of domain marketing is also included. In domain marketing, IONOS receives sales commissions 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, and IONOS receives a 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 Group 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 contracts with related parties relates to the revenue of the IONOS Group from services and allocations to companies of the group of companies led by the United Internet Group that are not part of the basis of consolidation of the IONOS Group. The entities of the IONOS Group provide general development, sales, data center, administrative and product management services for United Internet Group companies that are not included in the basis of consolidation for the IONOS Group.

Cost of sales – Cost of sales primarily comprises the cost of services (in particular, domain costs, license expenses as well as electricity and connectivity costs), personnel expenses, depreciation and amortization of software and equipment, and the costs for data center operation (including maintenance and external consulting and freelancer expenses).

Gross profit – Gross profit is calculated as revenue from contracts with customers and revenue from contracts with related parties less cost of sales.

Selling expenses – Selling expenses comprise personnel expenses, costs for purchased Internet marketing services, depreciation and amortization of software and equipment, commission paid to third parties, the costs relating to customer care, expenses relating to product management and other selling expenses.

General and administrative expenses – General and administrative expenses comprise personnel expenses, services provided by third parties, payment transaction costs, depreciation and amortization of software licenses and equipment, legal and consulting fees, expenses for the management of accounts receivable, lease expenses and other general and administrative expenses such as insurance and rent-related expenses.

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

Other operating expenses and other operating income – Other operating expenses include, among others, expenses from foreign currency translation (mainly comprising 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), other taxes, losses from the disposal of property, plant and equipment and intangible assets and expenses relating to other periods. Other operating income mainly includes income from foreign currency translation (primarily currency 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), income from dunning and return debit charges (stemming from necessary accounts receivable management for customers in arrears), income from disposal of property, plant and equipment and intangible assets, income from allocations to affiliated companies, and other items such as brand write-ups, income from other periods, income from reversal of provisions for litigation risks and lease income.

Operating result – Operating result, as presented in our consolidated statement of comprehensive income, is calculated as gross profit less selling expenses, general and administrative expenses, impairment losses of receivables and contract assets as well as other operating expenses, plus other operating income.

Finance costs – Finance costs primarily comprise intercompany interest and similar expenses (which mainly relate to interest in connection with the vendor loan and the other loans granted by United Internet AG (see section "*13.17.1 Financing Agreements*") and cash pool transactions with United Internet AG that do not belong to the basis of consolidation of the IONOS Group), expenses from the subsequent measurement of a purchase price liability relating to the purchase of STRATO and of put option liabilities in connection with the minority interests in InterNetX Holding GmbH, finance costs from leases, interest expense from loans and current account facilities, guarantee commissions and interest expense from tax audits.

Finance income – Finance income comprise income from equity investments (*e.g.*, arising from dividends from Afilias), interest income from tax audits, interest and similar income from related parties (mainly concerning interest in connection with cash pool transactions with United Internet AG), interest income from discounting non-current provisions and other finance income.

Pre-tax result – Pre-tax result, as presented in our consolidated statement of comprehensive income, is calculated as operating result less finance costs and plus finance income, plus the share of the profit of associates accounted for using the equity method, less the share of the loss of associates accounted for using the equity method.

Income taxes – Income taxes comprise current income taxes in Germany (corporate income tax and trade tax, as well as the solidarity surcharge) and outside Germany, as well as deferred taxes, which includes deferred taxes due to tax interest/loss carryforwards, the tax effect on temporary differences, and deferred taxes due to tax rate changes. German trade tax is levied on the Company's taxable income adjusted for certain income 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. German corporate income tax is levied at the applicable rate irrespective of whether the result was retained or distributed. In addition, a solidarity surcharge is imposed on the assessed corporate income tax. In addition to taxes on the current result, income taxes may include certain tax expenses not relating to the period. Deferred tax assets are recognized for tax loss carryforwards and temporary differences if it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. 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).

Net income – Net income, as presented in our consolidated statement of comprehensive income, is calculated as pre-tax result less income taxes.

10.5 Results of Operations

10.5.1 Overview

The following table provides an overview of an extract of the consolidated statement of comprehensive income of the Company for the fiscal years ended December 31, 2021, 2020 and 2019, as well as for the nine-month periods ended September 30, 2022 and 2021:

	For the Fiscal Year Ended December 31,			For the Nine-Month Period Ended September 30,	
	2021	**2020**	**2019**	**2022**	**2021**
(in € thousand)		**(audited)**		**(unaudited)**	
Revenue from contracts with customers	1,059,990	944,373	886,963	917,479	771,783
Revenue from contracts with related parties	43,307	43,908	37,058	36,160	31,364
Cost of sales	-535,401	-450,675	-417,232	-509,166	-382,838
Gross profit	**567,896**	**537,606**	**506,789**	**444,473**	**420,309**
Selling expenses	-265,132	-238,977	-232,957	-203,213	-190,101
General and administrative expenses	-77,037	-70,128	-72,596	-59,751	-55,097
Impairment losses on receivables and contract assets	-8,523	-6,057	-9,255	-6,111	-5,491
Other operating expenses	-15,904	-15,255	-9,964	-17,895	-15,801
Other operating income	12,351	22,178	39,615	16,504	13,630

(in € thousand)	For the Fiscal Year Ended December 31, 2021	2020	2019	For the Nine-Month Period Ended September 30, 2022	2021
	(audited)			(unaudited)	
Operating result	**213,651**	**229,367**	**221,632**	**174,007**	**167,449**
Finance costs	-115,433	-113,297	-121,357	-67,790	-77,016
Finance income	707	1,625	1,328	3,986	159
Share of the profit or loss of associates accounted for using the equity method	-784	265	231	214	375
Pre-tax result	**98,141**	**117,960**	**101,834**	**110,417**	**90,967**
Income taxes	-36,203	-41,970	-47,586	-32,463	-33,567
Net income	**61,938**	**75,990**	**54,248**	**77,954**	**57,400**
thereof attributable to					
non-controlling interests	*1,015*	*477*	*295*	*596*	*643*
shareholders of IONOS Group SE[1)]	*60,923*	*75,513*	*53,953*	*77,358*	*56,757*

1) In the Audited Consolidated Financial Statements 2019 and the Audited Consolidated Financial Statements 2020 shown as shareholders of 1&1 IONOS TopCo SE and in the Audited Consolidated Financial Statements 2021 shown as shareholders of IONOS TopCo SE.

10.5.2 Comparison of the Nine-Month Periods Ended September 30, 2022 and 2021

The following section discusses the consolidated statement of comprehensive income of the Company for the nine-month periods ended September 30, 2022 and 2021.

10.5.2.1 Revenue

The following table presents revenue of the Group for the nine-month periods ended September 30, 2022 and 2021, including breakdowns by business area:

(in € thousand)	For the Nine-Month Period Ended September 30, 2022	2021
	(unaudited)	
Revenue from contracts with customers	**917,479**	**771,783**
thereof: Web Presence & Productivity	820,178	691,076
thereof: Cloud Solutions	97,301	80,707
Revenue from contracts with related parties	**36,160**	**31,364**
Total revenue	**953,639**	**803,147**

Our total revenue increased by € 150.5 million, or 18.7%, from € 803.1 million in the nine-month period ended September 30, 2021 to € 953.6 million in the nine-month period ended September 30, 2022. Our revenue from contracts with customers increased by € 145.7 million, or 18.9%, from € 771.8 million in the nine-month period ended September 30, 2021 to € 917.5 million in the nine-month period ended September 30, 2022.

The development of revenue from contracts with customers was primarily driven by the strong performance of our Aftermarket Business which contributed 11.9 percentage points to the 18.9% increase in revenue from contracts with customers growing from € 81.6 million in the nine-month period ended September 30, 2021 to € 173.6 million in the nine-month period ended September 30, 2022. In addition, an increase of our customers and higher revenue from cross-selling and upselling of existing customers, especially with email and cloud/VPS server products, as well as the continued expansion of our business with cloud infrastructure and services also contributed to the overall increase in revenue from contracts with customers. The increased revenue from cross- and upselling is also reflected in the positive development of our ARPU (for further information see section "*10.2.3 Customer Acquisition and Retention*").

The Web Presence & Productivity business area contributed € 820.2 million, or 89.4%, to our revenue from contracts with customers in the nine-month period ended September 30, 2022, compared to € 691.1 million, or 89.5%, in the nine-month period ended September 30, 2021. The Cloud Solutions business area contributed € 97.3 million, or 10.6%, to our revenue from contracts with customers in the nine-month period ended September 30, 2022, compared to € 80.7 million, or 10.5%, in the nine-month period ended September 30, 2021.

When broken down by region, in the nine-month period ended September 30, 2022, we generated 50.3% of our revenue from contracts with customers by location of the selling entity in the domestic market (nine-month period ended September 30, 2021: 52.2%), and 49.7% in foreign markets (nine-month period ended September 30, 2021: 47.8%).

Our revenue from contracts with related parties increased by € 4.8 million, or 15.3%, from € 31.4 million in the nine-month period ended September 30, 2021 to € 36.2 million in the nine-month period ended September 30, 2022 mainly due to a larger amount of rented server capacities by United Internet Group entities and increased product development services for United Internet Group entities.

10.5.2.2 Cost of Sales

Our cost of sales increased by € 126.4 million, or 33.0%, from € 382.8 million in the nine-month period ended September 30, 2021 to € 509.2 million in the nine-month period ended September 30, 2022. Cost of sales includes cost of services, personnel expenses, depreciation and amortization, costs for data center operation and other costs. The increase in the cost of sales was 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 from contracts with customers. When looking at the categories mentioned above, personnel expenses increased from € 73.5 million in the nine-month period ended September 30, 2021 to € 79.6 million in the nine-month period ended September 30, 2022 driven mainly by an increased number of employees, particularly in Germany, due to the build-up of the Cloud Solutions organization. Costs for data center operation and other costs also increased from € 36.2 million in the nine-month period ended September 30, 2021 to € 44.2 million in the nine-month period ended September 30, 2022 mainly due to increased energy costs at our owned data centers. Moreover, depreciation and amortization increased from € 55.8 million in the nine-month period ended September 30, 2021 to € 60.1 million in the nine-month period ended September 30, 2022.

10.5.2.3 Gross Profit

Our gross profit increased by € 24.2 million, or 5.8%, from € 420.3 million in the nine-month period ended September 30, 2021 to € 444.5 million in the nine-month period ended September 30, 2022. Our gross profit margin decreased from 52.3% in the nine-month period ended September 30, 2021 to 46.6% in the nine-month period ended September 30, 2022, due to the higher proportion of lower-margin revenue from the Aftermarket Business.

10.5.2.4 Selling Expenses

Our selling expenses increased by € 13.1 million, or 6.9%, from € 190.1 million in the nine-month period ended September 30, 2021 to € 203.2 million in the nine-month period ended September 30, 2022, which primarily resulted from marketing expenses which increased due to certain incremental brand investments of approximately € 17 million in the nine-month period ended September 30, 2022 compared the nine-month period ended September 30, 2021. In addition personnel expenses increased by € 1.5 million in the nine-month period ended September 30, 2022 compared to the nine-month period ended September 30, 2021 in line with an increased number of employees, particularly in Germany, due to the build-up of the Cloud Solutions organization. Depreciation and amortization decreased from € 22.3 million in the nine-month period ended September 30, 2021 to € 20.3 million in the nine-month period ended September 30, 2022.

10.5.2.5 General and Administrative Expenses

Our general and administrative expenses increased by € 4.7 million, or 8.5%, from € 55.1 million in the nine-month period ended September 30, 2021 to € 59.8 million in the nine-month period ended September 30, 2022. This increase was mainly driven by an increase of consulting fees mainly in connection with the planned IPO. In addition, personnel expenses increased by € 1.3 million in the nine-month period ended September 30, 2022 compared to the nine-month period ended September 30, 2021 in line with an increased number of employees, particularly in Germany. Depreciation and amortization remained largely stable at € 4.6 million in the nine-month period ended September 30, 2021 compared to € 4.5 million in the nine-month period ended September 30, 2022.

10.5.2.6 Impairment Losses on Receivables and Contract Assets

Our impairment losses on receivables and contract assets increased by € 0.6 million, or 10.9%, from € 5.5 million in the nine-month period ended September 30, 2021 to € 6.1 million in the nine-month period ended September 30, 2022. The increase corresponds to the increase in trade receivables associated with the continued growth of our business and the payment behavior of our customers in 2022.

10.5.2.7 Other Operating Expenses and Other Operating Income

Our other operating expenses increased by € 2.1 million from € 15.8 million in the nine-month period ended September 30, 2021 to € 17.9 million in the nine-month period ended September 30, 2022. Over the same period, our other operating income increased from € 13.6 million in the nine-month period ended September 30, 2021 by € 2.9 million, or 21.3%, to € 16.5 million in the nine-month period ended September 30, 2022.

10.5.2.8 Operating Result

As a result of the factors discussed above, our operating result increased by € 6.6 million, or 3.9%, from € 167.4 million in the nine-month period ended September 30, 2021 to € 174.0 million in the nine-month period ended September 30, 2022.

10.5.2.9 Finance Costs

Our finance costs decreased by € 9.2 million, or 11.9%, from € 77.0 million in the nine-month period ended September 30, 2021 to € 67.8 million in the nine-month period ended September 30, 2022. The decrease in finance costs mainly resulted from the partial repayment of the vendor loan from United Internet AG for the acquisition of shares in IONOS SE in the amount of € 50.0 million in the nine-month period ended September 30, 2022.

10.5.2.10 Finance Income

Our finance income increased by € 3.8 million from € 0.2 million in the nine-month period ended September 30, 2021 to € 4.0 million in the nine-month period ended September 30, 2022 due to a decrease of the purchase price liability in connection with the acquisition of STRATO AG which resulted in a corresponding interest income.

10.5.2.11 Pre-Tax Result

As a result of the factors discussed above, our pre-tax result increased by € 19.4 million, or 21.3%, from € 91.0 million in the nine-month period ended September 30, 2021 to € 110.4 million in the nine-month period ended September 30, 2022.

10.5.2.12 Income Taxes

Our income taxes decreased by € 1.1 million, or 3.3%, from € 33.6 million in the nine-month period ended September 30, 2021 to € 32.5 million in the nine-month period ended September 30, 2022.

10.5.2.13 Net Income

As a result of the factors discussed above, our net income increased by € 20.6 million, or 35.9%, from € 57.4 million in the nine-month period ended September 30, 2021 to € 78.0 million in the nine-month period ended September 30, 2022.

10.5.3 Comparison of Fiscal Years 2021 and 2020

10.5.3.1 Revenue

The following table presents revenue of the Group in the fiscal years ended December 31, 2021 and 2020, including breakdowns by business area:

	For the Fiscal Year Ended December 31,	
	2021	**2020**
(in € thousand)	**(audited, unless otherwise indicated)**	
Revenue from contracts with customers	**1,059,990**	**944,373**
thereof: Web Presence & Productivity	*950,130*	*852,261*
thereof: Cloud Solutions	*109,860*	*92,112*
Revenue from contracts with related parties	**43,307**	**43,908**
Total revenue*	**1,103,297**	**988,281**

* Unaudited

Note: The revenue breakdown of revenue from contracts with customers by business area shown in the above table for fiscal year 2020 differs from the revenue breakdown shown in the Audited Consolidated Financial Statements 2020 of the Company, which broke down into product revenue from business with SMBs, *e.g.*, with "domains, web hosting and website builder", "professional hosting" and "domain business under the InterNetX, sedo, united-domains and home.pl brands". For more information, see Note 5 to the Audited Consolidated Financial Statements 2020. The revenue breakdown by business area for fiscal year 2020 is taken from the comparative prior-year figures included in Note 5 to the Audited Consolidated Financial Statements 2021.

Our total revenue increased by € 115.0 million, or 11.6%, from € 988.3 million in fiscal year 2020 to € 1,103.3 million in fiscal year 2021. Our revenue from contracts with customers increased by € 115.6 million, or 12.2%, from € 944.4 million in fiscal year 2020 to € 1,060.0 million in fiscal year 2021. we22, acquired in early 2021, contributed € 8.0 million to our revenue from contracts with customers in fiscal year 2021. Assuming we had consolidated we22 from January 1, 2020, our revenue from contracts with customers would have increased by € 107.1 million, or 11.2%, from € 953.5 million in fiscal year 2020 to € 1,060.6 million in fiscal year 2021.

The development of revenue from contracts with customers was primarily driven by an increase of our customers and higher revenue from cross-selling and upselling of existing customers, especially with email and cloud/VPS server products, as well as the continued expansion of our business with cloud infrastructure and services. The increased revenue from cross- and upselling is also reflected in the positive development of our ARPU (for further information see section "*10.2.3 Customer Acquisition and Retention*"). In addition, the Aftermarket Business contributed 5.7 percentage points to the increase in revenue from contracts with customers growing from € 77.3 million in fiscal year 2020 to € 131.6 million in fiscal year 2021.

The Web Presence & Productivity business area contributed € 950.1 million, or 89.6%, to our revenue from contracts with customers in fiscal year 2021, compared to € 852.3 million, or 90.2%, in fiscal year 2020. The Cloud Solutions business area contributed € 109.9 million, or 10.4%, to our revenue from contracts with customers in fiscal year 2021, compared to € 92.1 million, or 9.8%, in fiscal year 2020. In fiscal year 2021, revenue from contract with customers attributable to Cloud Solutions showed a disproportionate increase driven by cross-selling and upselling of existing customers, especially with email and cloud/VPS server products, as well as the continued expansion of our business with cloud infrastructure and services, while revenue from contracts with customers of the Web Presence & Productivity business area also increased driven in particular by the acquisition of we22 (for further information see "*10.2.5 Mergers & Acquisitions*").

When broken down by region, in fiscal year 2021, we generated 51.8% of our revenue from contracts with customers by location of the selling entity in the domestic market (fiscal year 2020: 51.8%), and 48.2% in foreign markets (fiscal year 2020: 48.2%). In fiscal year 2021, we continued expanding our presence in the United States and generated revenue of the Web Presence & Productivity business area of more than € 100.0 million.

Our revenue from contracts with related parties remained largely stable with € 43.9 million in fiscal year 2020 and € 43.3 million in fiscal year 2021 since purchases and services with related parties remained mainly unchanged.

10.5.3.2 Cost of Sales

Our cost of sales increased by € 84.7 million, or 18.8%, from € 450.7 million in fiscal year 2020 to € 535.4 million in fiscal year 2021. Cost of sales include cost of services, personnel expenses, depreciation and amortization, costs for data center operation and other costs. While all components of cost of sales increased, cost of services increased the most from € 258.4 million in fiscal year 2020 to € 303.9 million in fiscal year 2021. The increase in cost of services was mainly attributable to the purchase of services in connection with the sale of domains and in particular with the related lower-margin aftermarket revenue as a result of which cost of sales increased at a higher rate than revenue. In addition, personnel expenses increased from € 80.0 million in fiscal year 2020 to € 100.3 million in fiscal year 2021 in line with an increased number of employees, particularly in Germany, due to the build-up of the Cloud Solutions organization and the acquisition of we22. Costs for data center operation also increased from € 38.7 million in fiscal year 2020 to € 52.4 million in fiscal year 2021 mainly due to the costs of the increased Aftermarket Business, which has a far lower margin than our core hosting business. Depreciation and amortization also increased from € 71.6 million in fiscal year 2020 to € 76.7 million in fiscal year 2021.

10.5.3.3 Gross Profit

Our gross profit increased by € 30.3 million, or 5.6%, from € 537.6 million in fiscal year 2020 to € 567.9 million in fiscal year 2021. Our gross profit margin decreased from 54.4% in fiscal year 2020 to 51.5% in fiscal year 2021, due to the higher proportion of lower-margin revenue from the Aftermarket Business.

10.5.3.4 Selling Expenses

Our selling expenses increased by € 26.1 million, or 10.9%, from € 239.0 million in fiscal year 2020 to € 265.1 million in fiscal year 2021, which primarily resulted from increased personnel expenses of € 111.0 million in fiscal year 2021 compared to € 101.1 million in fiscal year 2020 in line with an increased number of employees, particularly in Germany, due to the build-up of the Cloud Solutions organization and the acquisition of we22 as well as higher purchased marketing/advertising services which increased from € 66.7 million in fiscal year 2020 to € 81.3 million in fiscal year 2021 reflective of our intensified brand building effort. Depreciation and amortization decreased from € 32.8 million in fiscal year 2020 to € 29.5 million in fiscal year 2021.

10.5.3.5 General and Administrative Expenses

Our general and administrative expenses increased by € 6.9 million, or 9.8%, from € 70.1 million in fiscal year 2020 to € 77.0 million in fiscal year 2021. This increase was mainly driven by higher personnel expenses which rose from € 19.2 million in fiscal year 2020 to € 23.7 million in fiscal year 2021 in line with an increased number of employees, particularly in Germany, due to the build-up of the Cloud Solutions organization and the acquisition of we22, as well as to a lesser degree higher legal and consulting fees of € 5.2 million in fiscal year 2021 compared to € 3.7 million in fiscal year 2020 in relation to certain consultancy projects and higher lease expenses of € 2.6 million in fiscal year 2021 compared to € 1.4 million in fiscal year 2020, which relate to the leases of new office facilities in Karlsruhe and Berlin, Germany. Depreciation and amortization remained stable at € 6.5 million in fiscal year 2020 and € 6.5 million in fiscal year 2021.

10.5.3.6 Impairment Losses on Receivables and Contract Assets

Our impairment losses on receivables and contract assets increased by € 2.4 million, or 39.3%, from € 6.1 million in fiscal year 2020 to € 8.5 million in fiscal year 2021. The increase corresponds to the increase in trade receivables associated with the continued growth of our business and the payment behavior of our customers in 2021.

10.5.3.7 Other Operating Expenses and Other Operating Income

Our other operating expenses increased by € 0.6 million, or 3.9%, from € 15.3 million in fiscal year 2020 to € 15.9 million in fiscal year 2021. Other taxes and miscellaneous other operating expenses increased by € 1.2 million and € 1.3 million, respectively, while expenses relating to other periods decreased by € 1.8 million. In addition, expenses from foreign currency translation also decreased from € 11.5 million in fiscal year 2020 by € 0.9 million to € 10.6 million in fiscal year 2021. Over the same period, our other operating income decreased from € 22.2 million in fiscal year 2020 by € 9.8 million, or 44.1%, to € 12.4 million in fiscal year 2021, mainly due to a reduction in income from foreign currency translation by € 9.3 million.

10.5.3.8 Operating Result

As a result of the factors discussed above, our operating result decreased by € 15.7 million, or 6.8%, from € 229.4 million in fiscal year 2020 to € 213.7 million in fiscal year 2021.

10.5.3.9 *Finance Costs*

Our finance costs increased by € 2.1 million, or 1.9%, from € 113.3 million in fiscal year 2020 to € 115.4 million in fiscal year 2021. The increase in finance costs mainly resulted from increased expenses from the subsequent measurement of a purchase price liability for STRATO AG which rose by € 5.9 million and higher expenses from the subsequent measurement of the put option for the minority interests in InterNetX Holding GmbH which rose by € 5.8 million in fiscal year 2021 compared to fiscal year 2020. These increases were partially offset by reduced intercompany interest and similar expenses mainly relating to interest in connection with the vendor loan granted by United Internet AG and cash pool transactions with United Internet AG.

10.5.3.10 *Finance Income*

Our finance income decreased by € 0.9 million, or 56.3%, from € 1.6 million in fiscal year 2020 to € 0.7 million in fiscal year 2021. This decrease was mainly driven by decreased income from equity investments (€ 0.8 million decrease due to the sale of Afilias which generated almost all the income from equity investments in 2020).

10.5.3.11 *Pre-Tax Result*

Our pre-tax result decreased by € 19.9 million, or 16.9%, from € 118.0 million in fiscal year 2020 to € 98.1 million in fiscal year 2021. This resulted, in addition to the factors described above, from the decrease of the share of the profit or loss of associates accounted for using the equity method by € 1.1 million, from a profit of € 0.3 million in fiscal year 2020 to a loss of € 0.8 million in fiscal year 2021.

10.5.3.12 *Income Taxes*

Our income taxes decreased by € 5.8 million, or 13.8%, from € 42.0 million in fiscal year 2020 to € 36.2 million in fiscal year 2021.

For more information, see Note 16 to the Audited Consolidated Financial Statements 2021 of the Company.

10.5.3.13 *Net Income*

As a result of the factors discussed above, our net income decreased by € 14.1 million, or 18.6%, from € 76.0 million in fiscal year 2020 to € 61.9 million in fiscal year 2021.

10.5.4 Comparison of Fiscal Years 2020 and 2019

10.5.4.1 *Revenue*

The following table presents revenue of the Group in fiscal years ended December 31, 2020 and 2019, including breakdowns by business area:

	For the Fiscal Year Ended December 31,	
	2020	**2019**
(in € thousand)	**(audited, unless otherwise indicated)**	
Revenue from contracts with customers	**944,373**	**886,963**
thereof: Web Presence & Productivity	852,261	810,024*
thereof: Cloud Solutions	92,112	76,939*
Revenue from contracts with related parties	**43,908**	**37,058**
Total revenue*	**988,281**	**924,021**

* Unaudited.

Note: The revenue breakdown of revenue from contracts with customers by business area shown in the above table differs from the revenue breakdown shown in the Audited Consolidated Financial Statements 2020 and the Audited Consolidated Financial Statements 2019 of the Company, which broke down into product revenue from business with SMBs, *e.g.*, with "domains, web hosting and website builder", "professional hosting" and "domain business under the InterNetX, sedo, united-domains and home.pl brands". For more information, see Note 5 to the Audited Consolidated Financial Statements 2020 and Note 5 to the Audited Consolidated Financial Statements 2019. The revenue breakdown by business area shown above for fiscal year 2020 is taken from the comparative prior-year figures included in Note 5 to the Audited Consolidated Financial Statements 2021. The revenue breakdown by business area for fiscal year 2019 is taken from the Company's accounting records.

Our total revenue increased by € 64.3 million, or 7.0%, from € 924.0 million in fiscal year 2019 to € 988.3 million in fiscal year 2020.

Our revenue from contracts with customers increased by € 57.4 million, or 6.5%, from € 887.0 million in fiscal year 2019 to € 944.4 million in fiscal year 2020, primarily driven by a positive development of business with new customers and higher revenue from cross-selling and upselling of existing customers, especially with email and cloud/VPS server products. In addition, higher revenue from the sale of domains (especially revenue from contracts with customers in the Aftermarket Business growing from € 48.3 million in fiscal year 2019 to € 77.3 million in fiscal year 2020) and the continued expansion of business with cloud infrastructure and services contributed to the increase in revenue from contracts with customers.

The Web Presence & Productivity business area contributed € 852.3 million, or 90.2%, to our revenue from contracts with customers in fiscal year 2020, compared to € 810.0 million, or 91.3%, in fiscal year 2019. The Cloud Solutions business area contributed € 92.1 million, or 9.8%, to our revenue from contracts with customers in fiscal year 2020, compared to € 76.9 million, or 8.7%, in fiscal year 2019.

Our revenue with related parties increased by € 6.8 million from € 37.1 million in fiscal year 2019 to € 43.9 million in fiscal year 2020, mainly due to a larger amount of rented server capacities by United Internet Group entities and increased product development services for United Internet Group entities.

In fiscal year 2020, we generated 51.8% of our revenue from contracts with customers by location of the selling entity in the domestic market (fiscal year 2019: 52.1%), and 48.2% in foreign markets (fiscal year 2019: 47.9%).

10.5.4.2 Cost of Sales

Our cost of sales increased by € 33.5 million, or 8.0%, from € 417.2 million in fiscal year 2019 to € 450.7 million in fiscal year 2020. Cost of sales include cost of services, personnel expenses, depreciation and amortization, costs for data center operation and other costs. While most components of cost of sales increased, cost of services increased the most from € 228.9 million in fiscal year 2019 to € 258.4 million in fiscal year 2021. The increase in cost of services was mainly attributable to higher volume of purchased services in connection with the sale of domains. Personnel expenses increased from € 73.7 million in fiscal year 2019 to € 80.0 million in fiscal year 2020. In contrast, costs for data center operation decreased slightly from € 39.4 million in fiscal year 2019 to € 38.7 million in fiscal year 2020. Similarly, depreciation and amortization also decreased slightly from € 73.6 million in fiscal year 2019 to € 71.6 million in fiscal year 2020. Cost of sales increased, in particular, due to the increased costs associated with the lower-margin Aftermarket Business which increased at a higher rate than total revenue, and higher energy costs for our Cloud Solutions business.

10.5.4.3 Gross Profit

Our gross profit increased by € 30.8 million, or 6.1%, from € 506.8 million in fiscal year 2019 to € 537.6 million in fiscal year 2020. Our gross profit margin decreased from 54.8% in fiscal year 2019 to 54.4% in fiscal year 2020, due to the higher proportion of lower-margin revenue from the Aftermarket Business and higher energy costs for our Cloud Solutions business, both as detailed above.

10.5.4.4 Selling Expenses

Our selling expenses increased by € 6.0 million, or 2.6%, from € 233.0 million in fiscal year 2019 to € 239.0 million in fiscal year 2020, which primarily resulted from increased personnel expenses, primarily due to new hirings and an annual salary increase (between 2% and 3%). Depreciation and amortization decreased slightly from € 32.9 million in fiscal year 2019 to € 32.8 million in fiscal year 2020.

10.5.4.5 General and Administrative Expenses

Our general and administrative expenses decreased by € 2.5 million, or 3.4%, from € 72.6 million in fiscal year 2019 to € 70.1 million in fiscal year 2020. This decrease was mainly driven by reduced depreciation and amortization as well as reduced lease expenses with a compensating effect mainly from an increase in services provided by third parties. Depreciation and amortization decreased from € 10.7 million in fiscal year 2019 to € 6.5 million in fiscal year 2020.

10.5.4.6 *Impairment losses on receivables and contract assets*

Our impairment losses on receivables and contract assets decreased by € 3.2 million, or 34.4%, from € 9.3 million in fiscal year 2019 to € 6.1 million in fiscal year 2020. This decrease was mainly driven by reduced losses on trade accounts receivables.

10.5.4.7 *Other Operating Expenses and Other Operating Income*

Our other operating expenses increased by € 5.3 million from € 10.0 million in fiscal year 2019 to € 15.3 million in fiscal year 2020, mainly due to expenses from currency translation, which increased by € 5.9 million from € 5.6 million in fiscal year 2019 to € 11.5 million in fiscal year 2020. Over the same period, our other operating income decreased by € 17.4 million, or 43.9%, from € 39.6 million in fiscal year 2019 to € 22.2 million in fiscal year 2020, mainly due to the write-up of the STRATO brand in fiscal year 2019 as part of a strategic realignment under which the Group decided to continue using the STRATO brand (see also "*10.2.4 Innovation, Brand Building and Product Portfolio*"). In the same period, income from foreign currency translations increased by € 12.6 million and income from allocations to affiliated companies decreased by € 8.7 million the latter due to the termination of recharge agreements with related parties for leased premises in 2019 as the respective related parties since concluded their own lease agreements for the respective premises.

10.5.4.8 *Operating Result*

As a result of the factors discussed above, our operating result increased by € 7.8 million, or 3.5%, from € 221.6 million in fiscal year 2019 to € 229.4 million in fiscal year 2020.

10.5.4.9 *Finance Costs*

Our finance costs decreased by € 8.1 million, or 6.7%, from € 121.4 million in fiscal year 2019 to € 113.3 million in fiscal year 2020. This decrease was mainly driven by reduced intercompany interest and similar expenses mainly relating to interest in connection with the vendor loan granted by United Internet AG and cash pool transactions with United Internet AG as well as the subsequent measurement of the purchase price liability for the purchase of STRATO AG.

10.5.4.10 *Finance Income*

Our finance income increased slightly by € 0.3 million, or 23.1%, from € 1.3 million in fiscal year 2019 to € 1.6 million in fiscal year 2020. This increase was mainly driven by increased interest in connection with cash pool transactions with United Internet AG, increased income from discounting non-current provisions and other finance income.

10.5.4.11 *Pre-Tax Result*

Essentially as a result of the factors discussed above, our pre-tax result increased by € 16.2 million, or 15.9%, from € 101.8 million in fiscal year 2019 to € 118.0 million in fiscal year 2020. Our share of the profit or loss of associates accounted for using the equity method remained almost flat at a profit of € 0.3 million in fiscal year 2020 compared to a profit of € 0.2 million in fiscal year 2019.

10.5.4.12 *Income Taxes*

Our income taxes decreased by € 5.6 million, or 11.8%, from € 47.6 million in fiscal year 2019 to € 42.0 million in fiscal year 2020. While, in particular, the increased pre-tax result led to higher total current income taxes in 2020 of € 58.1 million compared to € 54.9 million in 2019, higher deferred tax income in fiscal year 2020 compared to fiscal year 2019 resulted in the overall decrease of income taxes.

For more information, see Note 16 to the Audited Consolidated Financial Statements 2020 of the Company.

10.5.4.13 *Net Income*

As a result of the factors discussed above, our net income increased by € 21.8 million, or 40.2%, from € 54.2 million in fiscal year 2019 to € 76.0 million in fiscal year 2020.

10.6 Financial Position

10.6.1 Overview

The following table presents an overview of the consolidated statement of financial position of the Company as of December 31, 2021, 2020 and 2019, and as of September 30, 2022:

	As of December 31,			As of September 30,
	2021	**2020**	**2019**	**2022**
(in € thousand)		**(audited)**		**(unaudited)**
ASSETS				
Current assets				
Cash and cash equivalents	49,520	105,805	39,823	42,828
Trade accounts receivable	49,526	35,572	33,491	63,551
Receivables from related parties	15,830	40,701	62,892	23,437
Contract assets	7,894	9,881	7,991	8,152
Inventories	14	13	35	87
Prepaid expenses	18,127	16,090	16,233	24,751
Other financial assets	15,390	11,983	11,491	22,264
Other non-financial assets	145	285	908	869
Income tax claims	5,141	10,934	3,277	12,745
	161,587	**231,264**	**176,141**	**198,684**
Non-current assets				
Investments in associated companies	3,589	2,208	2,051	3,658
Receivables from finance leases	–	–	–	3,259
Other financial assets	1,946	1,935	46,521	898
Property, plant and equipment	271,782	219,908	189,182	326,695
Intangible assets				
Other intangible assets	201,437	220,960	258,802	182,291
Goodwill	825,261	806,893	813,942	819,177
Contract assets	2	9	4	2
Prepaid expenses	5,962	4,361	4,116	8,260
Deferred tax assets	102	998	9,175	130
	1,310,081	**1,257,272**	**1,323,793**	**1,344,370**
Total assets	**1,471,668**	**1,488,536**	**1,499,934**	**1,543,054**
LIABILITIES				
Current liabilities				
Trade accounts payable	63,427	52,180	49,834	67,845
Liabilities to related parties	5,935	7,249	9,155	5,987
Liabilities due to banks	0	4	517	302
Income tax liabilities	14,046	17,858	18,723	31,761
Contract liabilities	71,629	71,238	75,024	79,229
Other provisions	314	426	5,327	459
Other financial liabilities	100,262	70,614	36,814	92,243
Other non-financial liabilities	21,998	11,586	11,942	20,695
	277,611	**231,155**	**207,336**	**298,521**
Non-current liabilities				
Liabilities to related parties	1,315,000	1,466,000	1,586,000	1,265,000
Deferred tax liabilities	25,209	54,122	84,534	9,767

	As of December 31,			As of September 30,
	2021	2020	2019	2022
(in € thousand)		(audited)		(unaudited)
Trade accounts payable	–	–	24	–
Contract liabilities	561	770	986	915
Other provisions	2,344	1,601	2,237	3,612
Other financial liabilities	82,651	61,054	49,193	118,264
	1,425,765	**1,583,547**	**1,722,974**	**1,397,558**
Total liabilities	**1,703,376**	**1,814,702**	**1,930,310**	**1,696,079**
EQUITY				
Issued capital	360	360	360	360
Reserves	-213,903	-298,725	-459,635	-130,922
Revaluation reserves	–	–	41,900	–
Currency translation adjustment	-20,760	-30,286	-15,253	-22,582
Equity attributable to shareholders of the parent company	**-234,303**	**-328,651**	**-432,628**	**-153,144**
Non-controlling interests	2,595	2,485	2,252	119
Total equity	**-231,708**	**-326,166**	**-430,376**	**-153,025**
Total liabilities and equity	**1,471,668**	**1,488,536**	**1,499,934**	**1,543,054**

10.6.2 Comparison as of September 30, 2022 and December 31, 2021

10.6.2.1 Assets

As of September 30, 2022, our total assets amounted to € 1,543.1 million and comprised total current assets of € 198.7 million (12.9% of our total assets) and total non-current assets of € 1,344.4 million (87.1% of our total assets). In comparison, our total assets amounted to € 1,471.7 million as of December 31, 2021, comprising total current assets of € 161.6 million (11.0% of our total assets) and total non-current assets of € 1,310.1 million (89.0% of our total assets). The increase of our total assets as of September 30, 2022 when compared to total assets as of December 31, 2021 was attributable to an increase in both current assets and non-current assets.

Our total current assets increased from € 161.6 million as of December 31, 2021, by € 37.1 million, or 23.0%, to € 198.7 million as of September 30, 2022. Trade accounts receivables increased by € 14.1 million, or 28.5%, from € 49.5 million as of December 31, 2021 to € 63.6 million as of September 30, 2022. Receivables from related parties increased from € 15.8 million as of December 31, 2021 by € 7.6 million, or 48.1%, to € 23.4 million as of September 30, 2022. In addition, other financial assets increased by € 6.9 million, or 44.8%, from € 15.4 million as of December 31, 2021 to € 22.3 million as of September 30, 2022.

Our total non-current assets increased by € 34.3 million, or 2.6%, from € 1,310.1 million as of December 31, 2021 to € 1,344.4 million as of September 30, 2022. Other intangible assets, mostly comprising software and licenses, trademarks, customer base and other intangible assets decreased by € 19.1 million, or 9.5%, from € 201.4 million as of December 31, 2021 to € 182.3 million as of September 30, 2022, mainly as a result of the amortization of software and the customer base. In addition, goodwill decreased by € 6.1 million, or 0.7%, from € 825.3 million as of December 31, 2021 to € 819.2 million as of September 30, 2022. On the other hand, property plant and equipment increased by € 54.9 million, or 20.2%, from € 271.8 million as of December 31, 2021 to € 326.7 million as of September 30, 2022.

10.6.2.2 Liabilities

As of September 30, 2022, our total liabilities amounted to € 1,696.1 million and comprised total current liabilities of € 298.5 million (17.6% of our total liabilities) and total non-current liabilities of € 1,397.6 million (82.4% of our total liabilities). In comparison, our total liabilities amounted to € 1,703.4 million as of December 31, 2021, comprising total current liabilities of € 277.6 million (16.3% of our total liabilities) and total non-current liabilities of € 1,425.8 million (83.7% of our total liabilities).

Our total current liabilities increased by € 20.9 million, or 7.5%, from € 277.6 million as of December 31, 2021 to € 298.5 million as of September 30, 2022. Current trade accounts payable increased by € 4.4 million, or 7.0%, from € 63.4 million as of December 31, 2021 to € 67.8 million as of September 30, 2022. In addition, income tax liabilities increased by € 17.8 million, or 127.1%, from € 14.0 million as of December 31, 2021 to € 31.8 million as of September 30, 2022.

Our total non-current liabilities decreased by € 28.2 million, or 2.0%, from € 1,425.8 million as of December 31, 2021 to € 1,397.6 million as of September 30, 2022. The main reason for this decrease was that non-current liabilities to related parties decreased from € 1,315.0 million as of December 31, 2021 to € 1,265.0 million as of September 30, 2022 as a result of the partial repayment of the vendor loan from United Internet AG for the acquisition of shares in IONOS SE. Deferred tax liabilities decreased by € 15.4 million, or 61.1%, from € 25.2 million as of December 31, 2021 to € 9.8 million as of September 30, 2022. Non-current other financial liabilities, however, increased by € 35.6 million, or 43.0%, from € 82.7 million as of December 31, 2021 to € 118.3 million as of September 30, 2022.

10.6.2.3 Equity

Our total equity amounted to € -153.0 million as of September 30, 2022, compared to € -231.7 million as of December 31, 2021.

The negative equity of 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 by funds managed by Warburg Pincus LLC, New York, United States of America ("**WP**") indirectly through WP XII Venture Holdings S.à r.l. of 33.33% in IONOS Group SE (for further details see "*13.3 History and Development of the Group*").

In 2017, United Internet AG, which held all ordinary and preferred shares in 1&1 Internet SE (now renamed to IONOS SE) in the past, transferred its shares into its subsidiary 1&1 Internet Holding SE (now renamed to IONOS Holding SE), in exchange for new ordinary shares and one preference share, as well as a long-term vendor loan in connection with the deferral of the purchase price. These organizational measures and thereafter the contribution of the shares in IONOS Holding SE to IONOS Group SE (formerly IONOS TopCo SE) have been made as pre-acquisition steps to facilitate that funds managed by WP could indirectly through WP XII Venture Holdings S.à r.l. acquire 33.33% of the shares of IONOS Group SE. As the acquisition costs of the shares of IONOS Holding SE in IONOS SE include the vendor loan provided by United Internet AG, such costs are higher than the corresponding equity position in IONOS SE (due to the vendor loan). Therefore, a negative equity position resulted in the course of preparing consolidated financial statements. The vendor loan amounted to € 839.0 million as of September 30, 2022, compared to € 889.0 million as of December 31, 2021.

Despite the negative equity, the Company has prepared its Consolidated Financial Statements on a going concern basis, as the Group has generated positive results in the past, is expected to continue to generate positive results in the future, and has been able to obtain financing at any time in the past and expects to be able to do so in the future. On this basis, when preparing the Consolidated Financial Statements, we believed that we will be able to meet our financial obligations at all times.

10.6.3 Comparison as of December 31, 2021 and December 31, 2020

10.6.3.1 Assets

As of December 31, 2021, our total assets amounted to € 1,471.7 million and comprised total current assets of € 161.6 million (11.0% of our total assets) and total non-current assets of € 1,310.1 million (89.0% of our total assets). In comparison, our total assets amounted to € 1,488.5 million as of December 31, 2020, comprising total current assets of € 231.3 million (15.5% of our total assets) and total non-current assets of € 1,257.3 million (84.5% of our total assets). The decrease of our total assets as of December 31, 2021 when compared to total assets as of December 31, 2020 was attributable to a decrease in current assets.

Our total current assets decreased from € 231.3 million as of December 31, 2020 by € 69.7 million, or 30.1%, to € 161.6 million as of December 31, 2021, primarily resulting from a decrease in cash and cash equivalents by € 56.3 million, or 53.2%, from € 105.8 million as of December 31, 2020 to € 49.5 million as of December 31, 2021. In addition, income tax claims decreased by € 5.8 million, or 53.2%, from € 10.9 million as of December 31, 2020 to € 5.1 million as of December 31, 2021. Moreover, receivables from related parties decreased by € 24.9 million, or 61.2%, from € 40.7 million as of December 31, 2020 to € 15.8 million as of December 31, 2021, mainly due to the decrease in receivables within the framework of cash pooling from United Internet AG. Other current assets remained mostly stable as of December 31, 2021 compared to December 31, 2020.

Our total non-current assets increased by € 52.8 million, or 4.2%, from € 1,257.3 million as of December 31, 2020 to € 1,310.1 million as of December 31, 2021. Other intangible assets, mostly comprising software and licenses, trademarks, customer base and other intangible assets decreased by € 19.6 million, or 8.9%, from € 221.0 million as of December 31, 2020 to € 201.4 million as of December 31, 2021, mainly as a result of the amortization of software and the customer base. On the other hand, goodwill increased by € 18.4 million, or 2.3%, from € 806.9 million as of December 31, 2020 to € 825.3 million as of December 31, 2021, € 14.6 million of which is accounted for by goodwill from the acquisition of the we22 Group and € 3.8 million from exchange rate differences. In addition, property plant and equipment increased by € 51.9 million, or 23.6%, from € 219.9 million as of December 31, 2020 to € 271.8 million as of December 31, 2021.

10.6.3.2 Liabilities

As of December 31, 2021, our total liabilities amounted to € 1,703.4 million and comprised total current liabilities of € 277.6 million (16.3% of our total liabilities) and total non-current liabilities of € 1,425.8 million (83.7% of our total liabilities). In comparison, our total liabilities amounted to € 1,814.7 million as of December 31, 2020, comprising total current liabilities of € 231.2 million (12.7% of our total liabilities) and total non-current liabilities of € 1,583.5 million (87.3% of our total liabilities).

Our total current liabilities increased by € 46.4 million, or 20.1%, from € 231.2 million as of December 31, 2020 to € 277.6 million as of December 31, 2021. Current trade accounts payable increased by € 11.2 million, or 21.5%, from € 52.2 million as of December 31, 2020 to € 63.4 million as of December 31, 2021. Current other financial liabilities increased by € 29.7 million, or 42.2%, from € 70.6 million as of December 31, 2020 to € 100.3 million as of December 31, 2021, mainly due to the change in the fair value of current contingent purchase price liabilities and the reclassification of the put option liabilities in connection with the minority interests in InterNetX Holding GmbH from non-current to current liabilities according to their remaining term of less than one year.

Our total non-current liabilities decreased by € 157.7 million, or 10.0%, from € 1,583.5 million as of December 31, 2020 to € 1,425.8 million as of December 31, 2021. The main reason for this decrease was that non-current liabilities to related parties decreased from € 1,466.0 million as of December 31, 2020 to € 1,315.0 million as of December 31, 2021 as a result of the partial repayment of the vendor loan from United Internet AG for the acquisition of shares in IONOS SE. Deferred tax liabilities decreased by € 28.9 million, or 53.4%, from € 54.1 million as of December 31, 2020 to € 25.2 million as of December 31, 2021. The decrease mainly resulted from an increase of deferred tax assets on interest carryforwards of the tax group of IONOS Holding SE in the amount of € 9.0 million and of € 14.3 million deferred tax assets from provisions for the long-term incentive program ("**LTIP**"), both reducing the deferred tax liabilities by balancing. In addition, deferred tax liabilities from intangible assets in connection with the amortization of assets from company acquisitions decreased by € 7.6 million. Non-current other financial liabilities, however, increased by € 21.6 million, or 35.4%, from € 61.1 million as of December 31, 2020 to € 82.7 million as of December 31, 2021. In addition, non-current lease liabilities increased by € 29.3 million and put option liabilities decreased by € 7.7 million as of December 31, 2021 compared to December 31, 2020 due to the reclassification from non-current to current liabilities according to their remaining term of less than one year.

10.6.3.3 Equity

Our total equity amounted to € -231.7 million as of December 31, 2021, compared to € -326.2 million as of December 31, 2020.

The negative equity of 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 by funds managed by WP indirectly through WP XII Venture Holdings S.à r.l. of 33.33% in IONOS Group SE (for further details see "*13.3 History and Development of the Group*").

In 2017, United Internet AG, which held all ordinary and preferred shares in 1&1 Internet SE (now renamed as IONOS SE) in the past, transferred its shares into its subsidiary 1&1 Internet Holding SE (now renamed as IONOS Holding SE), in exchange for new ordinary shares and one preference share, as well as a long-term vendor loan in connection with the deferral of the purchase price. These organizational measures and thereafter the contribution of the shares in IONOS Holding SE to IONOS Group SE (formerly IONOS TopCo SE) have been made as pre-acquisition steps to facilitate that funds managed by WP could indirectly through WP XII Venture Holdings S.à r.l. acquire 33.33% of the shares of IONOS Group SE. As the acquisition costs of the shares of

IONOS Holding SE in IONOS SE include the vendor loan provided by United Internet AG, such costs are higher than the corresponding equity position in IONOS SE (due to the vendor loan). Therefore, a negative equity position resulted in the course of preparing consolidated financial statements. The vendor loan amounted to € 889.0 million as of December 31, 2021, compared to € 1,040.0 million as of December 31, 2020.

Despite the negative equity, the Company has prepared its Consolidated Financial Statements on a going concern basis, as the Group has generated positive results in the past, is expected to continue to generate positive results in the future, and has been able to obtain financing at any time in the past and expects to be able to do so in the future. On this basis, when preparing the Consolidated Financial Statements, we believed that we will be able to meet our financial obligations at all times.

10.6.4 Comparison as of December 31, 2020 and December 31, 2019

10.6.4.1 Assets

As of December 31, 2020, our total assets amounted to € 1,488.5 million and comprised total current assets of € 231.3 million (15.5% of our total assets) and total non-current assets of € 1,257.3 million (84.5% of our total assets). In comparison, our total assets amounted to € 1,499.9 million as of December 31, 2019, comprising total current assets of € 176.1 million (11.7% of our total assets) and total non-current assets of € 1,323.8 million (88.3% of our total assets). The decrease of our total assets as of December 31, 2020 when compared to total assets as of December 31, 2019 was mainly attributable to the decrease in non-current assets.

Our total current assets increased by € 55.2 million, or 31.3%, from € 176.1 million as of December 31, 2019 to € 231.3 million as of December 31, 2020, primarily due to an increase in cash and cash equivalents, which increased by € 66.0 million from € 39.8 million as of December 31, 2019, to € 105.8 million as of December 31, 2020, mainly as a result of the proceeds received from the sale of the shares in Afilias during fiscal year 2020. In addition, income tax claims increased by € 7.6 million from € 3.3 million as of December 31, 2019 to € 10.9 million as of December 31, 2020. Despite receivables from related parties which decreased by € 22.2 million, or 35.3%, from € 62.9 million as of December 31, 2019 to € 40.7 million as of December 31, 2020, mainly due to the decrease in cash pool receivables from United Internet AG, other current assets remained mostly stable as of December 31, 2020 compared to December 31, 2019.

Our total non-current assets decreased from € 1,323.8 million as of December 31, 2019 by € 66.5 million, or 5.0%, to € 1,257.3 million as of December 31, 2020. Non-current other financial assets decreased from € 46.5 million as of December 31, 2019 by € 44.6 million, or 95.9%, to € 1.9 million as of December 31, 2020, due to the disposal of the shares in Afilias. Other intangible assets, mostly comprising software and licenses, trademarks, customer base and other intangible assets decreased from € 258.8 million as of December 31, 2019 by € 37.8 million, or 14.6%, to € 221.0 million as of December 31, 2020, mainly driven by the amortization. On the other hand, property plant and equipment increased from € 189.2 million as of December 31, 2019 by € 30.7 million, or 16.2%, to € 219.9 million as of December 31, 2020. An increase of € 31.1 million as of December 31, 2020 compared to December 31, 2019 is attributable to right-of-use assets that were mainly capitalized due to new agreements for the lease of buildings.

10.6.4.2 Liabilities

As of December 31, 2020, our total liabilities amounted to € 1,814.7 million and comprised total current liabilities of € 231.2 million (12.7% of our total liabilities) and total non-current liabilities of € 1,583.5 million (87.3% of our total liabilities). In comparison, our total liabilities amounted to € 1,930.3 million as of December 31, 2019, comprising total current liabilities of € 207.3 million (10.7% of our total liabilities) and total non-current liabilities of € 1,723.0 million (89.3% of our total liabilities).

Our total current liabilities increased by € 23.9 million, or 11.5%, from € 207.3 million as of December 31, 2019 to € 231.2 million as of December 31, 2020, mainly due to an increase in current other financial liabilities resulting from contingent purchase price liabilities, an increase in current lease liabilities as well as an increase in marketing and selling expenses/commissions. The current contingent purchase price liabilities refer to variable purchase price components from the acquisition of STRATO AG and from the acquisition of 1&1 IONOS Cloud GmbH (formerly, *i.e.*, at the time of the acquisition, ProfitBricks GmbH, in 2019 merged into IONOS SE (at the time under the corporate name 1&1 IONOS SE)). Since these liabilities were expected to be due within the next twelve months, they were recognized as current for the first time.

Our total non-current liabilities decreased by € 139.5 million, or 8.1%, from € 1,723.0 million as of December 31, 2019 to € 1,583.5 million as of December 31, 2020, mainly due to a decrease in non-current liabilities to related parties from € 1,586.0 million as of December 31, 2019 to € 1,466.0 million as of December 31, 2020, as a result of the repayment of the partial amount from the vendor loan from United Internet AG for the acquisition of shares in IONOS SE. Deferred tax liabilities decreased by € 30.4 million, or 36.0%, from € 84.5 million as of December 31, 2019 to € 54.1 million as of December 31, 2020. The decrease is mainly caused by the first-time recognition of deferred tax assets on interest carryforwards of the tax group of IONOS Holding SE in the amount of € 10.9 million and the increase by € 5.9 million in deferred tax assets from provisions for the LTIP, both reducing the deferred tax liabilities by balancing. In addition, deferred tax liabilities from intangible assets in connection with the amortization of assets from company acquisitions decreased by € 7.6 million as of December 31, 2020 compared to December 31, 2019. Non-current other financial liabilities, however, increased by € 11.9 million, or 24.2%, from € 49.2 million as of December 31, 2019 to € 61.1 million as of December 31, 2020, mainly because of an increase in non-current lease liabilities which increased by € 28.5 million from € 24.5 million as of December 31, 2019 to € 53.0 million as of December 31, 2020. On the other hand, non-current contingent purchase price liabilities decreased to nil as of December 31, 2020, from € 19.2 million as of December 31, 2019, due to the reclassification of contingent purchase price liabilities in connection with the acquisition of STRATO AG and from the acquisition of 1&1 IONOS Cloud GmbH (formerly ProfitBricks GmbH, in 2019 merged into IONOS SE (at the time under the corporate name 1&1 IONOS SE)) from non-current to current liabilities.

10.6.4.3 Equity

Our total equity amounted to € -326.2 million as of December 31, 2020, compared to € -430.4 million as of December 31, 2019.

The negative equity of 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 by funds managed by WP indirectly through WP XII Venture Holdings S.à r.l. of 33.33% in IONOS Group SE (for further details see "*13.3 History and Development of the Group*").

In 2017, United Internet AG, which held all ordinary and preferred shares in 1&1 Internet SE (now renamed as IONOS SE) in the past, transferred its shares into its subsidiary 1&1 Internet Holding SE (now renamed as IONOS Holding SE), in exchange for new ordinary shares and one preference share, as well as a long-term vendor loan in connection with the deferral of the purchase price. These organizational measures and thereafter the contribution of the shares in IONOS Holding SE to IONOS Group SE (formerly IONOS TopCo SE) have been made as pre-acquisition steps to facilitate that funds managed by WP could indirectly through WP XII Venture Holdings S.à r.l. acquire 33.33% of the shares of IONOS Group SE. As the acquisition costs of the shares of IONOS Holding SE in IONOS SE include the vendor loan provided by United Internet AG, such costs are higher than the corresponding equity position in IONOS SE (due to the vendor loan). Therefore, a negative equity position resulted in the course of preparing consolidated financial statements. The vendor loan amounted to € 1,040.0 million as of December 31, 2020, compared to € 1,160.0 million as of December 31, 2019.

Despite the negative equity, the Company has prepared its Consolidated Financial Statements on a going concern basis, as the Group has generated positive results in the past, is expected to continue to generate positive results in the future, and has been able to obtain financing at any time in the past and expects to be able to do so in the future. On this basis, when preparing the Consolidated Financial Statements, we believed that we will be able to meet our financial obligations at all times.

10.7 Liquidity and Cash Flows

10.7.1 Overview

During fiscal years 2019, 2020 and 2021, as well during the nine-month period ended September 30, 2022, IONOS' primary sources of liquidity for funding its operations were cash generated from operating activities and shareholder loans granted by United Internet AG. While we are constantly evaluating our financing arrangements and assessing alternatives, as of the date of the Prospectus, there are no plans to terminate the financing granted by and the cash pooling with United Internet AG in the foreseeable future. The Group may also, from time to time, seek other sources of funding, which may include debt or equity financing, depending on the Group's acquisition and investment strategy, its financing needs and market conditions. For information on IONOS' financial liabilities, see "*10.9 Shareholder Loans and Selected Other Financial Liabilities"*.

The following table provides an overview of the consolidated cash flow statement of the Company for the fiscal years ended December 31, 2021, 2020 and 2019, as well as for the nine-month periods ended September 30, 2022 and 2021:

	For the Fiscal Year Ended December 31,			For the Nine-Month Period Ended September 30,	
	2021	2020	2019	2022	2021
(in € thousand)		(audited)		(unaudited)	
Net income	61,938	75,990	54,248	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	82,646	79,011	78,868	64,727	60,866
Depreciation and amortization of assets resulting from business combinations	30,004	31,879	38,384	20,123	21,871
Write-ups(-)/impairment losses(+) on intangible assets and property, plant and equipment	–	–	-19,438	–	–
Employee expenses from share-based payment programs	12,788	9,469	7,424	2,609	10,205
Interest expense from the unwinding of the discount on lease liabilities	2,433	2,186	3,414	2,501	1,726
Share of the profit or loss of associates accounted for using the equity method	-216	-265	-231	-214	-375
Distributed profits of associated companies	229	108	98	205	229
Other non-cash items from changes in deferred tax position	-22,161	-16,133	-7,065	-15,469	-17,472
Income from the sale of intangible assets and property, plant and equipment	-481	-178	-120	121	-238
Other non-cash items	20,536	7,988	9,227	-3,768	4,735
Operative cash flow	**187,716**	**190,055**	**164,809**	**148,789**	**138,947**
Change in assets and liabilities					
Change in receivables and other assets	-5,286	-11,415	57,741	-27,558	-5,782
Change in inventories	-1	22	27	-73	-1
Change in contract assets	1,994	-1,895	-2,158	-258	1,753
Change in prepaid expenses	-3,437	-102	1,943	-8,923	-3,643
Change in trade accounts payable	10,679	2,322	-1,629	4,420	-1,480
Change in receivables from/liabilities to related parties	-1,811	-3,099	2,994	3,656	260
Change in other provisions	-38	-5,537	336	1,413	333
Change in income tax liabilities	-3,825	-5,646	-51,004	17,716	7,306
Change in other liabilities	14,745	5,922	-5,031	7,178	11,244
Change in contract liabilities	-189	-4,002	-999	7,953	1,622
Changes in assets and liabilities, total	**12,831**	**-23,430**	**2,220**	**5,524**	**11,612**
Cash flow from operating activities	**200,547**	**166,625**	**167,029**	**154,313**	**150,559**
Cash flow from investing activities					
Cash payments to acquire property, plant and equipment and intangibles	-93,018	-66,790	-74,557	-77,206	-67,699
Cash receipts from sales of property, plant and equipment and intangibles	2,276	2,799	5,611	869	1,345
Cash payments for business combinations, net of cash acquired	-21,197	–	–	–	-21,197
Payments for the acquisition of associated companies	-2,394	–	–	-61	–

	For the Fiscal Year Ended December 31,			For the Nine-Month Period Ended September 30,	
	2021	2020	2019	2022	2021
(in € thousand)		(audited)		(unaudited)	
Cash payments to acquire assets as part of a business combination	–	-316	–	–	–
Cash receipts from the sale of other financial assets	372	77,637	210	1,055	-16
Payments within the framework of cash pooling	25,370	23,384	-61,043	-11,211	23,259
Payments related to other financial assets	–	-36	–	-14	–
Cash flow from investing activities	**-88,591**	**36,678**	**-129,779**	**-86,568**	**-64,308**
Cash flow from financing activities					
Dividend payments to non-controlling interests	-963	-401	-285	-799	-386
Cash payments for equity acquisition of remaining shares in InterNetX Holding GmbH	–	–	–	-15,182	–
Repayment of cash pool liabilities to related parties	–	–	-6,157	–	–
Cash proceeds from loans	–	4	517	302	–
Repayment of loans	-153,141	-120,517	-20,002	-50,001	-128,108
Redemption of lease liabilities	-15,963	-15,315	-18,120	-11,320	-11,571
Dividend payments to shareholders	-16	-19	–	-9	-16
Cash flow from financing activities	**-170,083**	**-136,248**	**-44,047**	**-77,009**	**-140,081**
Net decrease/increase in cash and cash equivalents	-58,127	67,055	-6,797	-9,264	-53,830
Cash and cash equivalents at beginning of fiscal year/period	105,805	39,823	46,312	49,520	105,805
Currency translation adjustments of cash and cash equivalents	1,842	-1,073	308	2,572	1,409
Cash and cash equivalents at end of fiscal year/period	**49,520**	**105,805**	**39,823**	**42,828**	**53,386**

10.7.2 Comparison of the Nine-Month Periods Ended September 30, 2022 and 2021

Our cash flow from operating activities increased by € 3.7 million to € 154.3 million in the nine-month period ended September 30, 2022 compared to € 150.6 million in the nine-month period ended September 30, 2021. The operative cash flow (net income adjusted by non-cash effects) in the nine-month period ended September 30, 2022 was € 9.8 million higher than the operative cash flow in the nine-month period ended September 30, 2021.

Our cash flow from investing activities in the nine-month period ended September 30, 2022 amounted to a cash outflow of € 86.6 million, compared to a cash outflow of € 64.3 million in the nine-month period ended September 30, 2021. The cash outflow mainly resulted from cash payments to acquire property, plant and equipment and intangibles in the amount of € 77.2 million in the nine-month period ended September 30, 2022, compared to € 67.7 million in the nine-month period ended September 30, 2021. There were no cash payments for business combinations in the nine-month period ended September 30, 2022, compared to € 21.2 million relating to the acquisition of shares in we22 Aktiengesellschaft in the nine-month period ended September 30, 2021. In addition, payments within the framework of cash pooling decreased from a cash inflow of € 23.3 million in the nine-month period ended September 30, 2021, to a cash outflow € 11.2 million in the nine-month period ended September 30, 2022.

In the nine-month period ended September 30, 2022, our cash flow from financing activities amounted to a cash outflow of € 77.0 million, compared to a cash outflow of € 140.1 million in the nine-month period ended September 30, 2021. The decreased cash outflow from financing activities mainly related to lower repayments of loans in the amount of € 78.1 million (€ 50.0 million in the nine-month period ended September 30, 2022 compared to € 128.1 million the nine-month period ended September 30, 2021).

With this development of our cash flows in the nine-month period ended September 30, 2022, cash and cash equivalents at the end of the nine-month period ended September 30, 2022 amounted to € 42.8 million. Cash and cash equivalents were predominantly held in U.S. dollar, euro and PLN.

10.7.3 Comparison of Fiscal Years 2021 and 2020

Our cash flow from operating activities increased by € 33.9 million to € 200.5 million in fiscal year 2021 compared to € 166.6 million in fiscal year 2020. While the operative cash flow (net income adjusted by non-cash effects) in fiscal year 2021 was € 2.4 million lower than the operative cash flow for fiscal year 2020, changes in assets and liabilities overcompensated this effect. The changes in assets and liabilities were mainly driven by changes in other liabilities, changes in trade accounts payable and changes in receivables and other assets.

Our cash flow from investing activities in fiscal year 2021 amounted to a cash outflow of € 88.6 million, compared to a cash inflow of € 36.7 million in fiscal year 2020. The cash outflow in 2021 mainly resulted from cash payments to acquire property, plant and equipment and intangibles in the amount of € 93.0 million in fiscal year 2021, compared to € 66.8 million in fiscal year 2020, and the cash payments for business combinations, net of cash acquired relating to the acquisition of shares in we22 Aktiengesellschaft amounting to € 21.2 million. In fiscal year 2020, cash payments to acquire property, plant and equipment and intangibles amounted to € 66.8 million, and, in addition, the cash flow from investing activities reflected the cash receipts from the sale of other financial assets amounting to € 77.6 million, mainly from the sale of the shares in Afilias (see above "*10.2.5 Mergers & Acquisitions*").

In fiscal year 2021, our cash flow from financing activities amounted to a cash outflow of € 170.1 million, compared to a cash outflow of € 136.2 million in fiscal year 2020. The increased cash outflow from financing activities mainly related to higher repayments of loans in the amount of € 32.6 million (€ 153.1 million in 2021 compared to € 120.5 million in 2020).

With this development of our cash flows in fiscal year 2021, cash and cash equivalents at the end of fiscal year 2021 amounted to € 49.5 million. Cash and cash equivalents were predominantly held in U.S. dollar, euro and PLN.

10.7.4 Comparison of Fiscal Years 2020 and 2019

At € 166.6 million, our cash flow from operating activities in fiscal year 2020 was only slightly below the comparative figure for fiscal year 2019 with € 167.0 million. While the operative cash flow (net income adjusted by non-cash effects) was € 25.3 million higher in fiscal year 2020 compared to fiscal year 2019, it was offset by changes in receivables and other assets resulting in a decrease in cash flow by € 69.1 million which was partially offset by a decreased cash outflow from income tax liabilities by € 45.4 million.

Our cash flow from investing activities in fiscal year 2020 amounted to a cash inflow of € 36.7 million, compared to a cash outflow of € 129.8 million in fiscal year 2019. This change of € 166.5 million mainly resulted from an increased cash inflow from payments within the framework of cash pooling of € 84.4 million resulting in a cash inflow of € 23.4 million in fiscal year 2020 compared to a cash outflow of € 61.0 million in fiscal year 2019, as well as increased cash receipts from the sale of other financial assets of € 77.4 million, mainly from the sale of the shares in Afilias, resulting in a cash inflow of € 77.6 million in fiscal year 2020 compared to a cash inflow of € 0.2 million in fiscal year 2019. In addition, there was a decreased cash outflow from cash payments to acquire property, plant and equipment and intangibles in fiscal year 2020 (amounting to € 66.8 million) compared to fiscal year 2019 (€ 74.6 million). These effects in fiscal year 2020 – in particular the increased cash inflow from the sale of Afilias and the increased cash inflow from the increased payments within the framework of cash pooling – resulted, in the aggregate, in an increased net cash inflow from investing activities in fiscal year 2020 compared to fiscal year 2019.

In fiscal year 2020, our cash flow from financing activities amounted to a cash outflow of € 136.2 million, compared to a cash outflow of € 44.0 million in fiscal year 2019. The increased cash outflow from financing activities mainly related to the repayment of loans in the amount of € 120.5 million in fiscal year 2020 as compared to € 20.0 million in fiscal year 2019. This increase was partly offset by a repayment of cash pool liabilities of € 6.2 million in fiscal year 2019, with no such payment in fiscal year 2020.

With this development of our cash flows in fiscal year 2020, our cash and cash equivalents at the end of fiscal year 2020 amounted to € 105.8 million. Cash and cash equivalents were predominantly held in U.S. dollar, euro and PLN.

10.8 Capital Expenditures

10.8.1 Overview

Our total capital expenditures comprise (i) maintenance capital expenditures and (ii) growth capital expenditures. Capital expenditures for all ongoing and planned investments, including material investments, have been funded or are intended to be funded from cash flow from operating activities and existing liquidity, respectively. For the definitions, calculations and reconciliation of the APMs presented in this section, including total capital expenditures, see section *"4.9 Alternative Performance Measures"*. In general, we have been focusing on investments in high-end and state-of-the art servers and data centers with the aim of generating higher operating margins, including from a long-term perspective.

In fiscal years 2019, 2020 and 2021, as well for the nine-month period ended September 30, 2022 and until the date of the Prospectus, a large portion (generally more than 80%) of our total capital expenditures was attributable to our Web Presence & Productivity business area, while only a smaller portion (generally less than 20%) related to our Cloud Solutions business area. On a geographical basis, our total capital expenditures are predominantly made at the level of IONOS in Germany, France and the United Kingdom, at the level of arsys mainly in Spain in connection with an extensions of the data center in Logroño, and in Poland at the level of home.pl.

We do not expect this distribution of our total capital expenditures to change materially in the near-term future.

The following table provides an overview of the capital expenditures of the Group for the fiscal years ended December 31, 2021, 2020 and 2019, as well as for the nine-month periods ended September 30, 2022 and 2021:

	For the Fiscal Year Ended December 31,			**For the Nine-Month Period Ended September 30,**	
	2021	**2020**	**2019**	**2022**	**2021**
(in € thousand)		**(unaudited)**		**(unaudited)**	
Total capital expenditures	**150,559**	**111,822**	**72,352**	**126,549**	**77,722**
Thereof growth capital expenditures	*55,740*	*21,492*	*17,659*	*46,521*	*40,785*
Thereof maintenance capital expenditures	*94,819*	*90,329*	*54,691*	*80,028*	*36,937*
Thereof attributable to additions to right-of-use assets	*57,541*	*45,556*	*7,984*	*49,343*	*9,887*

10.8.2 Ongoing and Planned Capital Expenditures

For fiscal year 2022, we incurred total capital expenditures in an amount of approximately € 155 million, of which approximately € 55 million are attributable to additions to right-of-use assets, including growth capital expenditures and maintenance capital expenditures. For fiscal year 2022, we estimate capital expenditures as a percentage of our total revenue to be slightly above 10%, and thus higher than in fiscal year 2021 driven, in particular, by capacity increases. Our total capital expenditures were and are still impacted by long lead times driven by the COVID-19 pandemic, which resulted, to a certain extent, in shifts to fiscal year 2023. On a geographical basis, approximately 65% of our total capital expenditures in fiscal year 2022 were made in Germany, approximately 25% in the rest of Europe and approximately 10% outside Europe. Since the end of the fiscal year 2022 and until the date of the Prospectus, we incurred no material capital expenditures.

As of the date of the Prospectus, total capital expenditures relating to investments for which firm commitments are already made (all of which are in progress) amounted to approximately € 10 to 15 million mainly relating to investments in the expansion and maintenance of our data center infrastructure (e.g. server, network equipment, spare parts as well as cloud infrastructure) with the majority spent in Germany and further geographical focus being Spain, the United Kingdom and the United States. We fund these firmly committed capital expenditures through operating cash flows and existing liquidity. Apart from investments for which firm commitments were already made, there are no material investments that are in progress as of the date of the Prospectus.

For the fiscal year 2023, we have budgeted total capital expenditures in an amount of approximately € 105 million with no additions to right-of-use assets planned. On a geographical basis, we expect approximately 63% of our budgeted total capital expenditures in fiscal year 2023 to be made in Germany, approximately 26% in the rest of Europe and approximately 11% outside Europe. Beyond 2023, our planned capital expenditures mainly relate to the additional data center in Hattersheim, Germany, in the aggregate amount of approximately € 55 million through 2026 with approximately € 5 million budgeted for 2023 and the majority expected for 2024 and 2025. In addition, planned investments relate to further investments into our Cloud Solutions business as well as a data center expansion at arsys in Spain. In addition, we plan capital expenditures for regular maintenance. We plan to fund our planned capital expenditures primarily through operating cash flows and existing liquidity as well as, if required, through external financing such as bank loans that we would take out for these purposes.

10.8.3 Capital Expenditures in Fiscal Year 2021

In fiscal year 2021, our total capital expenditures amounted to € 150.6 million of which € 57.5 million related to additions to right-of-use assets concerning the extension or new conclusion of lease agreements for office building and data centers. In addition, capital expenditures in fiscal year 2021 mainly related to the construction of a new data center in the United Kingdom as well as a further expansion of the asset base of our Cloud Solutions business. Growth capital expenditures amounting to € 55.7 million included investments in the construction of a new data center in the United Kingdom, investments in a new billing system, investments in new co-location sites in Frankfurt, Paris, Logroño and Lenexa as well as extraordinary server investments related to IONOS Cloud Solutions projects as well as the acquisition of we22 (for further information see above section "*10.2.5 Mergers & Acquisitions*"). On a geographical basis, approximately 77% of our total capital expenditures in fiscal year 2021 were made in Germany, approximately 16% in the rest of Europe and approximately 7% outside Europe.

10.8.4 Capital Expenditures in Fiscal Year 2020

In fiscal year 2020, our total capital expenditures amounted to € 111.8 million of which € 45.6 million related to additions to right-of-use assets mainly related to the new office building in Karlsruhe, Germany. In addition, capital expenditures in fiscal year 2020 were mainly spent to update and renew our server infrastructure. Growth capital expenditures of € 21.5 million mainly related to an investment to start the construction of a new data center in the United Kingdom, the replacement of a chiller at the Baden Airpark data center and investments in a new billing system. On a geographical basis, approximately 74% of our total capital expenditures in fiscal year 2020 were made in Germany, approximately 19% in the rest of Europe and approximately 6% outside Europe.

10.8.5 Capital Expenditures in Fiscal Year 2019

In fiscal year 2019, our total capital expenditures amounted to € 72.4 million of which € 8.0 million related to additions to right-of-use assets. In addition, capital expenditures in fiscal year 2019 were mainly spent to update and renew our server infrastructure. Growth capital expenditures of € 17.7 million mainly related to the purchase of licenses and data backup solutions at the level of STRATO, as well as the purchase of the license for a new billing platform at the level of home.pl. On a geographical basis, approximately 58% of our total capital expenditures in fiscal year 2019 were made in Germany, approximately 27% in the rest of Europe and approximately 14% outside Europe.

10.9 Shareholder Loans and Selected Other Financial Liabilities

The following table presents an overview of selected financial liabilities of the Group including loans granted by our shareholder United Internet AG as of December 31, 2021, 2020, 2019, and as of September 30, 2022:

(in € thousand)	As of December 31, 2021	2020	2019	As of September 30, 2022
	(audited)			(unaudited)
Non-current liabilities to related parties	1,315,000	1,466,000	1,586,000	1,265,000
Current liabilities to related parties	5,935	7,249	9,155	5,987
Current liabilities due to banks	0	4	517	302
Non-current other financial liabilities	82,651	61,054	49,193	118,264
Current other financial liabilities	100,262	70,614	36,814	92,243

As of September 30, 2022, our non-current and current liabilities to related parties amounting to € 1,271.0 million existed between entities of the IONOS Group and entities of the United Internet Group that are not part of the basis of consolidation of the IONOS Group. The non-current liabilities to related parties as of September 30, 2022 included a vendor loan of € 839.0 million for the acquisition of shares in 1&1 Internet SE (now: IONOS SE) and a loan of € 350.0 million for the acquisition of shares in STRATO AG. Both loans bear interest at 6.75% p.a. and have a term until December 31, 2026. Both loans are unsecured. In addition, there is a loan liability to United Internet AG in the amount of € 76.0 million as of September 30, 2022. The loan was granted for the acquisition of shares in World4You Internet Service GmbH. It has a term until December 31, 2023 and bears interest at 5.0% p.a. See also section "*13.17.1 Financing Agreements*". Our non-current and current other financial liabilities amounted to € 210.5 million as of September 30, 2022 and mainly related to lease liabilities, contingent purchase price liabilities relating to purchase price components from the acquisition of STRATO AG and from the acquisition of 1&1 IONOS Cloud GmbH.

As of December 31, 2021, our non-current and current liabilities to related parties amounting to € 1,320.9 million existed between entities of the IONOS Group and entities of the United Internet Group that are not part of the basis of consolidation of the IONOS Group. The non-current liabilities to related parties as of December 31, 2021 included a vendor loan of € 889.0 million for the acquisition of shares in 1&1 Internet SE (now: IONOS SE) and a loan of € 350.0 million for the acquisition of shares in STRATO AG. Both loans bear interest at 6.75% p.a. and have a term until December 31, 2026. Both loans are unsecured. In addition, there was a loan liability to United Internet AG in the amount of € 76.0 million as of December 31, 2021. The loan was granted for the acquisition of shares in World4You Internet Service GmbH. It has a term until December 31, 2023 and bears interest at 5.0% p.a. See also section "*13.17.1 Financing Agreements*". Our non-current and current other financial liabilities amounted to € 183.0 million as of December 31, 2021 and mainly related to lease liabilities, contingent purchase price liabilities relating to purchase price components from the acquisition of STRATO AG and from the acquisition of 1&1 IONOS Cloud GmbH, put option liabilities in connection with the acquisition of minority interests in InterNetX Holding GmbH and salary liabilities.

As of December 31, 2020, our non-current and current liabilities to related parties amounting to € 1,473.2 million existed between entities of the IONOS Group and entities of the United Internet Group that are not part of the basis of consolidation of the IONOS Group. The non-current liabilities to related parties as of December 31, 2020 related to the three aforementioned shareholder loans. Our non-current and current other financial liabilities amounted to € 131.7 million as of December 31, 2020 and mainly related to lease liabilities, contingent purchase price liabilities relating to purchase price components from the acquisition of STRATO AG and from the acquisition of 1&1 IONOS Cloud GmbH, put option liabilities in connection with the minority interests in InterNetX Holding GmbH and salary liabilities.

As of December 31, 2019, our non-current and current liabilities to related parties amounting to € 1,595.2 million existed between entities of the IONOS Group and entities of the United Internet Group that are not part of the basis of consolidation of the IONOS Group. The non-current liabilities to related parties as of December 31, 2019 related to the three aforementioned shareholder loans. Our non-current and current other financial liabilities amounted to € 86.0 million as of December 31, 2019 and mainly related to lease liabilities, contingent purchase price liabilities relating to purchase price components from the acquisition of STRATO AG and from the acquisition of 1&1 IONOS Cloud GmbH, put option liabilities in connection with the minority interests in InterNetX Holding GmbH and salary liabilities.

10.10 Other Financial Obligations

The Group had the following other financial obligations as of December 31, 2021, 2020 and 2019 as well as September 30, 2022:

	As of December 31,			As of September 30,
	2021	2020	2019	2022
(in € thousand)		(audited)		(unaudited)
Up to 1 year	3,463	2,853	1,622	4,181
1 to 5 years	11,532	7,598	3,809	10,793
Over 5 years	4,842	3,571	1,966	3,409
Total	**19,837**	**14,022**	**7,397**	18,383

Other financial obligations mainly contain service charges for building leases.

As of September 30, 2022, we had commitments to purchase property, plant and equipment of € 2.2 million and intangible assets of € 1.0 million in total. As of December 31, 2021, we had commitments to purchase property, plant and equipment of € 9.2 million (December 31, 2020: € 9.7 million) and intangible assets of € 1.2 million (December 31, 2020: € 0.8 million) in total.

10.11 Disclosure about Financial Risk Management

Our business is exposed to a range of financial risks, including liquidity risk, market risk, interest rate risk, currency risk, and credit and default risk. Overall, our financial risk management system, based on the COSO ERM Framework, aims to minimize such financial risks and their potential negative effects on the operating and financial performance of our business. The principles of our finance policy are set by our Management Board and monitored by our Supervisory Board.

For a detailed description of quantitative and qualitative disclosure on selected financial risks of our Group, see Note 41 to the Audited Consolidated Financial Statements 2021.

10.12 Significant Accounting Estimates and Assumptions

See Notes 2 and 3 to the Audited Consolidated Financial Statements of the Company for a description of significant accounting policies and measurement principles as well as significant judgments and accounting estimates.

10.13 Information from the Audited Unconsolidated Annual Financial Statements

The Audited Unconsolidated Annual Financial Statements of the Company were prepared in accordance with the requirements of German commercial law applicable to business corporations (German GAAP) and contain a balance sheet, an income statement, and notes thereto. The Company does not have any business operations.

In fiscal year 2021, the Company recorded a net loss for the year of € 2.9 million (fiscal year 2020: € 0.5 million), mainly due to other operating expenses of € 2.9 million (fiscal year 2020: € 0.6 million). Income from loans classified as fixed financial assets amounted to € 0.04 million (fiscal year 2020: € 0.04 million). Other operating income amounted to € 0.004 million (fiscal year 2020: nil).

Total assets amounted to € 521.9 million as of December 31, 2021 (December 31, 2020: € 522.7 million). Thereof, shares in affiliates amounted to € 156.1 million (December 31, 2020: € 156.1 million), and loans to affiliates amounted to € 365.8 million as of December 31, 2021 (December 31, 2020: € 366.5 million). Liabilities amounted to € 0.03 million as of December 31, 2021 (December 31, 2020: € 0.3 million), including liabilities to affiliates of € 0.025 million (December 31, 2020: € 0.27 million). Other provisions amounted to € 2.4 million as of December 31, 2021 (December 31, 2020: € 0.05 million) and related to expenses for consulting, auditing and financial statement closing. Equity amounted to € 519.5 million as of December 31, 2021 (December 31, 2020: € 522.4 million), including capital reserves of € 523.2 million as of December 31, 2021 (December 31, 2020: € 523.2 million).

For further information on the Audited Unconsolidated Annual Financial Statements of the Company, see pages "F-253" *et seqq*.

11 PROFIT ESTIMATE

11.1 Introductory Remarks

Our profit estimate for the adjusted EBITDA margin ("Adjusted EBITDA Margin") of IONOS Group SE (hereinafter also the "**Issuer**" or the "**Company**", and together with its consolidated subsidiaries, "**IONOS Group**", "**Group**", "**IONOS**", "**we**", "**our**" and "**us**") for the fiscal year ended December 31, 2022, together with the respective explanatory notes, hereinafter referred to as the "**Profit Estimate**" or "**Adjusted EBITDA Margin Estimate**" is not a representation of facts and should therefore not be interpreted as such by prospective investors. Rather, it reflects the expectations of the management board (*Vorstand*) of the Company (the "**Management Board**") with respect to the Adjusted EBITDA Margin Estimate. Any estimate, including the Profit Estimate, is necessarily based on a number of assumptions about past events and actions, many of which were beyond the Issuer's control, and upon assumptions with respect to past business decisions.

The Profit Estimate is based on the Company's actual unaudited condensed consolidated interim financial statements of IONOS Group SE as of and for the nine-month period ended September 30, 2022 and supplemented by the remaining three months for the fiscal year ended December 31, 2022 ("**Fiscal Year 2022**"). Financial information regarding October and November 2022 is based on the actual unaudited results of these months. Financial information for December 2022 is based on preliminary results neither approved by the board nor audited.

The Profit Estimate is based on factors and assumptions made by the Company's Management Board with respect to (i) factors beyond our control (ii) factors that can be influenced by us to a certain extent and (iii) factors that can be influenced by us. Although the Issuer believes that these assumptions are reasonable on the date as of which the Profit Estimate is prepared and remains valid as of the date until the Profit Estimate is published, they may subsequently prove to have been unjustified or incorrect. Should one or more of these assumptions prove to be inappropriate or incorrect, our actual results could materially deviate from the Profit Estimate made by us. Accordingly, prospective investors should treat this information with caution and should not place undue reliance on the Profit Estimate.

Any forward-looking statements included in the Profit Estimate, are necessarily based on a number of assumptions and estimates about past events and actions, including management's assessment of opportunities and risks. Such assumptions and estimates are inherently subject to significant business, operational, economic and competitive uncertainties and contingencies, many of which are beyond the Group's control, and upon assumptions with respect to future business decisions that are subject to change.

11.2 Definition of Adjusted EBITDA Margin

We use Adjusted EBITDA Margin as a key performance indicator as we believe it is a meaningful measure to evaluate the performance of our business activities over time. We understand that this measure is broadly used by analysts and investors in assessing our performance.

We calculate the Adjusted EBITDA Margin by dividing Adjusted EBITDA (as presented below) by IONOS Group's total revenue as defined under IFRS (i.e., the sum of revenue from contracts with customers and revenue from contracts with related parties).

Adjusted EBITDA Margin is the key figure for operational management and analysis of IONOS Group's underlying financial performance. Adjusted EBITDA Margin is not defined under International Financial Reporting Standards as adopted by the European Union ("**IFRS**") or any other generally accepted accounting principles and should not be considered as an alternative to financial results or other indicators of our results of operations and financial position based on IFRS measures. In particular, Adjusted EBITDA Margin should not be considered as an alternative to the IONOS Group's net income/loss as an indicator of the IONOS Group's performance and profitability, or as an alternative to cash flow from operating activities as an indicator of its financial strength. Adjusted EBITDA Margin may not be comparable to other similarly titled measures of other companies and has limitations as an analytical tool. The Group regards Adjusted EBITDA Margin as alternative performance measures within the meaning of the European Securities and Markets Authority Guidelines on alternative performance measures of October 5, 2015. Adjusted EBITDA is defined as the IONOS Group's earnings before income taxes, share of the profit or loss of associates accounted for using the equity method, finance costs and finance income, and depreciation and amortization ("**EBITDA**") adjusted for the following non-recurring or non-operating items: (i) adjustment for long-term incentive plans, (ii) adjustment for stand-alone activities, (iii) adjustment for IPO costs, (iv) adjustment for certain consulting fees incurred for one-off projects, (v) adjustment for certain severance payments, and (vi) adjustment for certain gains / losses from sale of subsidiaries or investments in associated companies.

The following table provides a reconciliation of the Group's operating result for the period of the Group's Adjusted EBITDA Margin:

Operating Result

+ Depreciation and amortization of intangible assets and property, plant and equipment

= Earnings before interest, taxes, depreciation and amortization (EBITDA)

+ Adjustment for LTIP (1)

+ Adjustment for stand-alone activities (2)

+ Adjustment for IPO costs (3)

+ Adjustment for consulting fees incurred for one-off projects (4)

+ Adjustment for severance payments (5)

+ Adjustment for gains / losses from sale of subsidiaries or investments in associated companies (6)

= Adjusted EBITDA

/ Total of revenue from contracts with customers and revenue from contracts with related parties

= Adjusted EBITDA Margin

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(1) Includes costs of employee stock ownership programs (long-term incentive plans ("**LTIP**")).

(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 certain consulting fees incurred in connection with one-off projects, e.g. as reorganization measures.

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

(6) Includes certain gains/losses that result from the sale of subsidiaries or investments in associated companies of IONOS Group SE. Such an adjustment did not occur in the prior periods but occurred for the first time in the fourth calendar quarter of 2022.

11.3 Profit Estimate for IONOS Group SE for the Fiscal Year 2022

Based on the data recorded in the accounting systems of IONOS Group and the current knowledge of our management about the business development of IONOS Group for the period from January 1, 2022 to December 31, 2022 as well as the assumptions of management with respect to past events and actions, we estimate that the Adjusted EBITDA Margin of IONOS Group for the period from January 1, 2022 to December 31, 2022 will be between 25% and 28%.

11.4 Underlying Principles

The Profit Estimate was prepared in accordance with the principles of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e. V.* – "**IDW**") in IDW Accounting Practice Statement: Preparation of Profit Forecasts and Estimates in Accordance with the Specific Requirements of the Regulation on Prospectuses (*IDW AcPS AAB 2.003) (IDW Rechnungslegungshinweis: Erstellung von Gewinnprognosen und -schätzungen nach den besonderen Anforderungen der Prospektverordnung* (IDW RH HFA 2.003)).

Although Adjusted EBITDA Margin is not an IFRS measure of operating income, operating performance or liquidity, the Adjusted EBITDA Margin Estimate was prepared on the basis of input factors on the basis of IFRS as adopted by the European Union. With respect to the accounting policies applied, reference is made to the notes of the unaudited condensed consolidated interim financial statements as of and for the nine months ended September 30, 2022, and to the notes to the audited consolidated financial statements as of and for the fiscal year ended December 31, 2021 of IONOS Group SE.

The Profit Estimate has been compiled and prepared on a basis which is both (a) comparable with the historical financial information included in this Prospectus, *i.e.*, the consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2021, prepared in accordance with IFRS and the condensed consolidated interim financial statements of the Company as of and for the nine-month period ended

September 30, 2022, prepared in accordance with IFRS applicable to interim reporting (IAS 34), and (b) consistent with the Issuer's accounting policies.

The Profit Estimate is based on the following assumptions made by our management about transactions and events that have already taken place and have not yet been finally recorded in our accounting records. We are still in the process of preparing the consolidated financial statements as of and for the fiscal year ended December 31, 2022. In the course of preparing these consolidated financial statements, changes may still occur with regard to matters that have not yet been processed, but also with regard to matters that have already been processed.

The Adjusted EBITDA Margin Estimate reflects adjusting events up to and including January 26, 2023. Adjusting events are events that are relevant to the closing of accounts, which occurred on or before the balance sheet date (*i.e.*, December 31, 2022), but which only become known after the balance sheet date until the date the consolidated financial statements are prepared. Such events are not within our control. Adjusting events between January 26, 2023 and the date of preparation of the consolidated financial statements of the Company for the fiscal year ended December 31, 2022 may therefore affect the accuracy of the Adjusted EBITDA Margin Estimate.

If not stated otherwise, developments are presented in comparison to the year ended December 31, 2021 ("**Fiscal Year 2021**").

The Profit Estimate has been prepared solely for the inclusion in this Prospectus for the offering of shares in the Company and represents our best estimates as of January 26, 2023.

11.5 Factors and Assumptions

11.5.1 Factors Beyond our Control and Related Assumptions

The Adjusted EBITDA Margin Estimate is subject to factors beyond our control. These factors and our assumptions regarding their impact are described below.

Factor 1: Unforeseen Events

Unfavorable unforeseen events such as force majeure (*e.g.*, earthquakes, tsunamis, typhoons (for example, in the Philippines), fires, floods, etc.), mechanical failures, human errors, cyber-attacks, terrorist attacks, war, a global pandemic or extraordinary macroeconomic events may negatively impact the sales of our products. In addition, system failures and outages may disrupt the operation of our data processing centers, IT systems and servers and affect our ability to provide products and services such as webhosting, email and cloud services for a variety of reasons, including, potential security breaches.

For the purpose of the Adjusted EBITDA Margin Estimate, we currently believe that no material unforeseen events occurred that resulted in material or lasting impact on the ongoing operations of the Group.

Factor 2: Global Economic and Political Development

Our business is dependent on the strength, in particular, of the retail and commercial sectors and general global economic conditions, particularly within our key markets, Europe and North America. If the macroeconomic conditions worldwide, in particular of the economies in which we operate, deteriorate, this could trigger a decline in sectors and markets in which we operate, and thus our business may be negatively affected. We could also be negatively impacted by economic crises in specific countries or regions. Moreover, our business prospects may be negatively affected by political instability, international conflicts and other geopolitical tensions or adverse social developments (*e.g.*, the Russian invasion of Ukraine and ongoing Russia-Ukraine war as well as related political conflicts among Russia and the NATO).

For the purpose of the Adjusted EBITDA Margin Estimate, we estimate that the economic and political environment in the countries most relevant to IONOS Group remained stable and therefore did not have a particular impact on the Profit Estimate.

Factor 3: Compliance, Legal and Regulatory Development

Laws and regulations governing data privacy and protection and data sovereignty requirements are rapidly evolving and differ in the different jurisdictions in which we operate. Failure to comply with any of such requirements may have severe consequences, including administrative fines, claims for damages or lengthy investigations. Continued compliance on the other hand may require costly adaptation measures, including increase of personnel and technical upgrades.

During the Fiscal Year 2022, we currently believe that we were compliant with relevant laws and regulations in all material aspects.

Factor 4: Foreign Exchange Rate Movements

While our reporting currency is the Euro, due to our global operations, a portion of our revenue is denominated, and some of our consolidated subsidiaries report, in foreign currencies. 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. Currency hedging transactions are currently not actively conducted. Our results of operations are therefore affected by exchange rate fluctuations.

For purposes of the Adjusted EBITDA Margin Estimate, we applied the following average exchange rates for the Fiscal Year 2022 for the most important currencies:

Currency Rates	**Fiscal Year 2022**
USD/EUR	0.95
GBP/EUR	1.17
PLN/EUR	0.21

Factor 5: Prices for Supplies

Rising inflation and higher prices for different products and raw materials adversely affected the general macroeconomic environment. This development was driven by the Russian invasion of Ukraine and ongoing Russia-Ukraine war adversely affecting the general macroeconomic environment but also general global supply shortages as well as price increases for many goods and services.

For the purpose of the Adjusted EBITDA Margin Estimate, we estimate that especially price increases for supplies, such as electricity or third-party software and open-source software, had a negative impact on our business. These price increases were partially passed on to our customers and other United Internet segments. The price increases and higher charges were already reflected in cost of sales (see factor 10) and total revenue (see factor 9).

11.5.2 Factors That Can Be Influenced By Us To A Certain Extent And Related Assumptions

In addition to the factors and assumptions that are beyond our control, the Adjusted EBITDA Margin Estimate is subject to factors that can be influenced by us to a certain extent. These factors, and our assumptions regarding their impact, are described below.

Factor 6: Competitive Environment

The markets in which we operate are characterized by rapid change and high competition. We believe the innovation pace in the markets we serve is likely to continue to accelerate as customers increasingly base their purchases of cloud offerings as well as domains and webhosting solutions and other Web Presence & Productivity products and services on their needs for new and upgraded features. In order to compete in the markets we serve, we must continually innovate and adapt our offerings. The competitive environment could encourage our competitors to reduce prices or even provide certain offerings free of cost, which would potentially lead to a loss of market share, or which could lead to IONOS reducing prices as well and consequently decreasing our profitability.

For the purpose of the Adjusted EBITDA Margin Estimate, we estimate that competition remained stable and we were able to maintain our relative market position compared to the Fiscal Year 2021 as well as compared to September 30, 2022.

Factor 7: Dependency on Suppliers, Service Providers and Other Partners

Part of our product offering, e.g. in our Cloud Solutions business area, relies on third-party software and open-source software maintained by organizations of which we are only one of many members. Thus, we depend on the availability of licenses for software used by our customers, including Microsoft, Google and WordPress products. Given that these third parties are independent from us, we have only limited or even no control over their operations. In addition, some of the activities that are required for the production of our products are outsourced to production partners. This applies, for example, to certain hardware, which is supplied by partners as well as several software vendors of white label products.

For the purpose of the Adjusted EBITDA Margin Estimate, we estimate that no interruption in the operations of third parties, no supply bottlenecks or longer delivery times from some critical supplies or changes to licenses that may be disadvantageous to us occurred.

Factor 8: Demand for Hosting and Cloud Computing Services

The Group operates in the two business areas Web Presence & Productivity and Cloud Solutions based on IONOS' existing geographical and product footprint, namely (i) for Europe and North America (except for the product groups server hosting and cloud which are only included for Europe) and (ii) for our focus customer group of small and midsize businesses.

For the purpose of the Adjusted EBITDA Margin Estimate, we estimate that demand for both hosting and cloud computing services remained high in all of IONOS Group's core markets. The development was based on our marketing campaigns and the ongoing trend towards a greater use of technology and computing triggered by the COVID-19 pandemic, which resulted in a positive development of our paid customer and service inventory compared to the Fiscal Year 2021.

11.5.3 Factors That Can Be Influenced By Us And Related Assumptions

In addition to the factors and assumptions that are beyond our control and factors and assumptions that can be influenced by us to a certain extent, the Adjusted EBITDA Margin Estimate is subject to factors that can be influenced by us. These factors, and our assumptions regarding their impact, are described below.

Factor 9: Total Revenue

IONOS Group's total revenue is generated with two business areas, namely Web Presence & Productivity and Cloud Solutions, which accounted for approximately 89.4% and 10.6%, respectively, of our revenue from contracts with customers during the nine months ended September 30, 2022. In addition, we generate revenue from contracts with related parties, which accounted for approximately 3.8% of our total revenue during the nine months ended September 30, 2022.

For the purpose of the Adjusted EBITDA Margin Estimate, we estimate that total revenue amounted to between € 1.265 billion and € 1.300 billion, based on the total revenue achieved during the nine months ended September 30, 2022 and the development in the fourth quarter of 2022.

Overall, we estimate that the relative contributions to the Group's revenue of the two business areas, as well as the revenue from contracts with related parties in total remained consistent compared to the nine months ended September 30, 2022.

Factor 10: Cost of Sales

Cost of sales are primarily composed of license, domain and electricity expenses, personnel expenses related to our Technology & Development department and cost for the operations of our data centers (*e.g.,* maintenance and repairs). For the nine months ended September 30, 2022, cost of sales as a percentage of total revenue amounted to 53.4%.

For purposes of the Adjusted EBITDA Margin Estimate, we estimate that cost of sales increased significantly compared to the Fiscal Year 2021, primarily reflecting higher revenue-driven costs in our aftermarket business, a higher headcount in our Technology & Development departments and a corresponding increase in personnel expenses, higher license payments for third party products as well as higher domain costs, with the latter being mainly driven by the strengthening of the U.S. dollar versus the euro. This estimated increase in personnel expenses was partially offset by lower estimated expenses related to LTIP (see factor 17).

In addition, we estimate that electricity expenses increased significantly compared to the Fiscal Year 2021. However, prices for electricity demand in 2022 for all major entities were already fixed via contracts with our major energy suppliers as the end of October 2022. Still, for the purpose of the Adjusted EBITDA Margin Estimate, we estimate that the impact of increased electricity prices was high compared to the Fiscal Year 2021.

Overall, for purposes of the Adjusted EBITDA Margin Estimate, we estimate that cost of sales as a percentage of revenue increased considerably compared to the ratio for the nine months ended September 30, 2022.

Factor 11: Selling Expenses

Selling expenses are primarily composed of personnel expenses of our sales, marketing and customer care departments, purchased marketing activities (*e.g.*, search engine advertising or TV advertising), commissions paid to third parties as well as expenses for external customer care agents and services as well as depreciation and amortization.

For purposes of the Adjusted EBITDA Margin Estimate, we estimate that selling expenses increased considerably compared to the Fiscal Year 2021, reflecting mainly higher brand-related marketing activities, especially related to TV advertising campaigns of the IONOS brand in Germany, the United Kingdom, France and Spain as well as to a smaller extent a higher headcount and a corresponding increase in personnel expenses in the sales and marketing function. This increase was partially offset by lower expenses related to LTIP (see factor 17) as well as by lower amortization of intangible assets resulting from business combinations reflecting residual amortization periods for the customer base (see factor 16).

Factor 12: General and Administrative expenses

General and administrative expenses are mainly composed of personnel expenses of our administration, finance and human resource function, costs for legal and consulting services by third parties, intercompany recharges from central United Internet functions as well as payment transaction costs.

For purposes of the Adjusted EBITDA Margin Estimate, we estimate that general and administrative expenses increased considerably compared to the Fiscal Year 2021, primarily as a result of higher personnel expenses related to a higher headcount and a corresponding increase in personnel expenses. This increase in personnel expenses was partially offset by lower expense related to LTIP (see factor 17). Further, expenses for consulting and audit services increased, partly in connection with the potential IPO (see factor 17) as well as in connection with a reorganization one-off project at United Internet level which was partially recharged to IONOS Group SE (see factor 17). This increase was partially offset by a decrease in charges for services provided by other United Internet subsidiaries.

Factor 13: Impairment Losses on Receivables and Contract Assets

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

For purposes of the Adjusted EBITDA Margin Estimate, we estimate that impairment losses on receivables and contract assets increased slightly compared to the Fiscal Year 2021, primarily driven by the higher revenue level and larger customer base. We did not estimate any reasons for a significant change in the underlying assumptions to write down receivables due to fraud, credit card and other online payment chargebacks compared to the Fiscal Year 2021.

Factor 14: Other Operating Expenses

Other operating expenses include, among others, expenses from foreign currency translation, expenses related to other taxes and losses from the disposal of property, plant and equipment and intangible assets.

For the purpose of the Adjusted EBITDA Margin Estimate, we estimate that other operating expenses increased considerably compared to the Fiscal Year 2021, mainly driven by higher losses from currency translation, especially of U.S. dollar. This increase was partially offset by lower expenses related to other taxes resulting from tax audits and U.S. sales tax topics.

Factor 15: Other Operating Income

Other operating income mainly includes income from foreign currency translation, income from dunning and return debit charges, income from disposal of property, plant and equipment and intangible assets, income from affiliated companies, and other items such as income from reversal of provisions and accruals.

For the purpose of the Adjusted EBITDA Margin Estimate, we estimate that other operating income increased significantly compared to the Fiscal Year 2021, due to higher income from currency translation, especially of U.S. dollar to euro, an increase in income from changes in estimates leading to reversals of provisions and accruals as well as the gain from a sale of an investment in an associated company of IONOS Group SE, which is estimated to amount to € 1.9 million (see factor 17). This increase was partially offset by a decrease in income from the sale of fixed assets.

Factor 16: Depreciation and Amortization

Depreciation and amortization primarily relate to the depreciation of server infrastructure, network assets and installations within our data centers, our office buildings and office equipment as well as the amortization of software licenses. In addition, depreciation and amortization also include amortization of intangible assets resulting from business combinations.

For purposes of the Adjusted EBITDA Margin Estimate, we estimate that depreciation and amortization remained stable compared to the Fiscal Year 2021, mainly due to lower amortization of intangible assets resulting from business combinations reflecting residual amortization periods for the customer base. This decrease was offset by an increase in depreciation related to newly acquired assets.

Depreciation and amortization is already reflected in cost of sales (see factor 10), selling expenses (see factor 11) as well as in general and administrative expenses (see factor 12). Depreciation and amortization however do not have a significant impact on these factors and related assumptions.

Factor 17: Adjustments to EBITDA

The assumptions regarding the above-mentioned factors are presented on a gross basis before adjustments to EBITDA, as income and expenses to be adjusted are included in cost of sales (see factor 10), selling expenses (see factor 11), general and administrative expenses (see factor 12) and other operating income (see factor 15).

Adjustments to Earnings before interest, taxes, depreciation and amortization (EBITDA) relate to adjustments for LTIP, stand-alone activities, IPO costs, certain consulting fees incurred for one-off projects, certain severance payments, as well as certain gains / losses from the sale of subsidiaries or investments in associated companies.

For purposes of the Adjusted EBITDA Margin Estimate, we estimate that net adjustments to EBITDA decreased considerably compared to the Fiscal Year 2021, mainly resulting from lower adjustments for LTIP and partially offset by higher adjustments for IPO costs.

11.6 Other Explanatory Notes

The Profit Estimate of 2022 does not include any extraordinary events, results due to non-recurring activities and extraordinary tax expenses within the meaning of the IDW Accounting Practice Statement 2.003 (IDW AcPS AAB 2.003), except where explicitly stated otherwise in the explanatory notes.

As this Profit Estimate is based on a number of assumptions regarding uncertain past events and actions, it inherently involves considerable uncertainties. Because of these uncertainties, it is possible that the Group's actual Adjusted EBITDA Margin for the Fiscal Year 2022 may deviate from the Profit Estimate, even substantially.

The Profit Estimate was prepared on January 26, 2023 and remains valid as of the date of the prospectus.

12 MARKET AND COMPETITIVE ENVIRONMENT

12.1 Introduction and Market Definitions

12.1.1 Presentation of IONOS' Business

IONOS is an international digitalization and cloud enabler primarily focused on solutions for SMBs. The Group also addresses freelance professionals and private users as well as larger enterprise customers. IONOS operates in the SMB Digital Platform and Cloud Market, which comprises the Web Presence & Productivity and the Cloud market segments.

For purposes of the market description, **Web Presence & Productivity** includes:

- *Domain registration and web hosting solutions*, including solutions relating to domain names, transfer and security; web hosting (*i.e.*, the Internet-based hosting of websites for customers); active server pages ASP.NET hosting and WordPress hosting.

- *Website building tools and ecommerce applications*, including do-it-yourself" (DIY)-template based website building, "do-if-for-me" (DIFM) services, online store builders and ecommerce website design. It should be noted that at IONOS, ecommerce applications are considered a part of its value-added services product offering.

- *Email & office solutions*, including professional email addresses, webmail and hosted exchange, as well as Office 365 and Google Workspace suites.

- *Value added services* ("**VAS**"), *e.g.*, search engine optimization ("**SEO**"), ad management, business apps, video conferencing, storage and security solutions.

- *Server hosting*, which for purposes of the market description and in alignment with the source used for our market model comprises dedicated servers.

Cloud includes:

- *Public Cloud* solutions, in which cloud resources (such as servers, storage drives and network connections) are shared among several customers. Public Cloud comprises IaaS services (which provide access to infrastructure, *e.g.*, high-performance computing and storage solutions), and PaaS services (where a platform, *e.g.*, operating systems, security systems, etc.) is used to run and manage a web-based application).

- *Private Cloud* solutions, in which cloud resources (*e.g.*, servers) are attributed to a single customer, and capacity in such resources is allocated among user groups authorized by the customer. Private Cloud solutions include additional security features. Private Cloud is a dedicated server environment with an installed virtualization (such as VMware). With hosted cloud solutions, customers receive fully automated, dedicated servers, and the provider manages platforms such as the operating system. Similar to Public Cloud, Private Cloud also includes an infrastructure (IaaS) and a service (PaaS) layer.

- "*Bare Metal Cloud*" solutions, where customers receive access to dedicated servers on which they operate and manage all software layers themselves (typically used for Software as a Service (SaaS) application hosting and website hosting, among other use cases).

- *Hybrid Cloud* solutions for computing environments that combine an on-premises data center or Private Cloud (*e.g.*, for sensitive information and functions) with a Public Cloud, allowing data and applications to be shared between them.

In fiscal year 2021, our Web Presence & Productivity business area accounted for 89.6% of the Group's revenue from contracts with customers, while our Cloud Solutions business area accounted for 10.4%. For more information on our product and service offering, see "*13.5 Products*". We operate internationally, but the majority of revenue has historically been generated in Europe – with an important portion coming from Germany, the United Kingdom, Spain, France and Poland (our "**Focus European Countries**") – as well as in North America (*i.e.*, in the United States and Canada).

12.1.2 Presentation of IONOS' Addressable Market

The market we address and serve directly, *i.e.*, the SMB Digital Platform and Cloud Market (also referred to as our "**Served Addressable Market**"), is a subset of the Total Addressable Market, which underlines the size of our market opportunity, with potential further penetration upside in terms of regions, customer groups and technology adoption. The markets relevant to us are defined as follows:

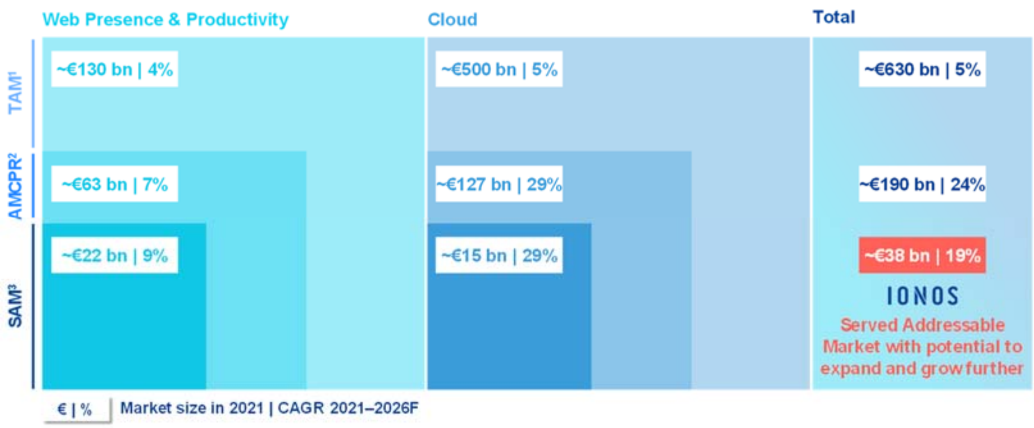
- The largest market layer is our "**Total Addressable Market**", which considers the product groups mentioned above for Web Presence & Productivity and for Cloud with a global scope, for all company sizes and assuming full technology adoption. Our Total Addressable Market illustrates the total whitespace available to be captured in the future.

- The "**Addressable Market at Current Penetration Rates**", is a subset of the Total Addressable Market that reflects today's actual market for the same product groups, also globally and across all customer sizes, but based on current penetration rates, assumed at 30% penetration for web hosting and related categories, around two-thirds for server hosting and 20% for cloud.

- Our "**Served Addressable Market**" represents the market we directly serve today through two business areas Web Presence & Productivity and Cloud Solutions (in the two analogous market segments), based on IONOS' existing geographical and product footprint, namely (i) for Europe and North America (except for the product groups server hosting and cloud which are only included for Europe) and (ii) for our focus customer group of SMBs;

The chart below provides an overview of the two market segments Web Presence & Productivity and Cloud in the different markets defined above:

Served Addressable Market, Addressable Market at Current Penetration Rates and Total Addressable Market, 2021 and with 2021-2026F (*i.e.*, 2026 forecast) CAGRs (with breakdown for Web Presence & Productivity and Cloud market segments), in € billion except CAGRs



1 TAM = Total Addressable Market
2 AMCPR = Addressable Market at Current Penetration Rates
3 SAM = Served Addressable Market, *i.e.*, the SMB Digital Platform and Cloud Market

Source: McKinsey SMB Article (chart prepared by the Company with data from the McKinsey SMB Article; names of the different markets/market segments adapted by the Company to reflect the definitions used in this market description).

Note: The calculation of our Served Addressable Market is based on McKinsey figures but excludes the server hosting product group (within Web Presence & Productivity) in North America and the Cloud market segment in North America, as explained in the paragraph below. The compound average growth rates ("**CAGR**") for our Served Addressable Market have been calculated by the Company based on underlying McKinsey figures.

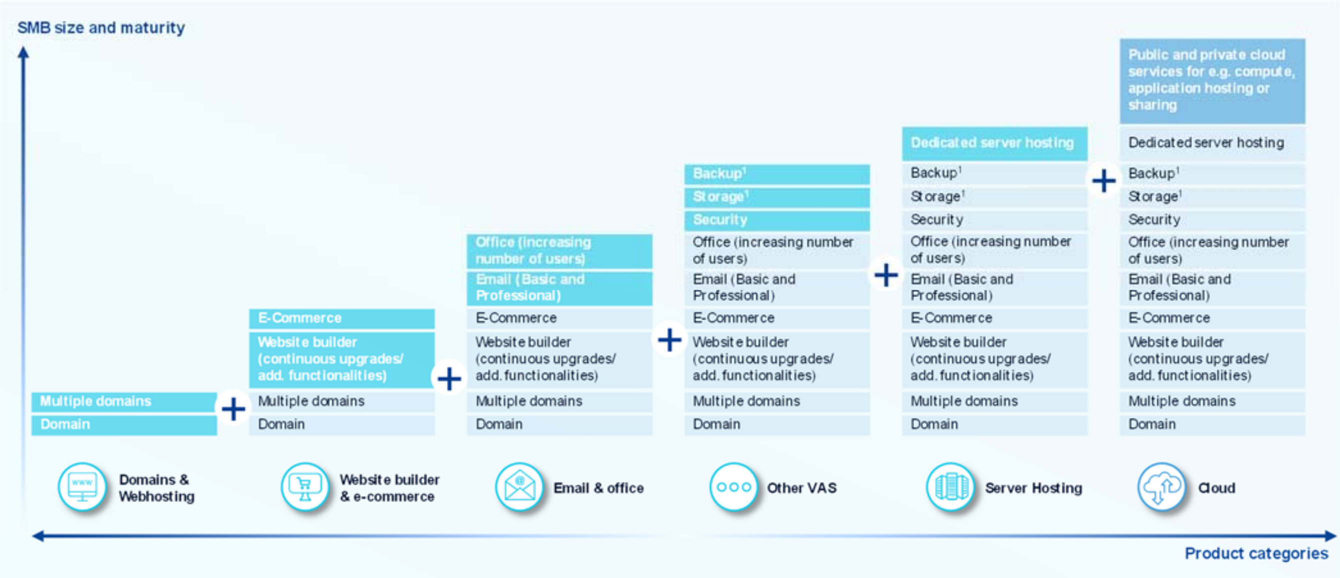
The description of IONOS' Served Addressable Market is in part based on the McKinsey SMB Article, which includes a model for the SMB digitization and cloud solutions market in Europe and North America. Two product groups for North America – server hosting and cloud – which were included in the McKinsey SMB Article have been excluded for the calculation of IONOS' Served Addressable Market, because these product groups are currently only limitedly addressable for IONOS in that region. The market model includes non-employer firms as well as micro (1-9 employees on an FTE basis), small (10-49 FTE) and medium SMBs (50-249 FTE); in addition, for server hosting and for the Cloud market segment, also large SMBs (250-999 FTE) have been considered. The

McKinsey SMB Article refers to the "Web Presence & Productivity" market segment as the "Hosting & Productivity" market segment, and to the larger market as "Digitization and cloud solutions market". For more information on this source and other market sources, see "*4.6 Information from Third Parties*".

12.1.3 The Typical Customer Digitalization and Professionalization Journey

SMBs follow a fairly predictable pattern in terms of technology services. The first step for an SMB on its digitalization and professionalization journey is usually to establish an online presence. This requires, for instance, a domain name, web hosting and the ability to create a website, including related services such as website building tools. As their business grows, they add other solutions, from professional email to ecommerce and office solutions. Once online, SMBs increasingly begin focusing on their computing/storage (*e.g.*, on-premise or cloud) deployment strategy (as well as other VAS and server hosting). This progression of demand by SMBs and the opportunity to bundle offerings generates increasing customer value for end-to-end providers like IONOS over the lifetime of the customer relationship (source: McKinsey SMB Article).

Typical SMB Digitalization and Professionalization Journey – Domain & Web hosting-led example



1) Non-cloud backup and storage software and solutions

Source: Chart prepared by the Company based on the McKinsey SMB Article

Both web presence (including related applications and services) and cloud usage are key cornerstones of the SMB digitalization and professionalization journey. While digitalization has been a high priority for SMBs over the past decade, the rate of adoption, the mission-criticality and related spending have greatly accelerated during the COVID-19 pandemic and are expected to continue growing at a significant pace over the years to come. As stated in the Deloitte SMB Report 2019, SMBs can use digital tools to improve their performance and remain competitive in a fast-moving, digitalized and global economy, in which customers are connected at all times and expect a seamless interaction that is accessible and responsive: 85% of the SMBs surveyed by Deloitte report that the digital tools they are using have helped their business.

12.2 Structural Megatrends Supporting Market Growth

We believe that growth in our Served Addressable Market will be supported by certain structural megatrends:

12.2.1 Substantial Catch-up Potential in Web Presence and Cloud Services

A key driver for the continued future growth in our Served Addressable Market is the still significant whitespace in the market. In 2015, approximately 37% of SMBs in Europe had a website, a figure which had increased to 45% by 2019 (source: McKinsey SMB Article). This growth trend has since accelerated, in part due to the COVID-19 pandemic and related effects, resulting in 51% of European SMBs having their own website in 2021. Further growth is expected over the next few years, with an estimated 58% of European SMBs having an own website by 2026. The catch-up potential is especially significant among smaller SMBs, with only 45% of non-employer firms and 56% of micro SMBs in Europe having a website in 2021, while McKinsey expects that these proportions will increase to 53% and 63% by 2026, respectively (source: McKinsey SMB Article).

McKinsey also sees a strong movement towards ecommerce digitalization solutions within SMBs, who are increasingly shifting to utilizing an online presence for customer interaction and acquisition. Ecommerce solutions saw widespread use in 2020 and 2021 among SMBs (partly due to the effect of the COVID-19 pandemic and related physical contact restrictions). In 2021, approximately 27% of the SMB companies with websites in Europe had an e-shop solution, compared to 18% in 2015 and 23% in 2019 (source: McKinsey SMB Article). We see substantial expansion potential in this area: McKinsey expects that the share of SMBs with websites that use an ecommerce solution in Europe will grow to approximately 41% by 2026, representing a 2021-2026 CAGR of approximately 8% (source: McKinsey SMB Article). We expect that this trend will especially benefit players focusing on non-employer and micro SMBs, given the larger underlying volumes in those customer clusters.

According to a survey conducted by YouGov on behalf of the Group among SMBs with 0-249 FTEs in January 2022 in Germany, certain digitalization tools such as professional email accounts and an own domain are increasingly being used (by 64% of the surveyed SMBs compared to 53% at the beginning of 2021). Also, more SMBs had an own e-shop (29%, compared to 25% at the beginning of 2021). A large portion of the surveyed SMBs mentioned costs (48%) and time constraints (46%) as challenges regarding a further digitalization of their companies. Other concerns related to uncertainties regarding security and data protection (39%) and lack of know-how (24%), which further illustrates the potential for further penetration of digitalization solutions among SMBs, in particular if providers are able to effectively address these concerns. 15% of the German SMB respondents had created a website for the first time during the COVID-19 lockdown, and 48% had an entry in online directories such as Google MyBusiness by January 2022, compared with 31% before the pandemic. The results for the same survey conducted by YouGov in the United Kingdom, France and Spain also showed that SMBs place great importance on digitalization (90% of surveyed Spanish SMBs, for example, considered digitalization to be essential). In the United Kingdom, the current digitalization level in terms of SMBs having an own website, having an email address with an own domain, etc., was particularly high. The YouGov survey included some 1,000 SMB respondents.

As regards cloud solutions, we see a significant whitespace among SMBs, with potential for further penetration: according to a survey carried out on behalf of IONOS in October 2021 in our Focus European Countries, 58% of small SMB respondents were using a cloud offering; among medium and large SMBs, the share using cloud solutions was 70% and 88%, respectively. For solopreneurs and micro SMBs, 37% of respondents in this group used a cloud offering, according to the same survey.

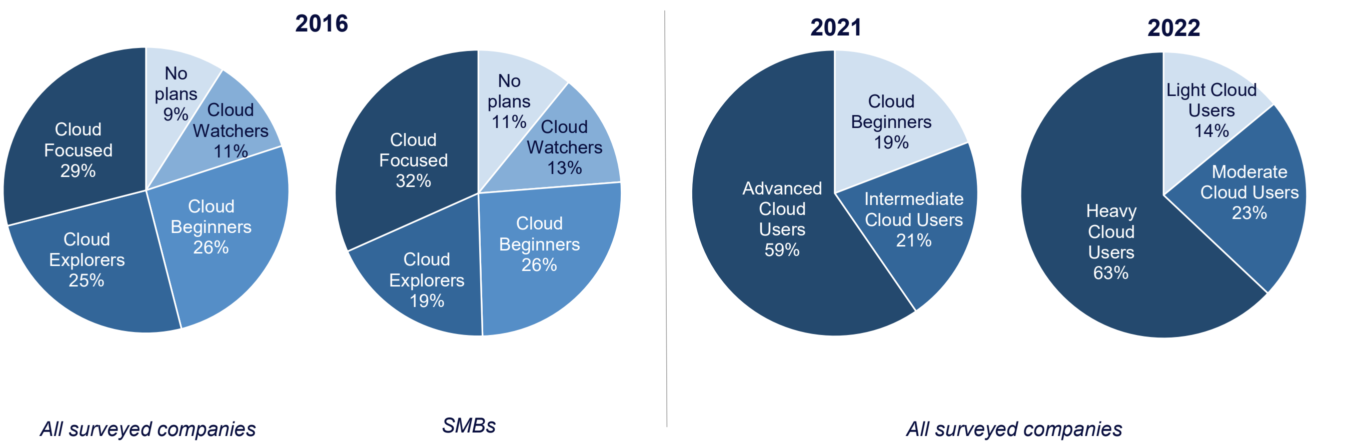
12.2.2 Continued Shift from On-premise to Cloud Environments

We also expect a positive effect on our Served Addressable Market from an increasing cloud adoption, with SMBs shifting from on-premise to cloud environments.

In our assessment, Cloud environments allow for significant cost savings compared to on-premise own and managed servers, with no capital expenditures required and higher storage capacity. They also benefit from high-performance computing and faster implementation cycles, with reduced network latency and greater economies of scale, faster time to market and scalability, gains in flexibility and greater deployment speed. In terms of data security and reliability, Cloud solutions simplify data back-up, disaster recovery and business continuity. They further make the collaboration across different locations easier and more seamless. For certain use cases (*e.g.*, Big Data), Cloud is required as technology foundation.

The chart below shows the development of cloud maturity among respondent companies in surveys conducted in 2016, 2021 and 2022 included in the respective Flexera's/RightScale State of the Cloud Reports. The figures underline the increasing maturity of cloud applications of companies, including SMBs (for 2021 and 2022, Flexera's State of the Cloud Reports did not provide the maturity categories for SMBs only, but rather aggregated for respondents of all sizes, *i.e.*, also including larger enterprises).

Development of Cloud Maturity 2016-2022



Source: Flexera's 2022 State of the Cloud Report, Flexera's 2021 State of the Cloud Report and RightScale's (later: Flexera) State of the Cloud Report 2016

The following definitions were used in the 2016, 2021 and 2022 Flexera/RightScale reports:

2016	**2021**	**2022**
Cloud focused – businesses heavily using cloud infrastructure and looking to optimize cloud operations as well as cloud costs	*Advanced cloud users* – companies with a heavy cloud use (mostly reflects the previously used category of "cloud focused" user)	*Heavy (cloud) users* – companies currently running more than 25% of workloads in the cloud.
Cloud explorers – companies with apps running	*Intermediate cloud users* – companies with apps running (mostly corresponds with the previously used "cloud explorers" category)	*Moderate cloud users* – no definition provided (we believe that it mostly corresponds with the previously used "intermediate cloud users" category)
Cloud beginners – companies with a first cloud project	*Cloud beginners* – companies with first cloud projects	*Light cloud users* – no definition provided (we believe that it mostly corresponds with the previously used "cloud beginners" category)
Cloud watchers – companies with cloud strategies and plans but which have not deployed applications into the cloud		

The KPMG/Bitkom Cloud Monitor reports 2021 and 2022 show a similar picture for Germany. In 2016, 65% of the surveyed companies with 20 or more employees used cloud solutions; by 2019, the percentage was 76%. Cloud computing in Germany expanded significantly during the COVID-19 pandemic, with 82% and 84% of the surveyed companies indicating that they are already using cloud infrastructures by 2021 and 2022, respectively (Private Cloud solutions were used by 67% of respondents in 2022, while 47% used Public Cloud offerings). In addition, according to the KPMG/Bitkom Cloud Monitor report 2022, respondents had run, on average, approximately 37% of their productivity applications from the cloud during the past year, whereby this share varied depending on the size of the business, *e.g.*, from 36% for companies with 20 to 99 employees to 47% for companies of more than 2,000 employees. For 2025, the respondent companies that are already in the cloud estimate their cloud share of productivity applications to grow to 61% on average (source: KPMG/Bitkom Cloud Monitor report 2022).

Moreover, we see opportunities from the strong increase in cloud spending, with the COVID-19 pandemic having triggered a further uplift. Several sources point to a shift of IT spend towards cloud applications and services. According to Flexera's 2021 State of Tech Spend Report, organizations are accelerating digital transformation and cloud migration to better respond to COVID-19 and other external factors: The pandemic has forced organizations to accelerate digital transformation efforts to support major changes such as how and where people work and to mitigate negative impacts of the economic downturn. Cloud helps businesses reduce costs, makes it easier for people to work from home and contributes to offset the negative impacts of revenue declines and budget cuts due to the cost reductions cloud can deliver. According to Flexera's 2022 Tech Spend Pulse Report, cloud and cloud migrations was one of the top-3 priorities for technology initiatives among respondents (mentioned by 65% of respondents in the 2021 survey included in the 2022 edition, compared with 48% in 2020 (2021 edition)). In addition, 70% of respondents (47% in 2020) said that the pandemic and recession had resulted in an increased willingness to move to cloud solutions. More than half of IT spend among the respondents in 2021 was allocated to software, with on-premise software representing 20% (compared to 24% for 2020, according to Flexera's 2021 State of Tech Spend Report), while the combination of SaaS, IaaS and PaaS represented 33% (from 30% in 2020). These results indicate a significant shift to cloud solutions (in 2019, cloud represented 25% of IT spend; source: Flexera 2020 State of Tech Spend Report, October 2019).

Also according to Flexera, Cloud spend is increasing as organizations adopt multi-cloud strategies (*i.e.*, a combination of either multiple public cloud solutions, multiple private cloud solutions or a combination of both public and private cloud) and put more data in the cloud. While in 2019 approximately 22% of the surveyed SMBs worldwide spent USD 0.6 million or more in cloud services, by 2021 the share was estimated to be 63%, increasing to 78% by 2022 – including 23% spending between USD 0.6 million and USD 1.2 million, 22% spending USD 1.2 million to USD 2.4 million, 17% spending between USD 2.4 million and USD 6 million, 9% between USD 6 million and USD 12 million and 8% spending over USD 12 million on cloud (sources: 2022 and 2021 State of the Cloud Report, and RightScale 2019 State of the Cloud Report from Flexera for 2019 figures). That means that more than half (53%) of the surveyed SMBs for the study's 2022 edition now spend more than USD 1.2 million on cloud annually, up from 38% reported in the 2021 edition of the report. In addition, 89% of the surveyed organizations (of all sizes) employed a multi-cloud strategy in 2022, including 80% which had a hybrid cloud strategy, *i.e.*, a combination of both public and private cloud (compared with 84% of respondents with a multi-cloud strategy, including 58% of respondents with a hybrid cloud strategy in 2019); for 2017, the RightScale 2017 State of the Cloud Report mentions that 67% of all respondents were using hybrid cloud (multi-cloud figures are only provided for larger enterprises with over 1,000 employees; for such larger enterprises, according to the RightScale 2017 State of the Cloud Report, 85% of the respondents had a multi-cloud strategy and 58% hybrid cloud approach) (sources: 2022 State of the Cloud Report for 2022 figures, RightScale State of the Cloud Report 2019 from Flexera for 2019 figures, and RightScale 2017 State of the Cloud Report for 2016 figures).

According to the 2021 State of the Cloud Report, 86% of the surveyed SMBs had a higher than planned cloud usage in 2021 due to the COVID-19 pandemic (combined share for answers for "slightly higher than planned" and "significantly higher than planned"). Cloud migration is also one of the top-priorities for Chief Information Officers: 48% of respondents in Flexera's 2021 State of Tech Spend Report mentioned cloud/cloud migration as one of the top initiatives (compared to 40% in the 2020 edition of the report). Also according to Flexera's 2022 State of the Cloud Report, SMBs are experiencing a significant uptake of usage and spend on the cloud, with nearly two-thirds of the workloads of SMB respondents to the survey expected to be in the cloud within the next twelve months (with 57% of such workloads being in the public cloud today).

12.2.3 Other Structural Megatrends

In addition to the substantial catch-up potential in web presence and cloud services as well as the continued shift from on-premise to cloud environments, there are other trends that we believe will contribute to the growth in our Served Addressable Market, including:

- *The large and growing number of SMBs* (particularly those below 10 FTE) is considered to be a key driver for the web hosting and related services market segment (Web Presence & Productivity), with the low current digital service penetration providing significant upside opportunities: According to the McKinsey SMB Article, there were more than 92 million SMBs in Europe and North America in 2021, thereof 57.6 million across Europe and the remaining 34.8 million in North America (figures include freelancers, non-employer firms, micro, small and medium SMBs). Overall, the number of SMBs in these regions has been growing at 1% p.a. in recent years, with projected growth of 2% p.a. through 2026, according to the McKinsey SMB Article. We expect most of this growth to be driven by micro SMBs and solopreneurs. Within Europe, we estimate that 96% of SMBs today are micro SMBs and solopreneurs, roughly half of which do not have a website (source: Company Data Analysis, based on the McKinsey SMB Article, Eurostat data and our own analysis and assumptions).

- *Growth in IT spending by SMBs*: According to Analysys Mason, global SMB *spending on IT services* is expected to grow from USD 1,135 billion in 2021 to USD 1,513 billion in 2023. SMB IT spending grew by approximately 8% in 2021 compared to 2020, driven by businesses funding IT initiatives that were put on hold in 2020, and is expected to return to about 6% year-on-year growth in 2022, a typical pre-COVID-19 level. The COVID-19 pandemic has highlighted the need for companies to invest in IT services (to enable remote working, for example) and the necessity to divert budgets (such as those for travel) to do so. This trend is expected to continue, as SMBs prepare for business re-openings, improving remote working and building long-term resiliency. SMBs are focusing on agility and digital initiatives, and as such, are increasing their spending on 'as-a-service' solutions, cloud services, collaboration solutions and cyber security. SMBs are also increasing their investments in infrastructure solutions such as cloud computing and cloud storage to support their remote workforces and new business models. Businesses are expecting to adopt a flexible approach to remote working in the post-pandemic world and many businesses have changed or are changing their business models to increase their online capabilities (*e.g.*, online sales, digital products and services and digital delivery) (source for this paragraph: Analysys Mason SMB Report). Moreover, according to the Analysys Mason SMB Hybrid Cloud Environments Article, in 2019 SMBs allocated 31% of their overall IT *infrastructure spend* on cloud infrastructure (as opposed to on-premise infrastructure) and the source expects that cloud infrastructure will account for 48% of SMBs' infrastructure spend by 2024. In this source, cloud infrastructure includes IaaS storage online back-up, IaaS storage simple development, recovery as a service (RaaS), Cloud VPN, IP VPN, IaaS servers, IaaS server co-location, databases (cloud) and desktop as a service ("**DaaS**"); on-premise infrastructure includes LAN switches, routers (wired), wireless LAN, WAN, networking software, point-to-point VPN, databases (on-premises), middleware, operating systems, point of sales (hardware), servers, FC SAN, IP SAN, NAS, PC attached storage, SAN switches, server attached storage, back-up and recovery (on-premises), other storage software, replication software and storage resource management software.

- *The share of companies using web hosting services* is also expected to continue to grow, including a trend towards higher average spend per user, mainly due to the continued growth in added services such as website building tools, ecommerce, email and office. A further trend driving web hosting and other related digital services is the *growing importance of an online presence*, underlined by the exponential rise in global Internet use and the fact that many *customers seek to interact digitally* with different brands and companies. As a response to this trend, a growing proportion of SMBs and freelancers are transitioning to an online presence and digital communication, more rapidly so in the context of the COVID-19 pandemic (source: Company Data Analysis).

- *The continued growth of ecommerce*, including the evolution of requirements related to an online presence: This trend is also a result of the shift towards online shopping – with increasing digitalization, a digital presence is crucial. For example, 80% of consumers across the globe shopped online in 2020 (source: IMI NextWave, "Ecommerce: Winning in 2020 & Beyond"), and another survey found out that 74% of in-store shoppers searched online for something in-store related before visiting stores (source: Fit Small Business Statistics). Moreover, 21% of total retail sales in 2022 were expected online, compared to 14% in 2019 (source: eMarketer Article). Today, an SMB's website usually needs to be mobile-ready, integrated with social media channels, search engines, trust/reputation platforms and ecommerce marketplaces. Many SMBs launched or expanded their ecommerce and website capabilities during the COVID-19 pandemic. Ecommerce allows SMBs to remain close to customers who have become accustomed to the convenience of online shopping or who remain cautious of public spaces, but also to expand their market reach beyond a physical location (source: Pivot to Ecommerce Article; similar concepts are also included in the Forbes Ecommerce Article).

- *Expansion of remote working models*, including hybrid models (combining office time and working from home), which are currently expected to remain after the COVID-19 pandemic. An analysis carried out by McKinsey found that in particular "computer-based office work" offers the highest potential for remote work: 70% of time spent in computer-based office work could be spent remotely without losing effectiveness, and many employers are devising hybrid remote working strategies for the long term to expand access to talent, increase employee satisfaction and reduce real estate costs (source: McKinsey Future of Work Report). We expect such hybrid models will continue to result in a higher demand for email and office applications, among others.

- *Cybersecurity as a critical consideration for SMBs*: According to Gartner, cybersecurity is among the top-two highest concerns of corporate boards: When COVID-19 accelerated digital business, it also accelerated the trend wherein many digital assets – and individuals – are increasingly located outside of the traditional enterprise infrastructure. In addition, cybersecurity teams are being asked to secure countless forms of digital transformation and other new technologies. This requires security options that are flexible, agile, scalable and composable, which will enable the organization to move into the future, but in a secure manner (source: Gartner Top Security Trends Article). We expect that the higher need for cybersecurity standards will lead to an increased need for IT spending, for example to enable real-time security updates (which are best achieved via cloud solutions), among others.

- *Increasing interest in direct relationships with consumers and business partners:* Many SMBs have understood the importance of bonding directly with their customers and of managing directly their relationships with end-users. An own digital presence and digital communication directly managed by an

SMB allows these companies to access and manage valuable customer-related data to a much larger extent than by just relying on social media or other channels. Similar considerations apply to the management of interactions with suppliers, employees and other business partners of SMBs in real time, which prompts demand for modern, dynamic web presence and productivity solutions (source: Company Data Analysis).

- *Appeal of DIY, DIFM and "do-it-with-me" ("**DIWM**") solutions*: DIY is a growing preference among SMBs, in particular among young business owners, and a survey commissioned by Mono in 2018 with The Local Search Association among 500 SMBs found that 74% of all business owners had used DIY for some portion of their digital marketing stack (rather than using external agencies). However, service has also a significant value: the same survey found that over half of the SMBs prefer someone to create their website for or with them, to allow for better use of an SMB's limited time and resources. DIFM and DIWM models are particularly used when there is a high need for customization or when the service is critical to their business (source: Mono DIWM Article). This trend is contributing to drive the demand for these types of value-added services.

- *An increase in IT outsourcing by SMBs*: Key benefits of IT outsourcing for SMBs include cost savings (compared to maintaining full-time IT staff), higher quality, greater flexibility (allowing SMBs to bring in IT experts and use managed services until a certain project is completed), a broader IT knowledge base, compliance with the latest applicable regulations and current technology standards (source: EIRE, "How SMBs Can Compete via SMB IT Outsourcing").

- Growth expectations for cloud applications (Cloud market segment) are consistent with the expected overall growth of the cloud business (see also " *12.3.2 Market Development, Outlook and Key Trends by Product Group"*), and we expect *further cloud adoption* among SMBs to come from increased cloud native delivery of applications and new computing architectures driving multi-cloud adoption. Gartner mentions cloud ubiquity, *i.e.*, cloud underpinning most new technological disruptions, and new wireless communications advances, *e.g.*, 5G R16 and R17 pushing cloud adoption to a new level of broader, deeper and ubiquitous usage as one of four key trends shaping and driving the growth of Public Cloud (source: Gartner Public Cloud Trends Press Release). We believe that easier and faster access to the Internet, with increasingly powerful broadband connections available everywhere, is contributing to boost the introduction new, more complex cloud applications.

- *Technological innovation, including cloud computing as the new standard for IT infrastructure*: Technology is transforming how businesses engage with customers and manage their operations. For example, open source solutions provide a low-cost opportunity to accelerate innovation, leaving more budget for businesses to invest in proprietary applications. In addition, many proven open source solutions are reliable and versatile. The Cloud is rapidly overtaking traditional in-house systems as a reliable, scalable and cost-effective IT solution. Benefits of cloud computing include resilience (with information and applications hosted in the cloud being evenly distributed across servers, which are connected to work as one), greater storage space and server resources, including better computing power and an enhanced level of flexibility (*e.g.*, for on-demand virtual space) and scalability (source: Leading Edge, "How is Cloud Computing Different from Traditional IT Infrastructure?"). Cloud services allow SMBs to access capabilities that would otherwise be unavailable due to the high cost and expertise needed to deploy these capabilities on-premise.

- *Growing number of cloud native SMBs and start-ups and expanded roles of software developers*: The founding teams of start-ups and the managers within SMBs often value the benefit of reliable development tools and the widespread availability and significantly lower upfront cost of cloud computing to start or run companies. This trend also fuels the use of cloud solutions as an easier, often more cost-effective way to deploy and manage business solutions. In addition, the roles and responsibilities of developers continue to expand to include not only the digital transformation but also the end-to-end line of sight into the processes that govern the manufacture of digital solutions (source: IDC Survey), underscoring the importance of developers as technology buyers (given their strong influence over purchasing decisions). We expect that developers as decision-makers will contribute to drive demand for technologically agile solutions.

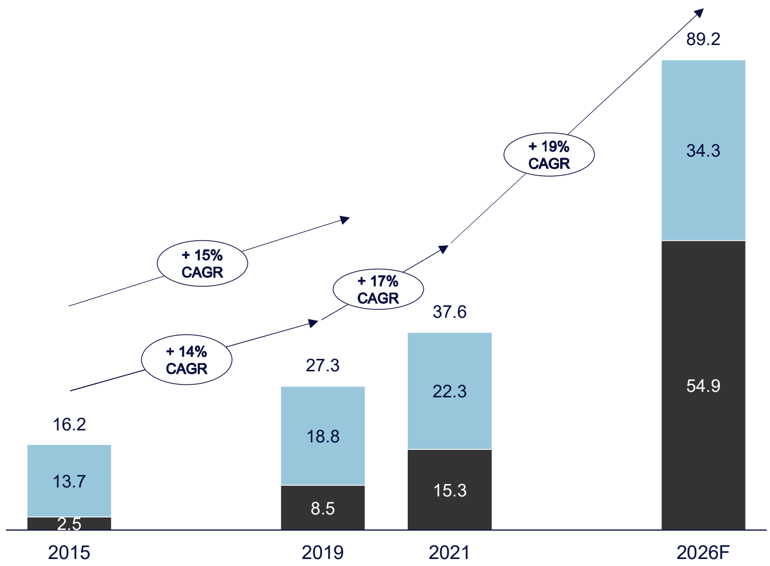
12.3 Our Served Addressable Market: The SMB Digital Platform and Cloud Market

12.3.1 Overview of Market Development and Outlook

Our Served Addressable Market had an estimated size of approximately € 37.6 billion in 2021. The market grew at a CAGR of around 14% over the 2015-2019 period; during 2019-2021, growth accelerated to 17% on a CAGR basis. The market growth is expected to further accelerate, with a 2021-2026F CAGR of approximately 19%. Within our Served Addressable Market, the Web Presence & Productivity market segment is expected to grow at a steady pace, with a 2021-2026F CAGR of approximately 9%, while the market segment relating to Cloud is expected to show the highest growth over the 2021-2026F period, at a CAGR of approximately 29% (all data in this paragraph according to the McKinsey SMB Article; CAGRs calculated by the Company from the underlying figures included in that source for the relevant product/services categories and regions). As can be seen in the chart below, our Served Addressable Market has shown resilience even in light of the COVID-19 crisis.

The chart below shows the past and expected development for our Served Addressable Market and its two main market segments Web Presence & Productivity and Cloud for the 2015-2026F period:

Served Addressable Market, 2015-2026F (in € billion, except CAGRs)



	CAGR	2015-2019	2015-2021	2019-2021	2021-2026F
1	Web Presence & Productivity	8%	8%	9%	9%
2	Cloud	36%	35%	34%	29%

Source: McKinsey SMB Article

Note: The calculation of our Served Addressable Market is based on McKinsey figures but excludes the server hosting product group (within Web Presence & Productivity) in North America and the Cloud market segment in North America (both of which are included in the McKinsey SMB Article), due to the limited addressability of these two market areas for IONOS in that region (*i.e.*, the figures for the Cloud market segment and for server hosting in North America have been deducted from the total market figures). Certain CAGRs have been calculated by the Company based on underlying McKinsey figures.

Addressing the needs of SMBs is key for succeeding in the SMB Digital Platform and Cloud Market. Typically, service providers offer a complete portfolio of services to SMBs to expand their value capture during the customer lifecycle, which often starts with Web Hosting & Domains and later extends to cloud services. In addition, SMBs require and value a high-quality customer service, which is, in our view, a particularly important differentiating criteria for providers such as the Group. As shown by the results of McKinsey's SMB survey mentioned in the McKinsey SMB Article, the most important criteria for SMBs in Europe when selecting a digital provider are (i) ease of use, (ii) high product availability and reliability, (iii) technical competence of the offered support (including 24/7 support) as well as professional services availability, (iv) the breadth of the available product/solution features, and (v) data security and compliance with data protection regulations. Also relevant to respondents was the total cost of ownership.

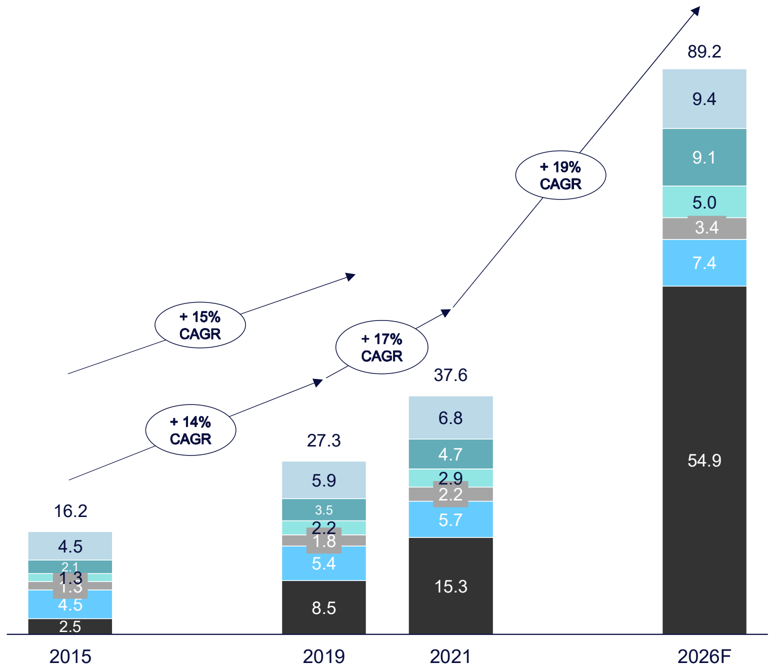
Key drivers for the Web Presence & Productivity market segment include the megatrends mentioned under "*12.2 Structural Megatrends Supporting Market Growth*", leading to the continued growth in the customer base and the digital service penetration of it. Furthermore, the share of SMBs with online presence is expected to grow from 2021 to 2026, according to the McKinsey SMB Article (see also "*12.2.1 Substantial Catch-up Potential in Web Presence and Cloud Services*"), which would result in further growth in the Web Presence & Productivity customer base. We also believe that growth of the Web Presence & Productivity market segment will be driven by the increasing adoption of further services (such as website builders or email), particularly within the group of non-employer and micro SMB customers, who are eager to assume a one-stop solution from domain and web hosting to professional mail and ecommerce solutions.

In addition, various trends are expected to contribute to drive the high growth in the Cloud market segment, besides the above-mentioned megatrends, such as multi-cloud adoption and security considerations. For example, new computing architectures leveraging distributed cloud solutions increase the need for intelligent cloud management and reinforce the need for end-to-end ("**e2e**") encryption and other security applications, thus diversifying the service portfolio required by cloud and hosting providers.

12.3.2 Market Development, Outlook and Key Trends by Product Group

The chart below shows the development of our Served Addressable Market with a product breakdown for the Web Presence & Productivity market segment (according to the market definition, the Cloud market segment only includes cloud products and services):

Served Addressable Market by product group, 2015-2026F (in € billion, except CAGRs)



	CAGR	2015-2019	2015-2021	2019-2021	2021 2026F
1	Web Presence & Productivity	8%	8%	9%	9%
1A	Domains & web hosting	7%	7%	7%	7%
1B	Website builder & ecommerce	14%	15%	16%	14%
1C	Email & Office	13%	14%	14%	12%
1D	Other VAS	9%	11%	11%	9%
1E	Server hosting	5%	4%	2%	6%
2	Cloud	36%	35%	34%	29%

Source: McKinsey SMB Article

Notes: The calculation of our Served Addressable Market is based on McKinsey figures but excludes the server hosting product group (within Web Presence & Productivity) in North America and the Cloud market segment in North America (both of which are included in the McKinsey SMB Article), due to the limited addressability of these two market areas for IONOS in that region (*i.e.*, the figures per product group separately presented in the McKinsey SMB Article for Europe and North America have been aggregated for both regions in the above chart, except for the figures relating to the Cloud market segment and for server hosting, for which only the figures for Europe have been considered. CAGRs for the product categories "website builder and ecommerce", "email and office" and "other VAS" have been calculated by the Company from the underlying McKinsey figures.

The figures for the product groups "domains & web hosting", "website builder and ecommerce", "email and office" as well as "other VAS" are based on a bottom-up calculation, while the figures for the product groups "server hosting" and "cloud" are based on a top-down approach. Website builder and ecommerce applications include, for example, DIY template-based website building, DIFM services, online store builders, and ecommerce website design applications and services. "Other VAS" includes, for example, SEO and ad management, business apps, storage and security solutions.

We see the following key developments and trends for the different relevant product categories:

Within **Web Presence & Productivity**:

- *Domains and web hosting*: Continued growth for this category is expected to be mainly driven by the increasing adoption of such products, in particular by non-employer and micro SMBs. We expect that offline SMBs will migrate towards an online presence, particularly during and in the aftermath of the COVID-19 pandemic and related lockdowns and other restrictive measures which have prompted and continue to prompt a shift toward more digital business offerings and processes.

- *Website builders and ecommerce:* Website builders and standardized ecommerce solutions have reached maturity from a technical standpoint, which is now driving widespread adoption of such solutions and customer demand for more sophisticated design solutions (*e.g.*, according to W3Techs' assessment, 43% of all websites use WordPress (the WordPress website mentions 42% as of January 25, 2023); the market share for WordPress among content management systems was estimated by W3Techs Web Technology Surveys at 63.6% as of January 25, 2023 (source: W3Techs website)). We assess that the share of new websites created using a website builder (including commercial WordPress) grew from 25% in 2015 and 33% in 2019 to 39% in 2021, and expect this share to increase to 55% by 2026 (Company Data Analysis based on several sources, including OECD, Eurostat, different surveys, etc.)

- *Email and office*: We see a shift to subscription-based, online office solutions, enabled by the launch of Office 365. Office solutions are finding widespread use due to the increase of remote working models adopted during the COVID-19 pandemic (see "*12.2 Structural Megatrends Supporting Market Growth*", bullet-point on remote and hybrid working models) and the further digitalization of SMBs. We expect such hybrid models will continue to result in a higher demand for email and office applications. With respect to email, we also see increasing demand for professional email solutions as SMBs become further professionalized: we assess that the share of SMBs that use a paid email solution has increased from 12% in 2015 and 23% in 2019 to 35% in 2021, and expect this share to reach 52% by 2026 (Company Data Analysis based on several sources, such as OECD, Eurostat, different surveys, including a survey carried out on behalf of the Company in our Focus European Countries in October 2021, etc.; volume of paid email solutions weighted by the number of companies).

- *Other VAS*: We expect that the increasing importance of online marketing for SMBs since the COVID-19 pandemic will continue to drive demand for other VAS, such as SEO & ad management, business applications (such as remote terminal access, team and project management), which are gaining popularity among SMBs, and storage (with central storage becoming more important given the trend towards remote working and increased data relevance). In addition, we observe an increase in enhanced security awareness after recent events (including ransomware attacks such as that against Colonial Pipeline). Therefore, we also expect market growth in the area of security solutions, driven by the need to contain various threats encountered by SMBs – such as digital sabotage of IT systems and processes, theft of sensitive digital documents and spying on electronic communication. See also "*12.2 Structural Megatrends Supporting Market Growth*", bullet-point on cybersecurity as a critical consideration for SMBs. Overall, we estimate that the share of websites using additional VAS has grown from approximately 18% in 2015 and 20% in 2019 to 22% in 2021, and we expect the share to continue to grow, reaching 28% by 2026 (source: Company Data Analysis for our Focus European Countries).

- *Server hosting*: For this category we only see moderate growth potential during the next years, as these types of service may be potentially substituted by cloud in the mid-term.

In addition, McKinsey believes that identifying cross-selling and upselling opportunities across the different categories is a critical priority for providers addressing the market (source: McKinsey SMB Article). We believe that such cross-selling opportunities, typically from hosting, domains and website builders to ecommerce solutions, email and office suites, as well as back-up, storage and security services, together with an upselling potential, contribute to drive market growth. This also explains why several service providers have a particular focus on acquiring customers at the beginning of their digitalization and professionalization journey and service the wider needs of customers as their digital needs increase.

Within **Cloud**:

- We see SMBs undertaking a shift to cloud at a large scale (see also "*12.2.2 Continued Shift from On-premise to Cloud Environments*"). Drivers for the continued adoption of cloud-based solutions by SMBs include the ease of use and cost benefits, in addition to the above-mentioned trends towards remote working and the growing demand for online resources.

- As the size of the world's data volume continues to increase (the IDC Datasphere Article predicts that the global datasphere (*i.e.*, the amount of data created, captured or replicated) will grow from 64 zettabytes in 2020 at a CAGR of 23% over the 2020-2025 period), this will require more data storage. This development is expected to lead to significant growth of the data stored in the cloud (and also, but to a lesser extent, of data created in the cloud), according to the IDC Datasphere Article. Also SMBs turn increasingly to cloud solutions to store their growing data volumes, according to our market observations.

- The Public Cloud has experienced high growth in recent years, driven by the increasing number of cloud users and use cases, and is expected to continue to grow in the coming years. According to Gartner, the ongoing pandemic and the surge in digital services are making cloud the centerpiece of new digital experiences: The adoption and interest in public cloud continues unabated as organizations pursue a "cloud first" policy for onboarding new workloads, and adopting cloud-native platforms to take advantage of the inherent capabilities within the cloud environment will be pervasive, rather than just popular: by 2025, Gartner estimates that over 95% of new digital workloads will be deployed on cloud-native platforms, up from 30% in 2021 (source: Gartner Cloud Article). We believe that the growing number of cloud-native SMBs and start-ups looking for an easier, cost-effective solution will also act as a market driver.

- Another advantage that is driving the growth of cloud solutions, according to our market observations, is scalability, which means SMBs can scale their data processing and data storage requirements depending on the development of their business and their changing needs. This also allows for more efficiency, which can reduce companies' IT costs.

- 2020 was a pivotal year for the cloud as it played a lead role in facilitating remote work solutions, enabling organizations to fuse existing organizational processes with novel cloud technologies to allow for greater flexibility in uncertain times (source: Accenture Cloud Article). Among the 25 cloud-specific trends mentioned in the Accenture Cloud Article are edge computing, an emerging cloud trend to build localized data centers for computation and storage at or near where they are needed, hybrid cloud approaches, growth of the different "as a service" offering and emergence of new applications, which are expected to expand as business continues to adjust to hybrid work environments, and containerization, which involves packaging an application and its dependencies in a lightweight uniform set, which ensure an application runs quickly and reliably in multiple computer environments. Also Gartner observes that emerging technologies such as containerization, virtualization and edge computing are becoming more mainstream and driving additional cloud spending; the pandemic has served as a multiplier for chief information officers' interest in the cloud (source: Gartner Forecast Press Release 2021).

- Moreover, according to our Company Data Analysis, cloud SMB users expect their demand for back-up and storage (together with application hosting and computing) to increase, which is expected to further drive cloud demand over the next years.

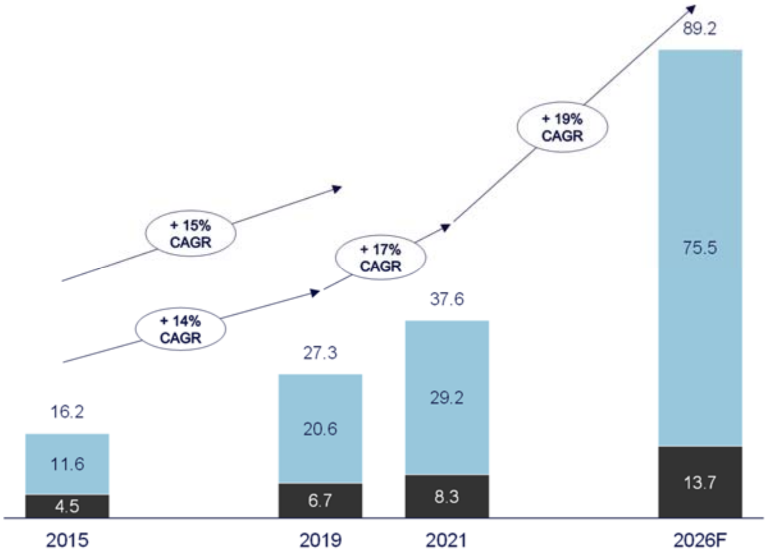
Furthermore, regional data geopolitics is influencing market dynamics. For example, in relation to cloud sovereignty, the U.S. CLOUD Act allows U.S. authorities to request data stored by U.S. cloud companies regardless of where the data is located. The GDPR regulates data privacy for companies operating in the EU. In the *Schrems II* ruling (July 2020), the Court of Justice of the European Union declared the European Commission's "Privacy Shield Decision" invalid, because of invasive U.S. surveillance programs (therefore, transfers of personal data on the basis of the Privacy Shield Decision were considered illegal); it also requested stricter requirements for the transfer of personal data based on standard contractual clauses, prompting many companies to review their handling of personal data transfers. In October 2020, the French data protection authority (the *Commission Nationale de l'Informatique et des Libertés*, CNIL) forbade French health players to store data with Microsoft or any U.S. company. In October 2022, U.S. President Biden signed an Executive Order on Enhancing Safeguards for United States Signals Intelligence Activities directing the steps that the United States will take to implement the U.S. commitments under the newly created EU-U.S. Trans-Atlantic Data Privacy Framework. This framework is intended to restore an important legal basis for transatlantic data flows by addressing concerns that the Court of Justice of the European Union had raised in *Schrems II*. For more information, see "*14.2.1.1 European Union*". Moreover, China's Cybersecurity Act requires Chinese companies to store in China all sensitive and personal data collected in China. In the EU's Gaia-X project, public institutions, private companies and scientists work together to create a secure and connected European cloud infrastructure, with an environment based on concepts such as trust, interoperability, data portability and European data sovereignty (*i.e.*, the idea that data that has been stored in digital form is subject to the laws and governance structures within the nation it is collected).

12.3.3 Market Development, Outlook and Key Trends in Main Regions

12.3.3.1 Served Addressable Market by Region

IONOS focuses on customers and potential customers in Europe (as explained above, in particular in Germany, the United Kingdom, Spain, France and Poland) and North America (the United States and Canada). In particular the European market segment of our Served Addressable Market has shown very strong growth rates historically and is expected to also grow significantly over the next years, as shown in the chart below. The North American market segment for Web Presence & Productivity is also showing attractive growth rates, as shown in the chart below:

Served Addressable Market by region, 2015-2026F (in € billion, except CAGRs)



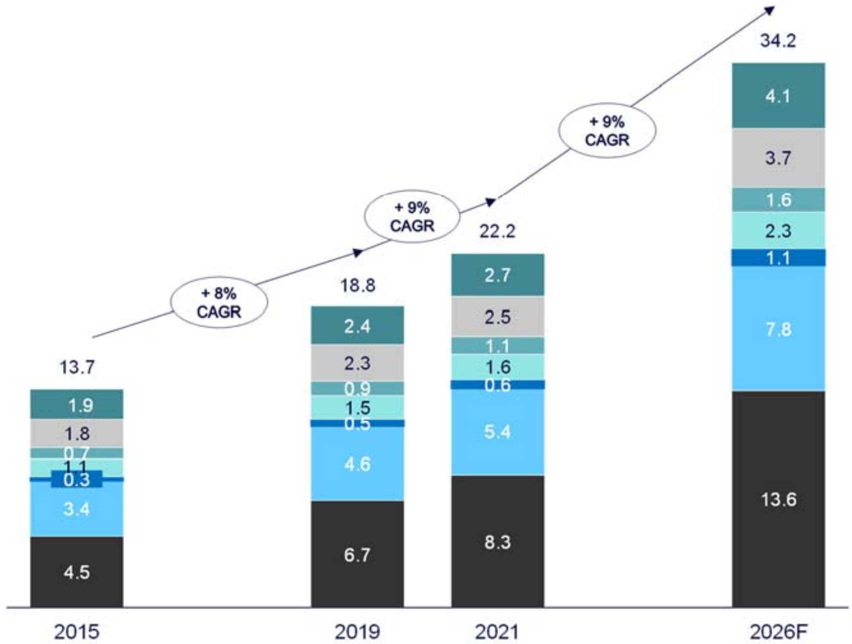
CAGR		2015-2019	2015-2021	2019-2021	2021-2026F
Europe		15%	17%	19%	21%
North America		11%	11%	11%	10%

Source: McKinsey SMB Article

Note: The calculation of our Served Addressable Market is based on McKinsey figures but excludes the server hosting product group (within Web Presence & Productivity) in North America and the Cloud market segment in North America (both of which are included in the McKinsey SMB Article), due to the limited addressability of these two market areas for IONOS in that region. CAGRs for the total market and for North America have been calculated by the Company from the underlying McKinsey figures.

The chart below shows the development of the Web Presence & Productivity market segment of our Served Addressable Market with a breakdown for our Focus European Countries and other relevant regions (rest of Europe and North America):

Web Presence & Productivity market segment of our Served Addressable Market by country/region 2015-2026F (in € billion, except CAGRs)



CAGR		2015-2019	2019-2021	2021-2026F
Germany		6%	7%	8%
UK		6%	5%	8%
Spain		9%	8%	8%
France		6%	6%	7%
Poland		14%	12%	14%
Rest of Europe		8%	8%	8%
North America		11%	11%	10%

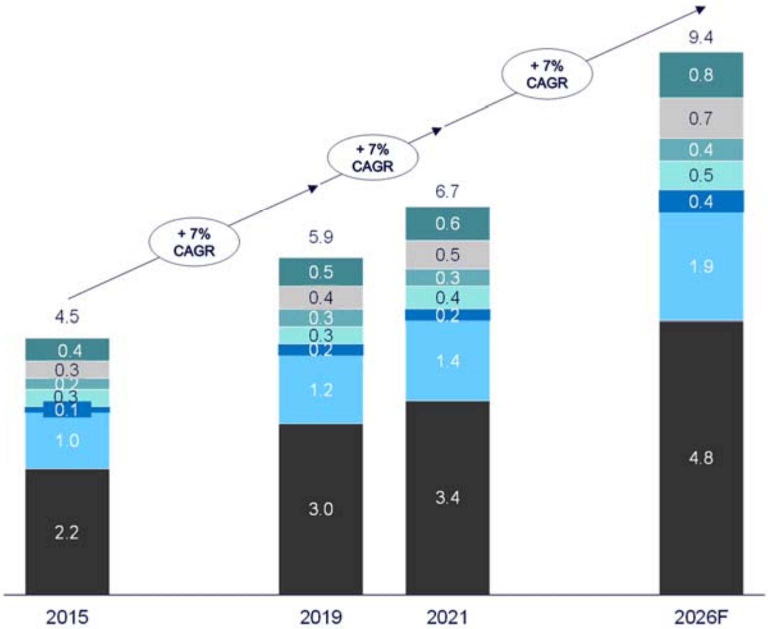
Source: McKinsey SMB Article

Note: The calculation of the Web Presence & Productivity market segment of our Served Addressable Market is based on McKinsey figures but excludes the server hosting product group in North America (which is included in the McKinsey SMB Article), due to the limited addressability of this market area for IONOS in that region. CAGRs have been calculated by the Company from the underlying McKinsey figures.

12.3.3.2 Domains & Web Hosting Product Category (Within the Web Presence & Productivity Market Segment)

IONOS' revenue has traditionally been generated primarily by offering solutions within Domains & Web Hosting, and this is therefore a particularly relevant category for the Group. The chart below shows the different growth dynamics in the different regions (including for our Focus European Countries) for the "domains & web hosting" product category within the Web Presence & Productivity market segment of our Served Addressable Market. The differences among countries/regions mostly result from the varying development of the underlying number of companies that constitute potential customers and the different level of website penetration.

Domains and Web Hosting Product Category (Within the Web Presence & Productivity Market Segment), by country/region, 2015-2026F (in € billion, except CAGRs)



CAGR	2015-2019	2015-2021	2019-2021	2021-2026F
Germany	5%	7%	7%	6%
UK	5%	9%	7%	7%
Spain	8%	7%	7%	6%
France	5%	5%	7%	6%
Poland	13%	13%	10%	11%
Rest of Europe	7%	6%	7%	6%
North America	8%	8%	7%	7%

Source: McKinsey SMB Article

Note: The calculation of the "domains and web hosting" category within our Served Addressable Market is taken from the figures McKinsey has separately shown for this category in North America and in Europe (with the breakdown shown above) in the McKinsey SMB Article. The CAGRs for the total product category "domains and web hosting" have been calculated by the Company from the underlying McKinsey figures for Europe and North America.

Each of our Focus European Countries and North America have seen solid market growth in the past years, and each of these countries or regions is expected to continue to grow in the coming years, at 2021-2026 CAGRs of 6-7%, except for the very dynamic Polish market, where domains and web hosting products and services are expected to grow at a 2021-2026 CAGR of approximately 11%, mainly driven by the rapidly growing number of companies demanding such products and services.

12.3.4 Competitive Environment

Companies that are active in our Served Addressable Market generally follow one of three kinds of approaches with respect to their product and service offerings, according to our Company Data Analysis and our analysis of the market:

- *Digital platform approach*: these are companies that typically started with a focus on domains and hosting, but which have now developed broader portfolios to meet the growing needs of their customers (*e.g.*, also offering site-building, ecommerce and SEO). In addition to IONOS, this category includes players such as GoDaddy, Newfold Digital (with brands such as Bluehost, Web.com and Host Gator) and team.blue

- *Use case focused approach*: more recently, players which focus on individual use cases have emerged, including use cases such as website building tools or e-shops with proprietary solutions; *e.g.*, Squarespace, Wix and Jimdo

- *Cloud infrastructure and services offerings*: companies providing this offering are typically cloud players also addressing larger enterprises with a focus on providing scalable compute and storage solutions; *e.g.*, OVHcloud, Hetzner and Leaseweb in Europe, as well as DigitalOcean in the United States. In addition, several so-called "hyperscalers" compete in the market segment for Cloud services (see "*12.3.4.2 Cloud*").

While players following either the digital platform or the use case focused approach typically address smaller SMBs (from non-employer firms to SMBs with less than 50 employees) – a customer group that captures the majority of the market volume within our Served Addressable Market –, the approach of players with cloud infrastructure and services offerings is typically geared towards SMBs from 10 to roughly 1,000 employees as well as larger companies. Moreover, companies following the digital platform approach often leverage open source-based platform solutions to compete with the proprietary solutions of companies that follow a use case focused approach.

In our own assessment, we have a more comprehensive product portfolio compared to selected peers in terms of the product breadth and coverage for the different product categories offered by IONOS within Web Presence & Productivity and Cloud Solutions, and in terms of the key regions in which we are active, namely in Europe and North America (own analysis performed in November 2022 comparing IONOS with the digital platform providers GoDaddy, one.com Group AB, Malmö, Sweden ("**group.ONE**") (analysis performed prior to the announcement of the merger of group.ONE and dogado in December 2022, a transaction which is not yet closed), Newfold Digital, OVHcloud and team.blue; and with the use case focus players Wix, Squarespace, Jimdo and Shopify Inc., Ottawa, Canada ("**Shopify**")).

We also assess that we benefit from significant barriers to entry and from competitive advantages such as a long-standing experience and deep product expertise, economies of scale (which in our view allow us to offer solutions at a very attractive price/performance proposition and to develop complex and state-of-the-art solutions to our customers), our ability to build an innovative and comprehensive product portfolio, benefitting from our close proximity to customers, as well as a high reputation and brand awareness and a large and loyal customer base.

12.3.4.1 Web Presence & Productivity

Players in the Web Presence & Productivity market segment of our Served Addressable Market generally strive to capture value through added services.

Digital platform providers and use case-focused players generally attract customers early in their respective digitalization process and typically drive customer value through upsell strategies, with an increasing value added portfolio. From a provider's perspective, it is therefore key to capture customers at the entry point with a low price, but also with high quality and ease of use.

Besides the above-named competitors GoDaddy, Newfold Digital, team.blue, Squarespace, Wix and Jimdo, we also compete in Europe with OVHcloud in web hosting, and with other mostly local players, in a fragmented landscape with many country-specific offerings. Major players for web hosting in the United States (where our market share is much smaller) include GoDaddy, Wix, Squarespace and Newfold Digital.

Customers in this market segment mostly include non-employer firms, micro SMBs, occasionally, small SMBs, and very rarely medium SMBs. From a customer group perspective, IONOS has a clear strategy of focusing mostly on micro SMBs with its Web Presence & Productivity offering.

In terms of specific customer needs (which providers must address in order to gain and maintain their market position), customers within this market segment generally look at establishing a web-presence for advertising (with added functionality), setting up an e-shop, driving emailing campaigns and deploying business apps. In terms of website design, the needs may range from building a high quality website with agency involvement to "DIY" solutions. In the area of server hosting, customers may be looking for an (off-premise) datacenter and/or server hosting support.

According to our market observations, the market has seen some consolidation (in particular as regards companies structuring their offering in line with the digital platform approach). For the web hosting category within our Served Addressable Market, the market leaders have competitive advantages stemming from their strong network effects, which allow them to account for a large portion of the market (the largest five players account, together, for roughly half of the market size). The rest of the market is highly fragmented.

IONOS is the European market leader in web hosting in terms of the number of domains hosted according to data compiled by HostSens, based on an analysis of national TLD for the national domains of several European countries and the ".eu" TLD (September 2022). According to same source, we had approximately 11.6 million registered domains in Europe as of September 30, 2022.

Pursuant to HostAdvice data as of September 2022, the Group had an overall market share for Europe of approximately 20% (#1) in terms of the number of clients of hosting companies (whereby HostAdvice considers each domain to be a "client" for purposes of the market share analysis, so that effectively the analysis is based on the number of domains for each company; source: HostAdvice website, analysis of information on market shares of hosting companies for the following European countries: Germany, France, the United Kingdom, Spain, the Netherlands, Italy, Ireland, Denmark, Spain, Poland, Switzerland, the Czech Republic, Sweden, Austria, Belarus, Greece, Finland, Hungary, Bulgaria, Serbia, Belgium, Norway, Romania, Slovakia, Lithuania, Estonia, Slovenia and Croatia; for IONOS, all Group brands were added, including the "1&1" category previously used by HostAdvice).

For the purpose of our analysis of our market shares in the European web hosting market, our Company Data Analysis has considered the size (in €) of the European web hosting market in 2021, as assessed by us based on the (larger) "domains and web hosting" category in the McKinsey SMB Article (*i.e.*, for the five Focus European Countries) and also on our assessment of the web hosting market size for Austria (which we assessed at 10% the estimated size of the web hosting market in Germany) as well as our own web hosting revenue (Group-wide, *i.e.*, for all our brands) in those European countries. We have also assessed the estimated web hosting revenue of our competitor OVHcloud for 2021 in France; for other competitors/other countries, we have considered the number of client domains hosted by web hosting companies as published by HostAdvice as of September 2022. Again, we have excluded hyperscalers from this analysis since we do not consider them part of our relevant peer group. In this analysis, "Europe" includes Germany, France, Spain, United Kingdom, Poland and Austria only.

Based on the above criteria, we estimate that we are the leading player in the European web hosting market, with a market share of approximately 24% in 2021, and that, within Europe, IONOS has a particularly strong market position in the German market segment for web hosting, with a market share of approximately 51% (#1) for 2021 (for the IONOS and the STRATO brands), with further leading (#1) positions in Spain (arsys brand) and Austria (World4 You brand) (with approximately 21% and 19%, respectively). We also estimate that we had top-2 positions in the United Kingdom, Poland and France (with market shares of 13%, 11% and 10%, respectively). Moreover, based on the same assessment of our Company Data Analysis, we estimate that our web hosting market share in Europe was more than twice that of our closest peer group competitor in 2021 (analysis considers our five Focus European Countries and Austria). Overall, we assess that market shares in the web hosting market in our Focus European Countries and Austria tend to be concentrated among the largest players, due to significant network effects. In our assessment, based on the same analysis and criteria mentioned above, the top-5 players, including IONOS, in each of these countries accounted for 76% (Germany), 54% (France), 53% (Spain), 47% (United Kingdom), 41% (Poland) and 38% (Austria) (for IONOS, all relevant brands in a given country were aggregated).

Taking into account the HostAdvice published data on the number of client domains of web hosting companies as per September 2022 alone, the Group's market share in Germany would be approximately 42% (#1) in Germany, 32% in Austria (#1), 23% in Poland (#1) and 45% in Portugal (#1), with top-2 positions in the United Kingdom and Spain (with market shares of approximately 11% and 8%, respectively; for Spain, the published market shares for IONOS and arsys have been aggregated). In France, we have the second largest number of registered domains with the ".fr" TLD, according to data compiled by HostSens for September 2022.

We also benefit from a high brand awareness in key markets. In a survey commissioned by us and carried out in October 2021 among micro and small SMBs, IONOS achieved an overall brand awareness of 84% in its Focus European Countries (Germany, the United Kingdom, Spain, France and Poland), taken as a whole, and had a particular high scoring in Germany, where it achieved a brand awareness of 90% (the highest in Germany, compared to peers). According to the same survey, the STRATO brand also enjoyed a high brand awareness of 86% in Germany. In addition, home.pl had a brand awareness of 85% in Poland – the highest in that country compared to its peers.

Based on our assessment, we believe that we have the following competitive advantages compared with many digital platform providers: We assess that we benefit from network effects due to the above-mentioned leading market positions in many important European markets and we believe our products are easy to use via highly automated self-serve tools. We assess that we act as a trusted partner for customers, which we view as a solid competitive advantage driven by extended presence and award-winning customer care (see "*13.2.4 We have a large, diverse and loyal customer base with approximately 6.0 million customers worldwide and strong economics per customer, supported by an award-winning customer service platform*") and personal support. We also believe that customers value the high reliability of our systems with no relevant IT outages in the last years and no IT emergencies since the founding of the Group (for a definition of IT emergencies as used within the Group, see "*13.10 Information Technology, Information Security and Data Privacy*") as well as the measures that we have implemented in order to comply with high data protection/data security standards. Moreover, vis-à-vis use case-focused players, we believe that we have further competitive advantages in terms of the breadth of our product offering and our efficient go-to-market strategy driven by intra-group synergies.

12.3.4.2 Cloud

The Cloud market is rapidly growing, supported by megatrends that are driving the migration to cloud environments (see "*12.2 Structural Megatrends Supporting Market Growth*"). SMBs, in particular smaller SMBs have so far been slower than larger businesses in adopting cloud solutions, but are now increasingly shifting to such solutions.

In the Cloud market segment, players typically have a particular focus in capturing market share. Local cloud specialists (such as Hetzner, Leaseweb and OVHcloud in Europe and DigitalOcean in the United States) mainly focus on niche individual market segments – whether geographically or with specific expertise on certain products –, whereas so-called "**hyperscalers**" *(i.e.*, Azure, AWS and Google Cloud, a group of services offered by Google) tend to compete on cost and technical sophistication.

Providers of advanced cloud infrastructure and services in this market segment include virtual private servers and server hosting players that offer high functionality, reliability and accessible pricing for web professional and their customers. Competitors of IONOS in this market segment include the so-called "hyperscalers", *i.e*., Azure, AWS and Google Cloud, which dominate the Public Cloud market segment, and other players such as OVHcloud (our strongest direct competitor in the European cloud market, with a comparable portfolio breadth, similar market penetration and similar technology use as the IONOS Group) and the other local cloud specialists mentioned above as well as other providers such as large global information and communications technology ("**ICT**") players (*e.g*., International Business Machines Corporation, Amonk/New York, United States ("**IBM**")) and local providers such as UKCloud Ltd., Farnborough, United Kingdom ("**UKCloud**") and Comarch S.A., Krakow, Poland ("**Comarch**").

Typical customer groups in this market segment are small, medium and large SMBs (and, rarely, micro SMBs). From a customer group perspective, IONOS particularly focuses on larger SMBs with its Cloud offering. In addition, with its Cloud offering, IONOS addresses all sizes of public entities (*e.g*., in government, education and healthcare). In our view, hyperscalers do not typically tailor to the specific needs of this customer group (in particular, of SMBs), which require support and simplicity in the cloud offerings.

The portion of revenue generated by emerging cloud services is rapidly increasing. According to Gartner, offerings that support or deliver Public Cloud services are experiencing very strong growth. For example, end-user spending in the category "cloud system infrastructure services (IaaS)" is expected to grow substantially, from USD 90.9 billion in 2021 to USD 150.3 billion in 2023, *i.e*., at a 2021-2023 CAGR of 28.6% (source: Gartner Forecast Press Release 2022). Also according to Gartner, end-user spending in the category "cloud application infrastructure services (PaaS)" is expected to grow significantly, from USD 46.5 billion in 2020 and USD 89.9 billion in 2021, to USD 110.7 billion in 2022 and USD 136.4 billion in 2023 (source: Gartner Forecast Press Release 2021 for 2020 figures and Gartner Forecast Press Release 2022 for all other years). This represents a 2021-2023 CAGR of approximately 23.2%. As a result, we observe that customers are looking for cloud partners that will provide solutions to additional services beyond cloud infrastructure. A set of essential and mature platform services becomes more and more a factor in decision making processes. In terms of specific customer needs to be addressed, customers are typically looking for a long-term solution that will fulfill their technological needs today as well as in the future. These needs include (off-premise) scalable compute and storage resources, with solutions that are easy to administer and fully connected; in addition, such solutions should be easy to access remotely to support virtual and online applications. In addition, SMBs are increasingly placing more importance on topics such as data sovereignty, data security and environmental aspects relating to data center management, which are areas in which we believe we provide particularly suitable products and services. In addition, we believe that customers increasingly look for innovations and that those players that consistently invest in innovations are particularly well positioned to benefit from such trend.

In our view, while the large players in the Cloud market segment have significant market shares in terms of Cloud-related revenue (in particular, hyperscalers), IONOS is in the position of a challenger, offering an alternative to hyperscalers with a focus on offering a strong price/performance value, digital sovereignty, easy-to-use solutions and a customer service with a high level of interaction with customers. In this regard, we believe we have a competitive advantage in addressing our target customer groups, by placing high importance on the implementation of requirements of EU data protection law and offering to provide our services from within the EU (which is a plus for customers who wish to avoid suits and fines for data privacy violations), offering an innovative data center designer, which allows an easy-to-use "click-and-build" of Cloud infrastructure and a more personalized customer account management and a personal support model for SMB and mid-market customers. We also believe we are viewed as a strong, reliable Cloud partner, in particular for the key customer group of SMBs, in our core markets in Europe (especially in Germany and Spain). In Germany, a report by the ISG ranked IONOS for the first time in the "leaders quadrant" for hyperscale infrastructure and platform services in the German Public Cloud market, a ranking it maintained in the 2022 edition of the same report (ISG, "Public Cloud – Services & Solutions, Germany 2021/Quadrant Report", December 2021, and ISG; "Public Cloud – Solutions and Services" Quadrant Report for Germany, December 2022, customized reports provided to IONOS). In the 2021 edition of the report, the international market research and consulting company recognized the cloud offering of IONOS as a comprehensive, attractive portfolio with high compliance security and unbeatable price-performance offering, and considered IONOS as one of the five leading cloud providers in Germany, alongside AWS, Microsoft, Google and T-Systems. In the 2022 edition of the report, ISG mentioned IONOS as the most successful local IaaS provider in Germany, noting its organic growth with new service offerings and through the acquisition of companies that fit its portfolio. Moreover, in the French edition of the ISG Quadrant Report, published in January 2023, IONOS was mentioned for the first time as a "contender" for hyperscale infrastructure and platform services in that country.

Within the group of European Cloud players, we believe we have a competitive advantage by being the only larger EU Cloud provider with a fully-owned Cloud technology stack, *e.g.*, not being dependent on OpenStack (an open source Cloud computing infrastructure software project) or U.S. providers. We also believe that we offer scale advantages, since we use our Cloud infrastructure for our approximately 6 million customers, and that customers value our "one-stop-shop" portfolio of services – from domain registration, over web presence to Cloud infrastructure –, a concept that we believe best fits the needs of SMB customers. We also see a competitive advantage in our "pure Cloud service provider" focus, since we concentrate on offering IaaS and PaaS, while consulting, migration and operation aspects are outsourced to external partners.

13 BUSINESS

13.1 Overview

IONOS, headquartered in Germany, is an international digitalization partner and sees itself as a trusted cloud enabler serving the needs of SMBs and freelance professionals, as well as larger enterprise customers and private users. We offer a broad portfolio of products and services including web presence & productivity as well as cloud solutions, supported by an award-winning customer care and state-of-the art infrastructure (for details on the awards received by our customer care, see "*13.2.4 We have a large, diverse and loyal customer base with approximately 6.0 million customers worldwide and strong economics per customer, supported by an award-winning customer service platform*"). IONOS is the European market leader in web hosting in terms of the number of customer domains of web hosting companies (according to HostAdvice Data for September 2022). With approximately 11.6 million registered domains in Europe as of September 30, 2022, IONOS hosts the largest number of registered domains in Europe according to data compiled by HostSens, based on an analysis of national TLDs for several European countries and the ".eu" TLD (September 2022). We are active in 18 markets in Europe and North America. In Europe our focus markets are Germany, the United Kingdom, Spain, France and Poland, but we also have a strong presence in Austria and the Netherlands. In North America, we are active in the United States, Canada and Mexico.

We have approximately 6.0 million customers and approximately 8.9 million customer contracts worldwide, thereof approximately 7.9 million in Europe (all as of September 30, 2022). We also host approximately 22 million domains in our own regional data centers in Europe and the United States (as of September 30, 2022). As of September 30, 2022, IONOS employed 4,239 employees (based on headcount) in nine countries in which the Group has operations or offices.

In fiscal year 2021, the Group had total revenue of € 1,103.3 million, representing a 11.6% increase compared with fiscal year 2020, and EBITDA of € 326.3 million. In fiscal year 2021, the Group had an Adjusted EBITDA of € 355.2 million, and Adjusted EBITDA Margin of 32.2% and a Cash Conversion Rate of 89.5%.

The Group has a comprehensive product range offering strongly performing applications and services, operating more than 100,000 servers. With over 30 years of experience, IONOS helps entrepreneurs who are taking their first steps online, business owners who are scaling up, as well as large companies (and the partners who help them succeed) in areas such as building an online presence, for example by securing a domain, creating a website, setting up an online shop, moving back-office processes to the cloud, or orchestrating a container cluster. Our data center network delivers excellent performance and geo-redundancy: We operate 32 data centers (as of September 30, 2022), thereof eleven (owned) data centers for the exclusive use of the Group certified under ISO/IEC 27001, including several with geo-redundant platforms, and 21 co-location (rented) data centers (which are operated by third parties, while the servers used by the Group are owned and operated by us). In our operating processes, we combine state-of-the-art technology with strong privacy policies and data security. We also offer a dedicated customer service agent to every customer of IONOS branded-products, a feature which we believe is unique in our industry.

Over the past few years, the IONOS Group has evolved from being a leading European hosting provider to becoming the leading European enabler of SMBs and professional digitalization, based on our assessment of our web hosting market position in Europe in terms of the number of domains hosted for 2021 (see "*12.3.4.1 Web Presence & Productivity*"). As one of the largest domain registrars in the world (#8 worldwide, according to the Domain Name Wire Ranking (July 2022), in terms of total number of .com registrations under management), we deliver a broad domain portfolio including comprehensive features.

Our business is organized in two business areas, namely Web Presence & Productivity and Cloud Solutions, which accounted for 89.6% and 10.4%, respectively, of our revenue from contracts with customers for fiscal year 2021. In Web Presence & Productivity, we offer a one-stop shop for all digitalization needs of SMB customers across their lifecycle, with digital presence solutions (including domains, web hosting, website builders) as well as additional productivity products and solutions (*e.g.*, ecommerce, email and office solutions, value added services and server hosting, *i.e.*, dedicated servers). We also offer such digital presence solutions within a curated WordPress ecosystem: for example, as of July 31, 2022, we hosted approximately 1.8 million WordPress websites, and we had also helped create more than 1.1 million WordPress websites for a broad range of use cases across numerous industries. Our Web Presence & Productivity business area includes our aftermarket activities (brokerage and marketplace for domains), an area in which we have grown significantly over the past few years (see "*13.5.1.1 Domains*"). Our Cloud Solutions business area complements our Web Presence & Productivity business area. We assess that we operate as a trusted European cloud provider for SMBs, meeting their usability requirements with an offering comprising a broad range of cloud solutions (from "bare metal" cloud hosting solutions, where only the hardware resources of dedicated servers are available to a user, to Private and Public hosted cloud solutions). We benefit from being engaged in a large share of the value chain – from product development and data center operation, to effective sales and marketing, and active customer support.

Our business model is predominantly based on customer contracts (electronic subscriptions) with fixed monthly charges based on contractually defined terms. We believe that this business model provides for a stable, recurring and predictable revenue and cash flows, offers protection against cyclicality and creates financial flexibility to exploit opportunities in new business areas and new markets – both organically or through selective acquisitions and investments.

According to several market studies (*e.g.*, the McKinsey SMB Article, Flexera's 2022 State of the Cloud Report and Gartner cloud reports), the cloud solutions market is expected to grow significantly in the coming years: Within our Served Addressable Market, the market segment relating to Cloud is expected to show the highest growth over the 2021-2026F period, at a CAGR of approximately 29% (source: McKinsey SMB Article). Also the Web Presence & Productivity market segment is expected to grow at a steady pace, with a 2021-2026F CAGR of approximately 9%, according to the same source (CAGR calculated by the Company from underlying figures in the McKinsey SMB Article as per our definition of our Served Addressable Market). We believe that the Group is strategically well positioned to benefit from the expected market potential. The dynamic market development, driven by trends such as increasing IT spending by SMBs, growth of ecommerce and remote working models, cybersecurity considerations, technological innovations, and a growing number of cloud-native decision-makers at SMBs and other customers, is contributing to a continued shift from on-premise to cloud environments. In addition, the easier and faster access to the Internet, with increasingly powerful broadband connections available globally, is contributing to boost the introduction of new, more complex cloud applications. We expect these Internet-based applications for end customers and businesses to be the growth drivers for the Group in the coming years.

Thanks to our many years of experience as an application provider, deep expertise in software development and data center operation, our fully-owned cloud technology stack, marketing, sales and customer support, a strong brand awareness and millions of existing customer relationships with private users, freelancers and small and medium-sized enterprises, we consider ourselves well positioned to leverage on this positioning for further and sustainable growth, continuing to invest in new customers, new products and business areas, and further internationalization.

13.2 Investment Highlights

IONOS believes that several factors support its growth objectives. These include a business model that is largely subscription-based, leading to recurring revenue, high scalability and a strong cash conversion, as well as a large and growing Served Addressable Market, including the Web Presence & Productivity market segment, in which we believe we have many leading positions and brands, and the strongly-growing Cloud market segment with significant growth potential for our business; a strong product portfolio and a large base of loyal customers, a strategy that takes advantage of multiple growth levers, a strong commitment to the environment and people as well as a strong corporate culture with a highly experienced management team.

13.2.1 We operate in the large, resilient and fast-growing SMB Digital Platform and Cloud Market that is driven by digitalization and a shift from on-premise to cloud environments

With our product offerings, we target mainly SMBs in Europe and North America – a large group, estimated at more than 92 million SMBs (with up to 249 FTEs) for those regions combined in 2021, thereof 57.6 million across Europe (source: McKinsey SMB Article; figures include freelancers, non-employer firms, micro, small and medium SMBs). This SMB group is still largely untapped and digitally underserved. Within Europe, we estimate that 96% of SMBs today are micro SMBs and solopreneurs, roughly half of which do not have a website (source: Company Data Analysis, based on the McKinsey SMB Article, Eurostat data and our own analysis and assumptions).

IONOS had approximately 6.0 million customers as of September 30, 2022 (most of them SMBs); thus, approximately 90% of European SMBs are not IONOS customers today. In addition, we assess that the numbers of SMBs in Europe and North America have shown resilience, even in times of market downturns, such as during the financial crisis (2008-2011) and the COVID-19 pandemic. In our assessment, for example, there were approximately 70 million SMBs in Europe and North America in 2008, and after a dip in 2009 (approximately 68 million), the number of these SMBs first stabilized (approximately 70 million in 2010) and then continued to increase (approximately 73 million in 2011) (source: Company Data Analysis, based on sources such as Statista; analysis includes SMBs and freelancers). During that period, the number of our customers increased from 2.2

million at the end of 2008 to 2.9 million by the end of 2011. With respect to the years marked by the COVID-19 pandemic, the number of SMBs in Europe and North America remained stable in 2020 and 2021 (92 million, compared to 91 million in 2019) and we estimate 94 million for 2022 and expect approximately 102 million by 2026 (source: Company Data Analysis, including data from Eurostat, OECD, etc.; in the analysis, the data has been extrapolated for the 2021-2026F period using average gross domestic forecast; includes SMBs and freelancers). The expected 2021-2026F growth according to our Company Data Analysis is also in line with the McKinsey SMB Article, which projects growth of 2% p.a. through 2026 for this SMB group. Moreover, the number of our customers increased from approximately 5.6 million as of December 31, 2019 and approximately 5.8 million as of December 31, 2020 to approximately 5.9 million customers worldwide as of December 31, 2021.

We operate in the large, resilient and fast-growing SMB Digital Platform and Cloud Market, which is projected to grow from approximately € 38 billion in 2021 to approximately € 89 billion in 2026, representing a CAGR for the period of approximately 19% (source: McKinsey SMB Article, Company Data Analysis for the calculation of the Served SMB Digital Platform and Cloud Market from the underlying data in the McKinsey SMB Article). This growth is fueled by structural megatrends such as digitalization, including a substantial catch-up potential in web presence, and a continued shift from on-premise to cloud environments (see also "*12.2 Structural Megatrends Supporting Market Growth*"). In 2015, approximately 37% of SMBs in Europe had a website, a figure which had increased to 45% by 2019. The trend has accelerated thereafter, in part due to the COVID-19 pandemic and related effects. In 2021, already 51% of the SMBs in Europe were operating a website. Further growth is expected over the next few years, with an estimated 58% of SMBs in Europe having an own website by 2026 (source for the above information: McKinsey SMB Article). The catch-up potential is especially significant among smaller SMBs. In addition, ecommerce solutions saw widespread use in 2020 and 2021 among SMBs (partly due to the effect of the COVID-19 pandemic). In 2021, approximately 27% of the SMB companies with websites in Europe had an e-shop solution, compared to an 18% share in 2015 and a 23% share in 2019. The share of SMBs with websites that use an ecommerce solution in Europe is expected to grow to approximately 41% by 2026, representing a 2021-2026 CAGR of approximately 8% (source for all the above information on ecommerce solutions: McKinsey SMB Article).

Moreover, there is a continued shift to cloud environments. The share of companies using cloud-based solutions has doubled in the past few years (source: Flexera/RightScale State of the Cloud Reports 2016 and 2022; see also "*12.2.2 Continued Shift from On-premise to Cloud Environments*"). This is also translating into higher IT spending levels on cloud solutions: According to Flexera, cloud solutions – SaaS, IaaS and PaaS categories combined – represented 33% of the IT spend of the surveyed companies in 2022, compared to 25% of IT spend in 2020 (sources: Flexera's Tech Spend Pulse Report and 2020 State of Tech Spend Report). For a description of our strategic focus on cloud investments, see "*13.2.6 We are well-positioned to take advantage of multiple strategic growth levers*".

13.2.2 We assess that we are the leading European digitalization partner and a trusted cloud enabler for SMBs, with a broad strategic geographic footprint and leading local brands

We believe we are the leading European SMB digitalization partner and a trusted cloud enabler in particular for SMBs, with leading positions (top-1 or top-2) in 6 European countries and an overall market share for Europe of approximately 24% (#1), according to our own market assessment (in this analysis, "Europe" includes Germany, France, Spain, United Kingdom, Poland and Austria only).

Within Europe, we assess that IONOS has a particularly strong market position in the German market for web hosting, with a market share of approximately 51% (#1). According to the same internal market assessment, we believe that we have further leading (#1) positions in Spain (approximately 21%) and Austria (approximately 19%), and top-2 positions in the United Kingdom, Poland and France (with market shares of approximately 13%, 11% and 10%, respectively). The assessment includes the local Group brands and the IONOS brand. For more information on our market assessment and the calculation of our market shares and positions, see "*12.3.4.1 Web Presence & Productivity*".

Besides our international lead brand IONOS, we capitalize also on our other strong brands, such as: STRATO for European basic offerings (value brand); arsys as a leading local web hosting provider and cloud specialist in Spain (premium brand); World4You as a leading Austrian web hoster (value brand); home.pl as a leading provider for domain registration (value brand), web hosting and VAS in Poland, and fasthosts (value brand) as leading web hosting provider and cloud specialist in the United Kingdom. This local brand strategy allows us to act in the local markets with what we view as "local champions" (local brands that are well-established in their respective market), providing local language support and with a thorough knowledge of the local market. In addition, we operate with several domain expert brands such as United Domains, InterNetX and sedo, as well as the website builder specialist brand we22.

This strong market position as a leading digitalization partner for SMBs is backed by 4,239 employees (as of September 30, 2022) and the 32 data centers we operate, including eleven state-of-the-art owned data centers, among them several with geo-redundant platforms, complemented by 21 co-location data centers. Overall we operated more than 100,000 servers as of September 30, 2022.

13.2.3 We operate a powerful scalable, integrated platform offering a range of innovative products across the customer lifecycle, supported by a strong focus on data security, regulatory sovereignty and local support

We operate a powerful scalable, integrated platform offering a range of products that are critical to our customers across their lifecycle. Within our two business areas, we offer more than 50 solutions across 10 different product lines, underpinning the breadth of our portfolio. We offer our customers a "one-stop-shop" proposition allowing us to serve such customers with products and solutions along their digitalization and professionalization journey, from the registration of their first domain to cloud solutions. Our products and services are mostly designed and developed internally, predominantly on the basis of open source components. This business model, which has a high level of vertical integration and also relies on an extensive local support network, contributes to drive operational efficiency.

Our cloud solutions rely in part on open source, combined with software that we program ourselves, mostly in Europe. Some of our cloud solutions are subject to requirements under the Act on the Federal Office for Information Security (*Gesetz über das Bundesamt für Sicherheit in der Informationstechnik* ("**BSIG**") as they meet the criteria for "critical infrastructure" in Germany (see also "*14.2.2 Cybersecurity"*). We place high importance on data protection, data security and sovereignty (*i.e.*, the concept that data that has been stored in digital form is subject to the laws and governance structures within the nation it is collected). We are also a founding member of the Gaia-X project, in which public institutions, private companies and scientists work together to create a secure and connected European cloud infrastructure, with an environment based on concepts such as trust, interoperability, data portability and European data sovereignty. So far, we have been awarded six (of the submitted 15) projects within Gaia-X in the context of a funding competition organized by the German Federal Ministry for Economic Affairs and Climate Action, including project Marispace-X (smart maritime sensor data space), regarding the coordinated collection and analysis of geo-data of the world's oceans, a project developed together with partners including Stackable GmbH); Health-X, a project to enable the full control over a person's health data, Possible, a project regarding the self-determined handling of personal documents, as well as further projects on the connection of critical applications across different fields, innovative voice recognition for Europe based on artificial intelligence and a data room marketplace for life-long learning. Moreover, IONOS is the first German Cloud provider to join the VMware Sovereign Cloud Initiative. Under the initiative, VMware verifies "Sovereign Cloud providers" that meet applicable geographic-specific sovereign cloud requirements, regulations, or standards where their sovereign Cloud is made available.

In addition, our data centers and system operations are certified under ISO/IEC 27001 (with few exceptions), reflecting high standards of data protection. The latest certification under this international standard ISO/IEC 27001 was obtained in 2022, on which occasion also the customer service for the IONOS and the STRATO brands was included as part of the certification for the first time. The 24/7 availability of the data stored by our customers is backed by eleven owned data centers, including several with geo-redundant platforms. A minimum of two copies of data are stored in data centers at different locations. This results in an availability at a level of 99.995% for the products using those data centers (figure refers to the monthly average in 2021). We are proud of our excellent track record of no IT emergencies since the founding of the Group. For a definition of IT emergencies as used within the Group, see "*13.10 Information Technology, Information Security and Data Privacy*". We also offer an incident, change and problem management that is focused on our customers, and our operating processes continue to improve: From 2019 to 2022, customer calls due to issues relating to our services decreased by almost one-third.

13.2.4 We have a large, diverse and loyal customer base with approximately 6.0 million customers worldwide and strong economics per customer, supported by an award-winning customer service platform

Our customer base consists of approximately 6.0 million customers worldwide (with approximately 8.9 million customer contracts as of September 30, 2022) and is well diversified, with the top-10 customers for our IONOS brand accounting for around 2% of the revenue generated with IONOS-branded products and solutions during fiscal year 2021. Approximately 98% of our customers are solopreneurs and SMBs (analysis as of July 2022 for the IONOS-branded products only); while this customers groups are our clear target group, we see strong potential to expand towards larger customers, who tend to have higher monthly spend amounts (see "*13.6 Customers, Customer Care and Billing*"). IONOS believes that its targeted and efficient customer acquisition strategy is reflected in the ratio of Customer Lifetime Value (CLTV) to Customer Acquisition Cost ("**CAC**"), which was more than 10 : 1 in fiscal year 2021 (brand marketing costs for the IONOS brand are excluded in this calculation; at IONOS, CLTV is calculated for in the IONOS Group excluding the sedo brand (due to a different business model and lack of tracking of the relevant customer data for this KPI. For more information and a description of our calculation of this ratio and its components, see "*13.7 Brands, Marketing and Sales*"). In addition, the significant portion (approximately 88%) of the Group's revenue from contracts with customers for fiscal year 2021 stemmed from contracted services to its customers (based mostly on subscription-based contracts), resulting in high revenue visibility and recurring revenue. Due to the subscription-based nature of our business, we believe that we are able to run a predictable, highly profitable business model. This can be illustrated by the time it takes us to recover our CAC through the CLTV we generate which we refer to as "payback period" and which was between approximately twelve and 18 months for fiscal year 2021 including discounts granted to customers, and between six and twelve months excluding such discounts. The above calculation (ratio of ARPU for a given period to CAC for the same period) is based on the annualized customer ARPU of approximately € 160 for fiscal year 2021 (with ARPU being calculated as approximately € 13 per month x 12) and CAC of approximately € 90 for such period.

Our customer service has won several awards, such as:

- the "European Contact Centre & Customer Service Awards" in the categories for the best use of customer insight (gold) and for the best customer engagement initiative (silver) in 2020; in addition, IONOS was the bronze winner in the 2022 series of the awards in the category for best customer centric culture and was one of the finalists in the category for best customer experience;

- an award granted by the German specialist IT magazine CHIP for the best digital service quality among web hosting providers in Germany (April 2021; test winner (#1) was IONOS; STRATO was also recognized in this edition as providing "top digital service quality" (#2 among the hosting providers considered in the survey)); and

- "voted customer service of the year" ("*gewählt zum Kundenservice des Jahres*") 2023 edition (November 2022) and 2022 edition (November 2021) award in the category for hosting services in Germany, granted by the website "kundenservicedesjahres.de" of Armonia Deutschland GmbH, Mainz, Germany. This is described by the award provider as an independent year-long concept for customer service combining a qualitative audit (including undercover "mystery testers", calls, email, social media and chat inquiries) with a competition that identifies one award-winner per category. It was also awarded the international version of this award, also for the 2023 and 2022 editions, in France ("*élu service client de l'année*, category for hosting and domain names, website: escda.fr) and Spain ("*elegido servicio de atención al cliente del año*", category for hosting, website: https://lideresenservicio.com/ganadores-lideres-servicio/).

Customers acknowledge this strong platform and commitment to data security, leading to a high level of customer satisfaction and loyalty. We leverage the Net Promoter Score (NPS) to continuously enhance customer experience and customer dialogue. The increase of our overall Global Hosting NPS, an indicator of customer satisfaction and loyalty, from 18.2 in the third quarter of 2017 to 35.3 for the fourth quarter of 2021 is reflective of our efforts of continuously improving the customer experience (see "*13.6 Customers, Customer Care and Billing*" for more information and a description of our calculation of NPS).

Customer centricity, including the customer-oriented focus in terms of addressing customer needs, is a key element of IONOS' operations. For example, we offer all customers of the IONOS brand the possibility to choose a dedicated personal consultant free of charge as a central point of contact for all questions relating to products, to the customers' contracts, and their online business success. In our view, the personal consultant is a competitive differentiator and a unique feature of IONOS, which enables proximity to customers, higher customer satisfaction and which we believe has contributed to higher NPS (for more information, see "*13.6 Customers, Customer Care and Billing*"). In addition, we believe that the personal consultant feature has a high cross- and upselling potential, as trained customer service professionals and personal agents who accompany customers through various touchpoints typically have a good visibility on their requirements and needs and can offer incremental products in a personalized manner.

IONOS has a strong track record of expanding customer relationships across its product suite and growing with its customers, as illustrated by the following examples:

- Spreadfilms, a German video agency that became an IONOS customer in 2016, began with domains and an NVIDIA GPU Cloud ("**NGC**", a curated set of GPU-optimized software for artificial intelligence, visualization and high-performance computing) server from IONOS and recently expanded into web hosting and managed WordPress services. Spreadfilms has grown significantly since becoming an IONOS customer, with a monthly ARPU growth from around € 3 to € 5 in 2016 to over € 150 today.

- Our SMB customer Schwarze Heidi (a restaurant in Berlin, Germany) started in 2017 with domains, web hosting and a website builder, then quickly added business email and a SEO tool, and in 2020 a shop add-in. Schwarze Heidi's monthly ARPU increased from around € 10 to € 12 in 2017 to over € 50 today.

- Our long-time mid-size customer proALPHA, a software provider supplying SMB customers with its ERP solution, started in 2006 with domains and web hosting. In 2018, proALPHA chose IONOS when it expanded into cloud solutions, and today relies on a private hosted cloud solution of the Group. Its monthly ARPU has increased from roughly € 20 to € 25 in 2006 to over € 100,000 today.

- VIAKOM, a provider of managed services and a software developer, has been a customer of the Group since 2006, starting with domains and web hosting and later expanding into cloud server products including cubes and compute engine (for an explanation on these products, see "*13.5.2.3.1 Compute Engine*"). More recently, VIAKOM added Nextcloud (managed hosting). Its monthly ARPU increased from roughly € 4 to € 7 in 2006 to over € 25,000 today.

- Dataport, a German provider of IT services for public entities, is one of our Cloud customers, who started in 2020 with a monthly ARPU of approximately € 60,000 and has today a monthly ARPU of over € 350,000. Dataport chose IONOS as a Cloud provider due to the Group's commitment to open source, its prominent engagement at Gaia-X and the immediate certification according to BSI basic protection standards for the IONOS cloud services as well as compliance aspects, among others.

13.2.5 Our financial profile shows an attractive combination of growth, strong margins and cash flow generation with high revenue visibility

In our assessment, our attractive business model translates into a compelling financial profile underpinned by a combination of sustainable growth, strong profitability and cash flow generation with high revenue visibility. The Group's total revenue increased from € 924.0 million in fiscal year 2019 to € 988.3 million in fiscal year 2020 and € 1,103.3 million in fiscal year 2021, representing a 2019-2021 CAGR of 9.3%. Such significant growth is supported by our subscription-based business model (which accounted for approximately 90% of total revenue in fiscal year 2021), which results in high revenue visibility. On a year-on-year basis, total revenue for the Group grew by 7.0% and 11.6% in fiscal years 2020 and 2021, respectively.

We operate a highly profitable and asset-light business, with high Adjusted EBITDA Margins of 35.7%, 35.9% and 32.2% in fiscal years 2019, 2020 and 2021, respectively, and a well-invested technology base. Our Adjusted EBITDA amounted to € 329.8 million, € 355.1 million and € 355.2 million in fiscal years 2019, 2020 and 2021, respectively. Moreover, the Group's large share of subscription-based recurring revenue, a high scalability due to its platform approach, a high cash generation in combination with low levels of maintenance capital expenditures (excluding additions to right-of-use assets) (representing 3% of total revenue in fiscal year 2021) led to a high level of the Cash Conversion Rate of 85.8%, 87.4% and 89.5% for fiscal years 2019, 2020 and 2021, respectively. Our Adjusted Cash Contribution amounted to € 283.1 million, € 310.3 million and € 317.9 million in fiscal years 2019, 2020 and 2021, respectively.

For definitions of Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Cash Contribution and Cash Conversion Rate, see "*4.9 Alternative Performance Measures*".

In our view, IONOS' financial profile compares favorably to its relevant peers across different operating metrics, as this anonymized internal assessment for fiscal year 2021 and the latest nine-month period for which financial data has been published by IONOS and each peer below shows:

	IONOS	Peer 1	Peer 2	Peer 3	Peer 4[1]	Peer 5[2]
Customers (in million)	~6.0	~21.2	~6.0[3]	~4.2[4]	~1.6[5]	35+
Revenue split 2021 Web Presence & Productivity Cloud Solutions						approx. 95% recurring revenue Recurring revenues
Revenue growth 2021 / last 9M	12%[6] / 19%[6]	15% / 9%	29% / 10%	26% / 11%	5% / 20%	(3%) / 7%
EBITDA margin 2021 / last 9M	32%[7] / 29%[7]	23%[8] / 24%[8]	(6%)[9] / (5%)[9]	16%[10] / 13%[10]	40%[11] / n.a.	24%[12] / n.a.
(Adj. EBITDA[13] – capex) / revenue 2021 / last 9M	24% / 21%	22% / 23%	(9%) / (10%)	15% / 12%	(12%) / n.a.	21% / n.a.

Source: Financial information for fiscal year 2021 based on reported figures for all peers, not calendarized; financial information for the nine-month period ended September 30, 2022 for the IONOS Group, peer 1, peer 2 and peer 3 based on first nine months in the respective fiscal year 2022 as reported, for peers 4 and 5, calculation for the last nine months to the end of the respective fiscal year 2022 based on quarterly/nine-month financial information (such nine-month periods in each case referred to as "last 9M"). For some peers, the fiscal year does not correspond with the calendar year, as stated in the individual footnotes below.

Note: Limited comparability due to differing fiscal years, accounting standards, different definitions of adjusted and/or normalized earnings measures and different business models.

Comparing our financial profile against relevant peers, we believe that we compare favorably across revenue growth, profitability and cash flow generation. Our business area Web Presence & Productivity accounted for 89.6% of our revenue from contracts with customers in fiscal year 2021, allowing the comparison to peers 1-3 as relevant competitors in the Web Presence & Productivity area. Peer 4 factors in the example of a cloud provider as reference point for our Cloud Solutions business area, which accounted for 10.4% of revenue from contracts with customers in fiscal year 2021. Peer 5 serves as a reference for companies with a high base of recurring revenue, targeting a customer and end-markets profile similar to IONOS'. IONOS' year-on-year total revenue growth of 19% for the nine-month period ended September 30, 2022 has been significantly higher compared to the 9-11% growth observed for comparable peers in the Web Presence & Productivity area. We have also achieved consistently high Adjusted EBITDA Margin in the assessed periods. While some peers are yet to achieve profitability (peer 2), IONOS generated an Adjusted EBITDA Margin in the nine-month period ended September 30, 2022 of 28.9% despite our investments in incremental brand marketing (approximately € 17 million) and higher energy prices (approximately € 11 million) during such period, while the Normalized EBITDA Margin of peer 1 – although comparability is limited – amounted to 24%. With reference to Adjusted EBITDA less total capital expenditures (excluding additions to right-of-use assets) divided by total revenue, we believe that IONOS compares favorably across the entire peer group, evidencing the strong cash generating and capital efficient nature of the Group's business, although comparability is limited due to the factors set out above. We further believe that our financial profile stands out equally against relevant competitors in the area of Cloud Solutions (peer 4), pointing at similarly attractive revenue growth while evidencing the significantly lower capital intensity in our business model.

n.a. = figures or underlying figures not reported by the relevant peer.

1 Fiscal year ends on August 31.

2 Fiscal year ends on September 30.

3 Based on the number of total premium subscriptions as reported by the peer.

4 Based on total unique subscriptions as reported by the peer.

5 Based on the number of customers at the time of the peer's IPO in 2021.

6 Total revenue as defined by IONOS.

7 Adjusted EBITDA Margin as defined by IONOS.

8 Normalized EBITDA as reported by the peer, adjusted for benefit/provision for income taxes and adjustments relating to trade readjustment allowance, restructuring and other as well as debt refinance expenses, and further adjusted for equity-based compensation expenses, divided by revenue.

9 Defined as reported operating loss plus depreciation and amortization and share-based compensation, divided by revenue.

10 Based on adjusted EBITDA, defined by the peer as net income/(loss) excluding interest expense, other income/(loss), net (provision for)/benefit from income taxes, depreciation and amortization, stock-based compensation expense and other items, divided by revenue.

11 Based on adjusted EBITDA on a like-for-like basis as reported by the peer and defined as revenue less the sum of personnel costs and other operating expenses (and excluding depreciation and amortization charges, as well as certain other items) excluding share-based payments and earn-out compensation, divided by revenue.

12 Based on reported, unadjusted EBITDA, divided by revenue.

[13] Unadjusted EBITDA used where the relevant peer does not report adjusted or, as applicable, normalized EBITDA. For IONOS Group, 'capex' refers to total capital expenditures (excluding additions to right-of-use assets).

13.2.6 We are well-positioned to take advantage of multiple strategic growth levers

IONOS is well-positioned to capitalize on several growth levers. Our strategic objectives include:

- Driving digitalization and the adoption of digital presences of customers, taking advantage of the significant "whitespace" potential for further digitalization (see "*12.2.1 Substantial Catch-up Potential in Web Presence and Cloud Services*"):

  We strive to continue to attract new SMB customers by offering a one-stop-shop for products around digitalization and cloud solutions, pursuing an effective marketing strategy, efficient sales and providing an excellent after-service customer care. Our gross customer additions were 1,049 in 2020 and 1,010 in 2021 (or 18.6% and 17.5% of our existing customer base, respectively). During the nine-month periods ended September 30, 2022 and 2021, the annualized nine-month gross customer additions as a percentage of the existing customer base amounted to 17.6% and 16.7%, respectively. These figures prove our track record of expanding our SMB customer base.

- Accelerated growth through up- and cross-selling opportunities, as shown in the case studies mentioned above in "*13.2.4 We have a large, diverse and loyal customer base with approximately 6.0 million customers worldwide and strong economics per customer, supported by an award-winning customer service platform*":

  For Web Presence & Productivity, we assess that, with a combination of domains, web hosting, website builder and online market products, we would be able to obtain an ARPU for a given customer that is roughly ten times higher than the ARPU with a customer to which we only provide a domain. If, in addition, the product combination includes ecommerce solutions and website design services, we estimate that we would be able to achieve an ARPU that is roughly twenty times higher than the ARPU for a domain only.

  For our Cloud Solutions business area, which is self-sustaining in terms of positive contributions to our EBITDA over the last couple of years, we estimate that an upgrade/extension of product offerings from basic IaaS offerings (typically compute, storage and network functions, which are generally sought by small customers) to additional capacity and services (*e.g.*, adding back-up as a service) and offerings for a larger IaaS set-up (e.g., with managed services such as Kubernetes and database as a service) would yield an ARPU that is roughly 100 times higher than the ARPU for the basic IaaS offering only.

  With additional scaling and usage of all cloud services offered by the Group, the ARPU could be even higher, about 500 times higher than the ARPU for just the basic IaaS offering. This underlines the potential of up- and cross-selling for IONOS. Moreover, as per our analysis, we are able to generate a higher ARPU with customers who have been longer with the Group.

  For example, as of September 2022, the ARPU with customers who were with the Group as of January 2016 (*i.e.*, our January 2016 cohort) had increased about five times compared with the ARPU as of January 2016. This compared with an increase in ARPU by around 3.5 times for our January 2020 cohort, also as of September 2022. For more information, see "*13.6 Customers, Customer Care and Billing*".

  Furthermore, on average, about half of our customers for our IONOS-branded products (domains, email and office, website builder and ecommerce, web hosting, server hosting, VAS and cloud solutions) purchased a second product group in 2021, while approximately 15% of these customers purchased a third product group from IONOS in 2021, approximately 3% purchased four product groups and less than 1% purchased five or more product groups, which further illustrates the opportunities to cross-sell our products.

- Further accelerating the expansion of the Group's cloud offering, where we also see a significant "whitespace" potential, in particular within the large group of solopreneurs, micro- and small SMBs that are not yet using cloud offerings (see "*12.2.2 Continued Shift from On-premise to Cloud Environments*" and "*12.2.3 Other Structural Megatrends*"):

  Our Cloud investments are substantiated by our broad suite of PaaS services (with managed platform components) and IaaS (with a virtualized infrastructure in the compute, storage and network areas). PaaS represents a core strategic focus of the Group, and our solutions already cover a broad array of use cases.

We develop our PaaS portfolio by leveraging a combination of self-made elements: We use our own products, across brands and product lines, which allows us to benefit from scalability, security and stability of our solutions. Furthermore, our PaaS portfolio benefits from a cooperation with partners. We follow a strong roadmap for the future. This includes the expansion into other PaaS offers such as Big Data and artificial intelligence as well as multi-cloud management. We believe that this expansion of PaaS will allow us to attract new customer segments, for example within SMBs and developers/solution users, and add additional use cases to the portfolio, such as Big Data and machine learning/artificial intelligence solutions. In our assessment, this expansion shall allow us to generate additional revenue with limited investments, and generate cross- and upselling opportunities (for example, attracting customers for our IaaS products too).

- Build the strongest brand in the industry:

  We aim to increase our brand awareness as a leading and trusted partner to SMBs, further strengthening the position of our well-recognized and trusted brands (see "*13.2.2 We assess that we are the leading European digitalization partner and a trusted cloud enabler for SMBs, with a broad strategic geographic footprint and leading local brands*"), increasing the share of branded and organic customer traffic and enhancing the visibility of our brands. We see a competitive strength in having different brands with different profiles to better attract different types of customers and to address different market segments, including both premium and value brands, with a local approach, as well as specialist brands (see also "*13.2.2 We assess that we are the leading European digitalization partner and a trusted cloud enabler for SMBs, with a broad strategic geographic footprint and leading local brands*").

  For example, in September 2022, we launched integrated brand campaigns, focusing on our relevant target group, in online video, TV and Video on Demand / Connected-TV as part of this strategic focus. We strive to obtain long-term benefits from our investments in our brands. In 2022, we invested approximately € 30 million into additional marketing activities to further raise brand awareness in our most important European markets. This brought our brand investments to roughly € 55 million in 2022. For 2023, we expect to spend around € 65 million to € 70 million in marketing and brand enhancing measures. In the mid-term, we expect that our brand investments will decrease in terms of percentage of our revenue.

- Continued expansion of IONOS' international footprint through curated entry strategies:

  In this respect, our strategy is diverse. Important criteria we use to evaluate an expansion are the market attractiveness, the proximity to a data center and the availability of local language skills. In some countries, we follow a "marketing only" entry approach, where we run marketing activities in a country in which no data center is currently located, but which is served from a data center located nearby, with no need to build up native language support and sales force (*e.g.*, Canada). Where we follow a "marketing + tailored product" approach, our marketing activities and product offerings are regionally tailored; while in this scenario, the country is also served from a nearby data center, we do build up native language support and an own sales force in that country. For example, in September 2022, we launched our activities in Sweden under the STRATO brand under this approach. We consider launching activities in Denmark under a similar approach in 2023. In a "full entry" approach (such as in the United States), we not only offer tailored product offerings and marketing as well as local-language customer support and sales force, but also operate our own data center within the relevant country. In other countries, we have expanded via an acquisition of an existing large market player, such as in Austria with our acquisition of World4You. Often, acquisitions follow an initially organic market entry.

- Expanding our product portfolio to drive further growth and better serve the needs of SMBs in their digitalization journey, in particular regarding cloud solutions (with PaaS and IaaS offerings, and to a lesser extent, SaaS offerings).

We have a strong M&A track record and, provided we identify suitable opportunities, we also plan to further expand internationally and in terms of our product portfolio, as well as to pursue highly selective and disciplined acquisitions in an opportunistic manner. Our M&A strategy includes (i) acquisitions to increase market shares in countries in which we are already active (*e.g.*, as with the STRATO acquisition), (ii) acquisitions to expand internationally (as mentioned above) through acquisitions of established players, thus allowing us to scale-up our activities in a new country more quickly (*e.g.*, as in our home.pl acquisition), or (iii) "bolt-on" acquisitions to broaden our product portfolio and to gain access to new strategic fields, a rationale we followed, for example, with our we22 acquisition.

13.2.7 Our strong commitment to the environment and people is a clear driver for value creation

IONOS is committed to core values in the areas relating to the environment (environmental), social affairs (social) and responsible corporate management (governance) ("**ESG**") with a dedicated ESG organization and policies in place to support its ESG efforts. We focus on energy efficiency measures as well as on people, culture and a sense of community. With respect to energy efficiency, for example, we have reduced our total energy consumption from approximately 132 GWh in 2018 to approximately 115 GWh in 2021. For the central data centers serving our core brands, *i.e.*, IONOS, STRATO, fasthosts and arsys, the majority of the energy (98.9% in 2020 and 99.4% in 2021) comes from renewable sources, with the remainder being offset (*i.e.*, these data centers are already now carbon neutral, considering scope 1 & scope 2 emissions; for more information, see "*13.13 Environmental, Social & Governance*"). In addition, all of our energy management systems are ISO 50001 certified and regularly assessed by dedicated energy management teams. Our average annual power use efficiency ("**PUE**", defined as total energy consumption per data center, divided by IT energy consumption per data center) was 1.41 in 2021, a significant improvement from 1.52 in 2018 (mathematical average across all owned IONOS data centers). This is a better scoring than the industry average for data centers, as published by the Uptime Institute in its "Global Data Center Survey 2022", which showed an annual PUE of 1.58 for 2018, 1.57 for 2021 and 1.55 for 2022 (survey among 669 respondents (for 2022), answering the question "what is the average annual PUE for your largest data center?"). Our best annual PUE for a single data center across the IONOS Group was 1.18 for 2021, and the design PUE for the new data center in Worcester, United Kingdom (2022), is 1.25.

The operations relating to our brand STRATO became 100% carbon neutral in early 2021 (in terms of scope 1, 2 and 3 emissions). Moreover, we are currently installing or plan to have solar installations in three of our data centers (including in the new data center in Worcester (where the solar installations were commissioned in September 2022), as well as in our data centers in Lenexa/Kansas, United States (commissioning in December 2022), and in Niederlauterbach, France (in which commissioning of the solar installations is currently expected to occur in-2023). Furthermore, we use 100% renewable electricity across all our German offices.

We also invest in our people and culture. For example, in 2021 we had 14.4 training hours per employee (average for those employees undergoing training) and 12.2 training hours for persons in leadership positions, compared to 11.5 training hours per employee and 7.2 for persons in leadership positions in 2020 (these figures are for employees of our IONOS, STRATO, arsys and fasthosts brands only). Diversity plays an important role in the Group's culture. Women held 23.9% of the management positions in 2021 (including division managers, department managers and team leaders across the four above-named brands), compared with 18.5% in 2018. Our Group employees have diverse backgrounds in many respects, with 59 nationalities being represented as of the end of 2021 (compared with 45 at the end of 2018). We are currently rolling-out our diversity and inclusion strategy and roadmap, which includes a variety of initiatives and measures, such as the establishment of a diversity scorecard, the formation of a IONOS diversity committee and of IONOS-specific employee diversity groups (such as "Women in Tech"), etc. In 2022, IONOS (in collaboration with the United Internet Group) organized a three-day internal event "Diversity Days" to educate and engage employees on topic of diversity. We have also begun offering pilot trainings on topics such as unconscious bias, cultural awareness and diversity for leadership. Other initiatives in this area include the long-standing cooperation for the recycling and refurbishing of laptops and servers with a non-profit organization in Germany which aims to include persons with disabilities in everyday work.

13.2.8 We have a strong corporate culture with a highly experienced leadership team, backed by the United Internet Group

We have a strong founder-led corporate culture with highly experienced leadership team, backed by the United Internet Group. Our management team (including the members of the Management Board but also other persons in managing positions) has many years of experience (in many cases, over 20 years). For example, Mr. Weiss, the Group's CEO, has more than 25 years of experience in the industry, including at ProfitBricks, the first German company that focused on cloud IaaS (acquired by the Group in 2017) and 1&1, where he was responsible, among other projects, for building 1&1's German DSL and Voice over IP ("**VoIP**") infrastructure from scratch and developing a nationwide content delivery network ("**CDN**"). Ms. Schmidt, the Group's CFO, has also ample experience (over 15 years of experience), including her role in controlling and later as Commercial Head of Global Customer Support at Siemens Enterprise Communications in Germany (today Unify, a part of Atos SE) and within the Scout24 Group, where she was part of the management team that successfully executed the IPO of that company. Our Chief Technology Officer – Henning Kettler –, our Chief Operating Officer – Hüseyin Dogan –, and Claudia Frese, the Chief Executive Officer for STRATO, each have over 20 years of experience, including different roles at well-known companies (*e.g.*, Arcor and the BMW Group for Mr. Kettler, Amazon and Paypal for Mr. Dogan and MyHammer and eBay for Ms. Frese). Also Mr. Mai, our Chief Marketing Officer, and our Chief

Customer Officer, Dr. Endress, have each over 15 years of industry experience, respectively (*e.g.*, at Idealo for Mr. Mai and Boston Consulting Group, e-on and Microsoft for Dr. Endress). This management team is focused on building a sustainable and independent company for the long-term.

13.3 History and Development of the Group

Since its inception, the Group's business has evolved from providing web presence solutions to German customers to a broad offering of web presence and productivity as well as cloud solutions for customers in highly-developed European and North American economies. The history of the Group is intertwined with the history of 1&1 EDV Marketing GmbH and its development into the United Internet Group, of which IONOS is today a part.

The roots of the IONOS Group go back to 1988, when Ralph Dommermuth founded 1&1 EDV-Marketing GmbH in Montabaur, Germany, to make information technology ("**IT**") easy to understand and available to the average consumer. 1&1 EDV Marketing GmbH offered systematized marketing services to IT companies and software developers, later adding other services such as teletext and ISDN marketing and launching its own Internet access service in 1996.

In March 1998, 1&1 Internet AG & Co. KGaA (today: United Internet AG) became the first Internet service provider company to be listed on the Frankfurt Stock Exchange, Germany. Also in 1998, the 1&1 group (led by 1&1 Internet AG & Co. KGaA) became a shareholder of Internet pioneer Schlund+Partner AG, a German-based Internet provider (by the year 2000, the participation was increased to 100%). In 1999, 1&1 Internet AG & Co. KGaA launched its first own data center in Karlsruhe. In 2000, the listed company 1&1 Internet AG & Co. KGaA was renamed United Internet AG. United Internet AG expanded its DSL product range over time. Also in 2000, United Internet AG launched its hosting operations in France and the United Kingdom. In 2001, United Internet AG became a shareholder of German-based sedo AG, which operates a trading platform for domains under the sedo brand (in March 2014, the participation was increased to 100%).

After initial successes in Europe, in 2003 United Internet AG launched 1&1 Inc. (today named IONOS Inc.) in Chesterbrook/Pennsylvania, United States, expanding its U.S.-based customer service team by 2004. A large data center in Lenexa/Kansas, United States, with a capacity for over 40,000 servers was commissioned to better serve the U.S. market. We currently operate approximately 13,000 servers in that data center.

In 2004, United Internet AG announced its entry in Germany into DSL telephony (a technology that had its breakthrough in 2005) via "Voice over IP", and offered DSL connections and DSL data traffic available from a single source. Also in 2004, United Internet AG became a shareholder of German-based web hoster InterNetX GmbH. The United Internet Group expanded its business with selective acquisitions, *e.g.*, of Fasthosts Internet Ltd., a provider of Internet access and hosting services based in the United Kingdom (2006), and a majority stake in united-domains AG, a German-based Internet provider (2008; in 2015 the participation was increased to 100%). In 2007, complete DSL packages for surfing and telephony without a Deutsche Telekom connection were offered for the first time, and, in addition, the business was expanded by entering the Spanish market.

As of 2008, United Internet AG began offering value-added applications and later entered into a cooperation to offer Very High Speed Digital Subscriber Line ("**VDSL**") with Deutsche Telekom and to offer its own mobile rates based on the Vodafone network in 2010 and the Telefónica Deutschland network in 2013. In 2012, United Internet AG expanded its hosting business into Italy, and in 2013, it acquired the Spanish-based web hosting company arsys and launched its operations in Mexico. In 2015, the product range expanded to include DSL rates for business customers. Also in 2015, United Internet AG acquired home.pl, a Polish web hosting specialist, strengthening its position as a major provider of hosting solutions.

In 2015, United Internet AG split the business of its subsidiary 1&1 Internet AG (renamed in 2015 as 1&1 Internet SE) into two business units: (i) the hosting business, comprising the business that is today carried out by the IONOS Group, which continued to be led by 1&1 Internet SE (today renamed as IONOS SE), and (ii) the private customer applications business, led by 1&1 Mail & Media Applications SE. Later, with a robust infrastructure portfolio in hand, United Internet AG integrated cloud-based digitalization applications and tools into its offering, enabling businesses of any size to safely and simply harness the benefits of the cloud. In its current set-up, the United Internet Group includes four reporting segments, namely (i) Consumer Access (which comprises landline-based broadband products as well as mobile Internet products for private users, under the main 1&1 brand as well as other co- and discount brands), (ii) Business Access (offering a wide range of telecommunication products and solutions under the 1&1 Versatel brand), (iii) Consumer Applications (including a range of personal information management applications, such as email, and online storage (cloud) as well as domains, website solutions and office software for home users) and (iv) Business Applications, being the IONOS Group's business.

In 2017, WP XII Venture Holdings S.à r.l. completed its acquisition of a 33.33% stake in the Company (then named 1&1 Internet TopCo SE), an indirect shareholder of IONOS SE (at the time: 1&1 Internet SE). In 2021, WP XII Venture Holdings S.à r.l. transferred its participation in the Company to a fully-owned subsidiary, WP XII Venture Holdings II SCSp. As of the date of the Prospectus, prior to the Offering, WP XII Venture Holdings II SCSp holds a 24.9% stake in the Company.

Further acquisitions of the IONOS Group followed, including the acquisition of STRATO, a provider of domains and hosting services, and ProfitBricks, focused on business cloud services (now IONOS Cloud), both completed in 2017, as well as of World4You, an Austrian-based provider of web hosting and domain products, in 2018. Also in 2018, to build upon its vision of empowering businesses to leverage the latest digital technologies, the Group combined its web hosting, applications and server product lines with ProfitBricks' cloud solutions, becoming IONOS and reaffirming its dedication to innovation and its customer focus. Starting in 2018, the Group has carried out a rebranding of "1&1" (Hosting) and "ProfitBricks" over different phases towards the target brand "IONOS". In a first step, a rebranding to "1&1 IONOS" took place, and then, in 2019, a further rebranding from "1&1 IONOS" to "IONOS by 1&1". In new countries, *i.e.*, in Hungary, Romania and Bulgaria, operations were launched directly in 2019 under the brand name "IONOS". In terms of corporate names, the main operational holding company of the Group, was renamed "1&1 IONOS SE" in 2018 and "IONOS SE" in 2021. By early 2022, the corporate names of all remaining entities of the Group with "1&1" in their names had been changed to "IONOS". With respect to our commercial presence, we have rebranded our international presence to "IONOS" (*e.g.*, in our logo used in our operations in countries other than Germany and on the websites of such countries). With respect to Germany, we are currently transitioning to the target brand "IONOS", but still use "IONOS by 1&1" to some extent, in particular on our German IONOS website.

In 2020, the Group acquired the business operations of Asci Consulting Gesellschaft für Management-Informationssysteme mbH, Berlin, Germany. Through this acquisition, IONOS acquired extensive expertise in business intelligence and performance management as well as the related customer accounts and employees relating to the operations. In addition, also in 2020, the Group launched its "IONOS Cloud" sub-brand, specializing in cloud services.

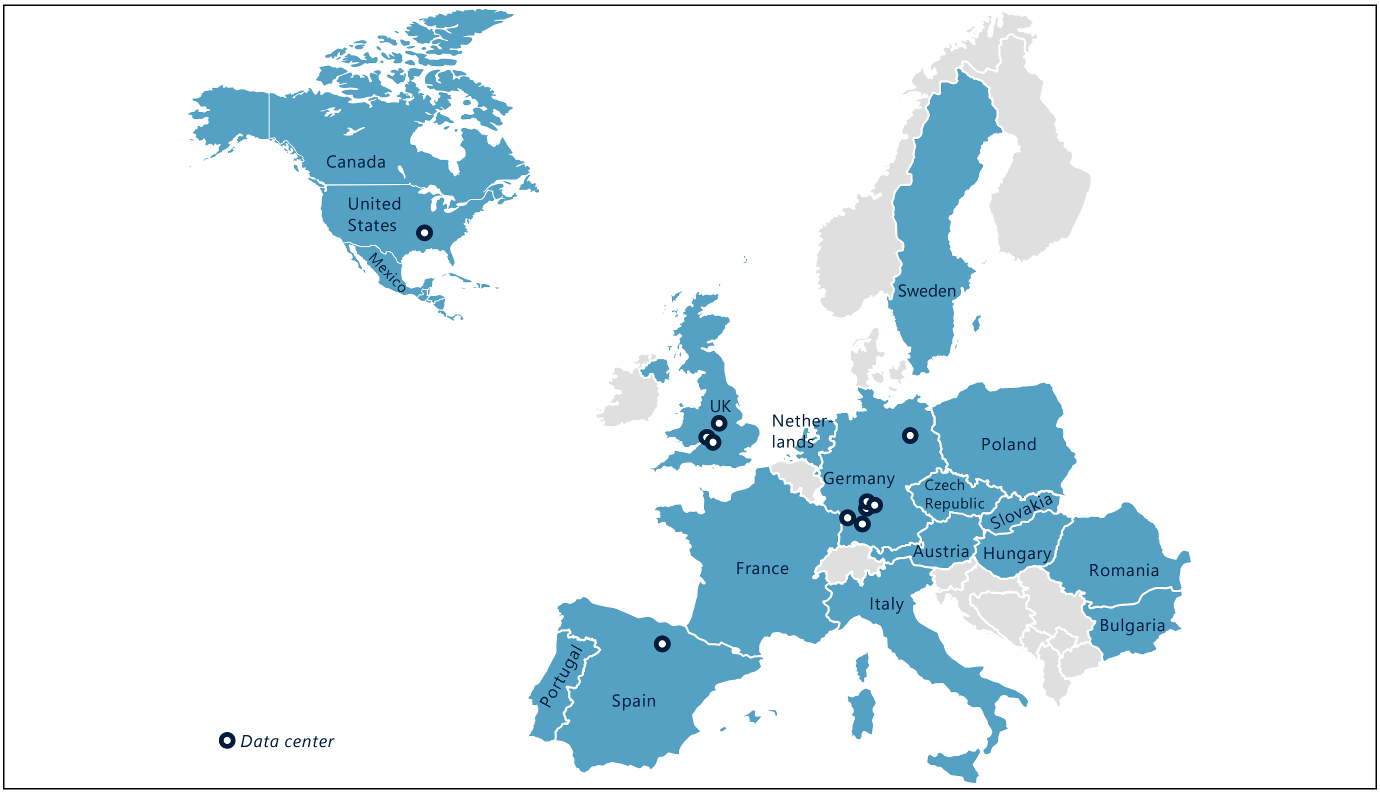
In early 2021, IONOS acquired the Cologne-based company we22 AG (now we22 GmbH), a full-service website provider which develops software for the creation, maintenance and hosting of websites. we22 is best-known for its white label website builder CM4all, which has been used to create and operate more than 5 million websites to date. With over 25 language versions, CM4all has been helping business customers and end consumers to create websites worldwide for more than twenty years. Under its Web4Business brand, we22 also offers website creation and online marketing services to small businesses in Germany. we22's products and services are now available to IONOS customers, while CM4all will continue to be offered as a white label solution for other Internet providers and business customers. Furthermore, in 2021 IONOS also acquired a 25.1% interest in Stackable GmbH, Wedel, Germany, as part of a strategic partnership. Stackable GmbH was founded in 2020 and has developed an open source-based platform for the analysis and processing of Big Data.

In April 2022, IONOS relocated its U.S. headquarters from Chesterbrook/Pennsylvania to Philadelphia/Pennsylvania.

IONOS is currently a sub-group within the United Internet Group, corresponding with the United Internet Group's Business Applications reporting segment.

13.4 Overview of Geographic Footprint

We are an international player with brand presence and activities in 18 countries. This includes various European countries (mainly our focus countries, from a sales perspective, Germany, the United Kingdom, Spain, France and Poland, but also Austria, the Netherlands, Italy, Portugal, Hungary, Romania, Bulgaria, the Czech Republic, Slovakia and, as of September 2022, Sweden), as well as North America (primarily the United States, but also Canada and Mexico), as shown in the chart below (the countries marked in blue are those in which we offer a broad product portfolio and in which we have in-house developments and cooperations with development partners as well as high-performance data centers):



In certain other countries, we sell our products via our international hub (*i.e.*, our international website) to address our international customer base. For example, in Ireland and Switzerland we do not have an own brand presence, but we had revenue from contracts with customers of over € 5 million in each of these countries in fiscal year 2021.

The table below provides an overview of our main locations, including our eleven data centers for the exlusive use of the Group:

City/Country of Location(s)	Main Function
Montabaur, Germany	IONOS headquarter
Karlsruhe, Germany	Location for the IONOS brand; product management, marketing, communications, finance, operations/customer care, product development, technical operations; two IONOS data centers; STRATO data center
Berlin, Germany	Location for the IONOS brand (especially for the Cloud Solutions business, including marketing, sales and support as well as professional services and technology-related operations); main location for the STRATO brand; STRATO data center; main location for the Cronon brand, branch office for the we22 brand
Zweibrücken, Germany	Location for the IONOS brand (operations/customer care)
Regensburg, Germany	Main location for the InterNetX brand
Cologne, Germany	Main location for the we22 and sedo brands
Starnberg, Germany	Main location for the united-domains brand
Baden-Airpark/Rheinmünster, Germany	IONOS data center
Niederlauterbach, France	IONOS data center
Madrid, Spain	Location for the IONOS brand (operations/customer care); office for the arsys brand (cloud sales and presales, marketing)
Logroño, Spain	Branch office for the arsys brand (product management, finance, operations/customer care, development, technical operations, cloud sales and support); arsys data center
Lugo, Spain	Location for the IONOS brand (operations/customer care)
Gloucester, United Kingdom	Location for the IONOS brand (operations/customer care and support) and branch office for the fasthosts brand; fasthosts data centers
Worcester, United Kingdom	IONOS/Fasthosts data center
London, United Kingdom	Location for IONOS Cloud (marketing, sales and professional services)
Szczecin, Poland	Main location for the home.pl brand
Bucharest, Romania	Location for the IONOS brand (software development center)
Linz, Austria	Main location for the World4You brand
Vienna, Austria	Location for the World4You brand (development, technical operations, product management, administrative functions)
Philadelphia/Pennsylvania, United States	Location for the IONOS brand (U.S. headquarters, sales, operations/customer care)
Lenexa/Kansas, United States	IONOS data center
Boston/Massachusetts, United States	Branch office for the sedo brand
Cebu City, Philippines	Location for the IONOS brand (operations/customer care, including call center)

Our latest data center, which operates for the IONOS and the fasthosts brands, opened in Worcester, United Kingdom, in October 2022. The other two fasthosts data centers in Gloucester, United Kingdom, are scheduled to be closed in 2024. We currently plan to open a further data center in Hattersheim am Main (near Frankfurt), Germany, during the course of 2025.

We own the real property (*Grundstücke*) and buildings in which our IONOS data centers in Baden-Airpark, Germany, and Niederlauterbach, France, are located. We also own the real property and building for our new data center to be opened in Worcester, United Kingdom. The remaining data centers we operate are located in leased buildings; however, we design, build and own these data centers (many of which have geo-redundant platforms), including the servers and other devices (*e.g.*, cooling devices) required to operate the data centers; therefore, we refer to the data centers themselves as being owned by the Group. All other main locations included in the table above and other offices and locations used by the Group are leased. This includes our co-location data centers for our different brands, which as of September 30, 2022 were located in Germany (Munich, Karlsruhe, Nuremberg, and four in Frankfurt am Main), Austria (Vienna and two in Linz), Poland (Piaseczno and Szczecin), Spain (Madrid), the United States (Kansas City/Kansas, Las Vegas/Nevada, Piscataway/New Jersey and Miami/Florida), France (two in Paris) and the United Kingdom (Gloucester and London). These co-location data centers are owned by third parties; the Group rents out space in the co-location data center and operates its own servers there. The number and location of the co-location data centers we use varies from time to time, depending on our operational needs. For example, the above-mentioned co-location data center in Gloucester no longer operates as such since the end of November 2022 (the servers have been removed), but only as a limited point of presence.

13.5 Products

IONOS has developed from a pure web hosting provider to an infrastructure, hosting and e-business solutions/applications provider. In addition, IONOS has expanded its portfolio with cloud solutions and evolved into a full-stack provider, *i.e.*, IaaS, PaaS and SaaS provider (with own applications, hosted and managed applications as well as self-managed applications (*i.e.*, applications that are managed by the customers themselves)).

IONOS offers products and services along its two business areas Web Presence & Productivity as well as Cloud Solutions: Web Presence & Productivity mainly focuses on smaller businesses and includes domain registration solutions, email, office, web hosting solutions and website builder applications, ecommerce, server hosting and further VAS. In fiscal year 2021, the Web Presence & Productivity business area accounted for 89.6% of IONOS' revenue from contracts with customers. The products in the Cloud Solutions business area, *i.e.*, IaaS and PaaS, generally address the needs of larger or more sophisticated SMB customers with cloud needs, including public entities. In fiscal year 2021, the Cloud Solutions business area accounted for 10.4% of IONOS' revenue from contracts with customers.

Our products and services accompany SMBs in their journeys regarding, on the one hand, digitalization and professionalization (which typically begin with services relating to establishing a customer-facing online presence, *e.g.*, domain registration, web hosting and related services such as website building tools, ecommerce and email and office solutions), and, on the other hand, the further professionalization of customers' IT landscape, which typically occurs later, when SMBs increasingly begin focusing on their computing and storage (on-premise or cloud-based) deployment strategy, server hosting (dedicated servers) and other value-added services. For more information, see "*12.1.3 The Typical Customer Digitalization and Professionalization Journey*".

IONOS also offers a comprehensive range of powerful tools, such as domains, websites, web hosting, e-shops, groupware, (cloud) online storage, and office software. Based on IONOS' tried and tested, hosting packages, the product range has been expanded over the past few years with the addition of numerous cloud-based e-business solutions/applications. IONOS opens up online business opportunities for solopreneurs, micro-businesses and other SMBs, while also helping them to digitalize their processes. IONOS, as a cloud infrastructure provider, provides businesses with "bare metal" servers, private cloud servers and public cloud solutions such as VPS, as well as individual IaaS and PaaS enterprise cloud services with compute, storage, database and network services that enable customers to create their own technologies and a reliable, self-managed or fully-managed (by IONOS) infrastructure.

IONOS' Web Presence & Productivity products and Cloud Solutions are charged to customers either based on subscription models or "pay-as-you-go" ("**PAYG**")/ pay-per-use models. In the future, we may introduce different charging models for our Web Presence & Productivity products and Cloud Solutions products, for example when we introduce partner products or different pricing options. IONOS develops its business tools at its in-house development centers or in cooperation with partner firms.

IONOS has won several product-related awards over the years which acknowledged its expertise, also when competing with hyperscalers and other European players. For example, in 2019 and 2020, IONOS was ranked by ISG as a "Rising Star" in the German IaaS cloud market (source: ISG Provider Lens/Quadrant Report for 2019 and 2020; category: Hyperscale Infrastructure and Platform Services (2019) and IaaS – (Hyperscale) Infrastructure as a Service (2020), in Germany). In 2021 and 2022, IONOS was ranked by ISG as one of the "Leaders" in the same market (source: ISG Provider Lens/Quadrant Reports for 2021 and 2022; evaluation of providers that deliver virtual computing resources, middleware and software in a public cloud environment). Moreover, in the January 2023 edition of the ISG Provider Lens/Quadrant Report for France, IONOS was for the first time mentioned as a "Contender" in the French IaaS cloud market (source: ISG Provider Lens Report/Quadrant Report, January 2023, France, category: Hyperscale Infrastructure and Platform Services). In addition, in 2021, IONOS was awarded the Platinum Award in the category for Cloud Service Providers of the "Service Provider Awards" in the context of the Service Provider summit 2021 held in Frankfurt, Germany, where more than 100 top-managers of the cloud and managed services branches met. IONOS also received the 2021 Gold Award in the category for IaaS granted by Cloud Computing Insider, a specialist portal for cloud computing and services (readers' award).

13.5.1 Web Presence & Productivity

In the Web Presence & Productivity business area, IONOS offers a wide range of products for the digital presence of SMBs and other customers, including domain registration and web hosting solutions, email, office, website builder applications, ecommerce, server hosting and further VAS.

13.5.1.1 *Domains*

Domains (and Web Hosting tools) are of critical importance for SMBs, since their customers expect their vendors/providers to have an online presence. Domains are thus the anchor to a customer's brand and online presence, and typically the primary entry point for a customer's online journey. One of the key products is the domain name registration, which allows to create the web address for a business. In addition, IONOS also takes over the management of domains. Domains typically have an emotional component, since customers have an interest in securing the names of their brands and projects to build their brand identity. Domains also connect web services and are therefore essential to a business and allow customers to set up monitoring services such as web analytics and apply security measures. These factors contribute to the typically long lifetimes of domains. The name of the web address can be either combined with a country code TLD, *e.g.*, .de or .us, or with .com as the world's most recognizable TLD. Typically, a wider portfolio of domains is required as the business grows (*e.g.*, to account for an expansion of the business to other countries). The domain can be transferred to IONOS' ecosystem and used and further managed within such ecosystem. Furthermore, customers can register up to 100 domains with one search. IONOS also enables its customers to increase website traffic, allowing them to establish trustful relationships with their own clients and customers. In this respect, IONOS deploys Secure Sockets Layer ("**SSL**") certificates: An SSL certificate encrypts all information transmitted to and from the website, designed to establish protection from third parties attempting to access it. Browsers, *e.g.*, Google Chrome, mark pages without SSL encryption as not secure. This can have a negative effect on the trustworthiness of customers' websites. With an SSL certificate, the website's URL will start with the prefix "https" and a padlock icon will be displayed in the browser bar, indicating the visitors the site is secure, and their data is safe. Pages that are protected with SSL receive better search engine rankings, and are more likely to be trusted by visitors (source: SEO London website, "Does SSL Affect SEO"). We have approximately 22 million domains registered as of September 30, 2022 (with over 400 TLDs), compared with approximately 11 million at the end of 2011. We see in our domains business a strong base for cross- and upselling. For example, customers may expand their portfolio of domain names as their businesses grow. Domain-only customers purchased, on average, 1.5 additional products within the 24-month period from July 2020 to July 2022 (internal assessment for all our markets).

Many domain names which are appealing to customers are already registered. Hence, we also offer domains within our Aftermarket Business – we offer domains for sale on a marketplace platform and with a brokerage service – to increase our supply of available domains. Aftermarket domains also bring IONOS high-value customers who may then further invest into their online presence with other IONOS services. Our aftermarket activities in the domains area include selling, buying and trading domains, as well as "parking" domains. Approximately 21.5 million domains were listed for sale on our sedo platform, and we had almost 9 million "parked" domains (*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 revenue when the advertisement is clicked) as of the end of 2021. A large portion of the domains that are listed on our marketplace are also "parked", but there are also domains that are only "parked" but not listed on the marketplace. Our domain marketplace sales had an average selling price in the sedo marketplace of around € 1,600 in 2021, while domain brokerage transactions had an average selling price in our sedo marketplace of approximately € 20,500 per transaction, representing an increase of approximately 9% and 42% compared to 2019, respectively. Our aftermarket activities (brokerage and marketplace) generated revenue of € 132 million in 2021; in terms of units, we had around 37,100 transactions in 2021 (of which around 1,200 were brokerage, and the vast majority were marketplace transactions). We had an increase of 48% in the number of marketplace domain transactions (and an increase of 6% of the average selling price for such transactions) in 2021 compared to 2019. We expect that our aftermarket activities (with commissions typically ranging between 10% and 20% of the transaction value) will benefit from sustained growth dynamics. Demand for aftermarket activities comes from both professional domain traders and SMBs/end-users. We assess that roughly 25% of such demand stems from professional domain traders (*e.g.*, large domain buyers with dedicated key account managers as well as customers with a significant domain portfolio that trade in domains but do not have a dedicated key account manager), with the remainder stemming from what we view as "retail" demand (*e.g.*, SMBs and end-users) (estimates in terms of the number of transactions). In addition, we expect the share of registered domains that are sold in aftermarket activities to increase driven by customer matching based on artificial intelligence and the active trading of deleted domains. Based on the number of domains listed for sale on our sedo platform as mentioned above, we assess that we are the leading European player for domains aftermarket. In the past few years, we have onboarded large partners in our aftermarket activities, who have helped us in increasing traffic, sales and revenue relating to our platforms: In 2021, we had 20% more page impressions than in 2019. We have also optimized our domain parking business, which has resulted in significantly improved mobile device conversion rates (with an increase of 111% in the number of clicks in 2021 compared with 2019).

13.5.1.2 Email and Office

In the field of email and office applications, IONOS offers professional email addresses so customers can be contacted at their own branded email address. We believe that our customers typically choose a professional email and productivity solution for a variety of reasons, which may include highlighting their own identity and showing professionalism, ease of use, flexibility, no advertising and reuse of data (we do not use content data for monetarization), data privacy/protection and IT security considerations and our long experience of over 20 years in running a large-scale email infrastructure.

Customers may choose IONOS' white label email and office solution, which combines a powerful mail stack with Post Office Protocol ("**POP**")/Internet Message Access Protocol ("**IMAP**") and SMTP access with a powerful online productivity client application from open source provider Open-Xchange. In addition, IONOS runs its own hosted Microsoft Exchange 2019 solution. IONOS partners with Microsoft's 365 / Office 365 exchange email and Microsoft's trusted productivity suite as well as with Google to provide customers access to the Google productivity suite called "Google Workspace". Customers can combine the G Suite/Google Workspace with their own Internet address. To help SMBs meet all regulatory requirements related to reliable archiving of business communications (*e.g.*, in Germany, this refers to compliance with the so-called *Grundsätze zur ordnungsmäßigen Führung und Aufbewahrung von Büchern, Aufzeichnungen und Unterlagen in elektronischer Form sowie zum Datenzugriff*, "**GoBD**"), IONOS offers a certified email archiving solution to protect email communications from non-traceable tampering and loss.

In the area of groupware and collaboration, IONOS offers a fully managed package of NEXTCLOUD, an open source file sharing and collaboration software, using IONOS' own cloud stack for highest performance and maximum data protection. For video conferencing and real-time communication, IONOS runs a fully-managed set-up of Jitsi, a collection of free and open source multiplatform voice (VoIP), video conferencing and instant messaging applications.

We currently have over 26 million active electronic mailboxes under management sending, on average, over 64 million emails per day (representing around 2 billion emails per month; analysis as of March 2022), as well as over 2 million monthly active webmail users, which allows us to have valuable touchpoints with customers to engage with such customers and to offer them other products.

13.5.1.3 Web Hosting

Web Hosting refers to the provision of web space and the hosting of websites on the web server of an Internet Service Provider (ISP). In Web Hosting, a web host (such as IONOS) allows clients to build and run their own websites and applications to create their own web presence. Our Web Hosting services provide a fast, scalable shared hosting for any website. The data is mirrored in two data centers, so hosting stays uninterrupted even during maintenance and outages of one of the two centers. A state-of-the-art server-side security also helps keep the site up and running: In this connection, IONOS uses its own server shield technology to prevent Distributed Denial of Service ("**DDoS**") attacks (in which multiple systems flood the bandwidth or resources of the attacked system). Scalable performance levels allow customers to adjust the performance of their projects at any time. As of the end of 2021, we had approximately 4.9 million services (*i.e.*, contractual components paid for by customers, whereby one "service" may not coincide with one stand-alone contract for purposes of this calculation) for the product categories web hosting and website builder in our portfolio; as of September 30, 2022, those services amounted to 5.0 million.

Using IONOS' web-publishing platform it is easy to set up, manage and maintain blogs or complex websites, even for customers without special web-publishing knowledge and skills. Easily accessible WordPress that is offered by IONOS is the most common web-publishing platform, and the most-used content management system in the world: roughly 43% of all websites are created and maintained with this Content Management System ("**CMS**") (source: W3Techs – World Wide Web Technology Surveys, information on CMS, available under https://w3techs.com/). WordPress usage has grown at a CAGR of 12% since 2011, according to W3Techs' tracking (source: Hubspot, "20 WordPress Statistics You Should Know in 2022"). In addition, WordPress is the most relevant CMS in the world, with a market share of 63.6% among content management systems, as estimated by W3Techs Web Technology Surveys as of January 25, 2023. The CMS is easy to use and offers comprehensive modification possibilities. The source code is open source, and a very large number of themes, plugins, widgets and tools has therefore been developed for the CMS. These technology and design options enhance the system's range of functions. Beginners and professionals alike can use a wide range of applications and development opportunities that allow them to work efficiently and comfortably with the system. As of August 2022, there were over 1.9 million WordPress instances published on the customer websites we host (*i.e.*, WordPress was installed on our hosted servers 1.9 million times). In addition, during the month of August 2022 there were approximately 12.9 billion page views of customer websites hosted by the Group (external page views without robots).

Besides the product range optimized for WordPress hosting, IONOS' web hosting offering can host more than 70 different web applications with a simple and intuitive "one click" installation to have a full-scale online "presence suite" that combines nearly all use cases relating to online visibility and being found online by visitors under one consistent user flow. Among such applications are well-known and widely used CMS systems such as Joomla!, Drupal, Typo3 and Magento, among many others.

In addition, for customers choosing Windows hosting, the Group also offers ASP.NET hosting as a powerful web hosting tool on Windows® Server 2019. ASP.NET hosting is a technology and coding language used on servers to create websites. ASP.NET hosting is a common, stable and extensive solution (*i.e.*, a tool to create dynamic webpages; the tool shows individualized content to each user, some of which is also always kept updated to the latest status. The tool is based on the .NET framework, which makes it very effective when working with other Windows applications. For these reasons, IONOS offers ASP.NET next to Linux within its hosting packages.

For developers of static websites (*i.e.*, websites which display the content exactly as stored to every user, in contrast to dynamic websites that are generating the showed by web applications in the moment the user is entering the site), deployment of written code can be done directly from an individual GitHub repository on IONOS' secure hosting infrastructure. GitHub is a network-based version management service for software development projects. The GitHub Codespaces development platform provides developers with a full cloud-hosted development environment. IONOS' product "Deploy Now" combines reliable hosting with the efficiency of a GitHub development environment. In 2022, IONOS launched a PHP extension for our "Deploy Now" product (PHP is a popular open source general scripting language used by programmers to develop web applications and websites). The extension allows developers to publish their PHP projects directly via GitHub without having to take care of the infrastructure administration or of manual deployment processes.

IONOS also offers all these services with a tailored version addressing the needs of agencies, freelancers and designers by adding special features or special management tools (agency portal) to these services. Such features and tools enable customers to more easily administer multiple user accounts. Examples include "SingleSignOn", collective billing, add-ons for client's contracts such as domains or certificates and access into IONOS' partner agency network enabling to promote themselves in order to gain potential new customers.

We see a high upselling potential within Web Hosting for product extensions (such as extended PHP support) and add-ons such as email, domains, SSL, etc., as well as cross-selling of domains and office solutions, managed servers or alternative server and cloud-based platforms.

13.5.1.4 Website Builders

Having an own website has become increasingly important for SMBs, as having a digital presence typically starts with a website. IONOS supports its SMB customers with an easy-to-use template-based website building software that allows to quickly and easily create a website online. These applications work in the customers' browser, so no additional software needs to be downloaded (SaaS). IONOS offers subscription-based website builder services in different packages, tailored from easy and light-weighted to professional functions.

IONOS has a product offering that can be used in different content management system (CMS) set-ups:

- Open-source CMS: this category accounted for approximately 57% of the CMS, according to our own estimate for September 2022 (based also on statistics for different CMSs published by W3Techs as of September 2022), and includes CMS based on WordPress, Joomla or Drupal, among others. This set-up provides a collaborative environment for users to manage content, allowing multiple contributors to create, edit and publish content (excluding hosting and other secondary features). In connection therewith, IONOS offers a wide range of WordPress services.

- Proprietary CMS, with all-in-one platforms designed to streamline the process of creating a website, which is typically hosted by the provider itself. This category was used by 10% of all CMS as of September 2022, according to our own assessment. IONOS offers a proprietary website builder.

- No CMS: 33% of all existing websites use none of the CMS monitored by W3Techs (as of September 2022; statistical data from W3Techs). This set-up is typically used by more advanced developers and web designers requiring customizations for very specific needs. For these customers, IONOS offers web hosting (see "*13.5.1.3 Web Hosting*").

IONOS' website builder portfolio ranges from solutions for users without special web-publishing knowledge and skills who need a simple DIY drag-and-drop solution to create their individual online presence or ecommerce presence, to professional users who use a professional WordPress set-up for individual needs. By combining WordPress & WooCommerce (which is a customizable, open source ecommerce platform built on WordPress), there are vast possibilities for creating professional ecommerce projects. According to Datanyze, 38.9% of the websites using an ecommerce product used WooCommerce as of January 25, 2023. The increasing popularity of WordPress has also been accompanied by increasing complexity (*e.g.*, due a complex administration interface, over 60,000 plugins (as of January 2023, as per the Weglot website; Weglot is a translation plugin from WordPress) and more frequent updates for plugins, the use of over 110 languages and performance/security issues, among others). IONOS assists its customers in navigating through the complexity of the WordPress ecosystem, *e.g.*, through the regular development of plugins for the WordPress community, fixing security issues, adding missing themes, automatic updates, pre-defined packaging and personal support. For "high-end" set-ups, IONOS offers dedicated cloud hosting to run high-performance ecommerce platforms based on Magento (an open source ecommerce website platform).

In addition, IONOS offers a time-saving full-service website design for customers. IONOS' experts build the customers' online presences and, in combination with a broad agency network, IONOS can also serve these customers with very specific service requirements.

We see upselling potential to our existing customer base, and cross-selling opportunities, for example for domain customers that also use website builders, with potential for higher-value products such as online marketing (with a potential additional revenue potential of around double the typical revenue for website builders) and value added services (with an even higher revenue potential, when combining a website builder product with online marketing and value added services).

13.5.1.5 Ecommerce

Many SMBs benefit from having their own ecommerce solutions. The importance of running ecommerce solutions has further increased during the COVID-19 pandemic and the related lockdowns and curfews. As of September 30, 2022, we saw a 13% increase in the number of registered e-shops compared with September 30, 2021. Also in connection with services around website building, we further offer services that address the customer demand of creating online shops (ecommerce services), with experts who provide advice and support where required (both with remote support with consultants offering tailored advice for customers). In our view, DIFM support is especially helpful for customers who are launching ecommerce activities for the first time. Furthermore, IONOS also supports customers with related valued added services such as those relating to online marketing, for example allowing customers to get found faster online and with on-site support (see "*13.5.1.7 Value Added Services*").

We offer nine "localized" ecommerce shop formats (as of November 2022), meaning that not only the language of the shop, but also the editor/back-end is localized, including locally relevant tax rates, format of the bills, etc. which are compliant with the respective legal regulations and adapted to the relevant market. Our ecommerce solutions are based on a state-of-the-art WordPress powered WooCommerce hosting platform with a mobile-friendly design, easy customization and auto updates, which is also ready for multi-channel usage by allowing to merge online and offline sales, with features such as point-of-sale integration. Our solutions range from basic entry-level business-to-customer (B2C) functions to professional business-to-business functionalities.

Our customers have over 2.9 million different products placed online on our ecommerce platforms (as of October 2022). The average monthly gross merchandise volume, *i.e.*, the volume of sales of the merchants on our ecommerce platforms, increased from € 22.9 million per month in 2021 to € 43.1 million per month during the nine-month period ended September 30, 2022 (in both cases, average monthly figures). We also see upselling and cross-selling potential, for example in the combination with website builder and value added services.

13.5.1.6 Server Hosting

Dedicated infrastructure continues to be a relevant choice for data-sensitive and mission-critical workloads. European companies are generally eager to shift to a model that allows them to contract external server hosting for specific use cases since such models are more secure and cost less, on average. The product range of IONOS' server hosting solutions includes different types of self-managed servers. These include AMD Servers (based on CPUs of the AMD manufacturer, with latest CPU generations like Ryzen and EPIC) and INTEL Servers (with CPUs from the INTEL manufacturer and latest CPU generations like XEON gold). These two categories are focused on high performance and fast Non-Volatile Memory Express ("**NVMe**") storage. The third type of servers comprise the servers focused on high capacity storage demand with remote automatic incident detection ("**RAID**") storage set-ups of up to 48 terabytes (TB). The latest and newest type of Server Hosting is the graphic processing unit ("**GPU**")-based server offering.

Comparable to a laptop or a home PC, dedicated servers are available for the exclusive use by a user, which means the customer does not have to share processing power or bandwidth with anyone else. This allows for high performance for customers' projects, even under high workloads. IONOS' customers can configure the dedicated server with a range of Central Processing Unit ("**CPU**"), random access memory ("**RAM**") and storage options on fully-dedicated hardware; our easy-to-use interface makes it simple to manage the chosen dedicated hosting package. IONOS' offering comprises advanced generations of dedicated AMD servers and Intel servers. The packages differ in the amount of CPUs, Cores, RAM and HDD/NVMe Solid-State Disk ("**SSD**") options. Customers are billed using a "PAYG" system, which means that customers only pay for actual use of the dedicated server capacity. This applies to both the booked package and the booked duration. Hardware that is not of the newest generation is packaged as attractively priced offers for customers, so-called "server deals". With each dedicated hosting plan, IONOS offers free, 24/7 support and a personal expert and consultant. A special sub-type of these dedicated servers are GUP servers.

GPU servers became part of IONOS' product portfolio in early 2022. The servers use NVIDIA's Tesla T4 Tensor Core GPU, which is based on multi-precision computing and the NVIDIA Turing architecture. GPUs are designed to run multiple processes in parallel due to their processor architecture. Servers with NVIDIA GPUs are therefore ideal for scenarios in which users need to process large or complex amounts of data particularly quickly or visualize something in 3D. Examples include deep learning, artificial intelligence applications, Big Data analytics, or rendering in visual effects or 3D design.

Besides self-managed servers (also referred to as "bare metal" or "dedicated servers" with an installed operating system, *e.g.*, Microsoft Windows or Linux, but fully self-maintained), IONOS offers a service which is called "managed servers", where the administrative functions are carried out by IONOS. In this case, the service provider provides and administers the operating system, *e.g.*, security updates and patches, and the user cannot select or install another operating system. The customer has the option to install and use the applications provided. There are many benefits to managed server hosting, most importantly the uninterrupted service and improved backup and disaster recovery.

Our broad server hosting portfolio addressed many different performance demands, with products focused on pro-users (such as agencies and enterprises) and hardware categories available from entry-level to high-end level. We also plan to introduce a build-to-order option for customer hardware configurations. IONOS has geo-redundant servers, network protection and automated backup processes, and support to assure against data loss. Managed servers also allow for increased security measures, lower operating costs, and highly customizable services to meet business requirements. We believe that server hosting allows for predictive and attractive pricing models, with a low entry-price point, PAYG pricing and unmetered transfer. As of October 2022, we had over 33,000 customer servers in operation and offered 41 different model options. We offer a broad set of features, including private networks among servers, five data center locations to choose from, load balancers and shared storage, as well as integrated back-up and recovery solutions powered by Acronis.

For a description of other types of servers offered within our Cloud business area, see "*13.5.2.3.6 Virtual Private Servers and Cloud Servers*".

13.5.1.7 Value Added Services

IONOS also offers value added services to address further customer demands and enhances the core products in the other product areas with add-ons, *e.g.*, an additional SEO tool/service depending on the website or back-up tooling for servers. For example, IONOS supports its customers with online marketing tools to allow them to get found faster online and on location. IONOS' Google Ads management service helps customers to sell online with Google and improve their SEO with "rankingCoach". In order to enhance the search results of its users, Google distinguishes between high-quality websites and websites which are regarded as untrustworthy or not as rich in content. Websites hosted with IONOS have a fast load time and the page layout makes it easy to optimize for Google. While IONOS cannot create the texts for the products and services, it supports its customers in writing text that will help to improve search engine rankings. With "List Local", we enable customers to list their business and manage their business data on 35 important online directories.

IONOS offers online storage and backup offerings, so that customers can secure and share their data. We offer an integrated cloud-based server backup and recovery solution powered by Acronis, a leading data protection technology provider (according to Acronis' assessment, which also includes over 100 awards, a network of over 16,000 service providers, 750,000 business relying on Acronis' solutions and presence in over 150 countries;

source: Acronis website, as of January 25, 2023). Customer data which is stored online can be protected from viruses, ransomware and loss. IONOS offers different security solutions. For example, data can be secured and shared "on the go" with "HiDrive Cloud Storage". A domain security tool protects domains from threats, while email archiving safeguards emails against loss and a cloud backup secures server or cloud infrastructure. Our domain guard tools keep domains safe from attack, and counters attacks from hackers, while also protecting Domain Name System ("**DNS**") records. Any changes to a domain and its records must undergo an additional verification step where a security link is sent to the customer's email address. In addition, our domain guard tool protects DNS records trough Domain Name System Security Extensions ("**DNSSEC**") which prevent hackers from manipulating these important details or from rerouting them to fake destinations. With "SiteLock Scan" we offer a cloud-based tool that scans up to 500 pages of the customer's website and checks them thoroughly for security holes in the network. In addition, IONOS provides its customers free of charge with a domain ownership document, which can be used to prove domain ownership to any third parties, institutions or companies. All of IONOS' web hosting plans come with a range of plugins to enhance the website. Customers can choose among the most popular web hosting applications, including TYPO3, Joomla!, Drupal and PrestaShop. All plugins are free and can be installed in just a few clicks.

13.5.2 Cloud Solutions

The second pillar of IONOS' business is cloud computing (Cloud Solutions business area). Cloud computing is the on-demand provision of storage, computing and network resources via the Internet. Servers and devices used for the processing, storage and transmission of data are located in data centers rather than on the customer's premises. Users of cloud computing services can access their IT services, including their stored data, via the cloud regardless of their location. The only requirement is an Internet connection. They can also instruct computing units to perform computing functions automatically. This minimizes the computing and storage capacities required on their devices.

We fully own our cloud technology stack, which we believe is a significant competitive advantage, since we are not dependent on OpenStack or any U.S. providers; in addition, this allows us to run a profitable model, since we only have limited license costs for third-party vendors. Having our own technology stack also allows us to control the source code and architecture at all levels of such stack, thus also enabling a high-level of value creation directly by us, for example adapting our products to fit our and our customers' requirements. See also "*13.8 Product Design; Programming and Innovation*".

IONOS as a cloud infrastructure provider enables customers to profit from cloud computing without needing an own data center and internal IT staff. IONOS' modern self-service cloud platform is designed to take over this task so that customers can access high-quality services with measures implemented to provide a high level of protection of their data while avoiding the financial and time investment necessary to build and manage an own data center. Due to the solid server performance, IONOS can offer performance at a consistently high service level even at busy times.

Service providers such as IONOS can assign a server to a single customer (*i.e.*, Private Cloud). In this case, the capacity of the server is divided among user groups authorized by the customer. Alternatively, a server can be shared by several customers (*i.e.*, Public Cloud). Private Cloud customers generally pay a monthly fee for the allocated capacity, regardless of their use, while Public Cloud customers generally pay only for the capacity they use and for the time they use it (pay-per-use). This public cloud model allows for maximum flexibility in scaling in and out and adapting infrastructure to current needs with very low financial impact.

Cloud computing includes a range of services, *e.g.*, (managed) IaaS (rented compute and network capacity in shared data centers), PaaS (platform to develop, run and manage web app), and SaaS (software licensing and delivery, centrally hosted by the vendor). For customers, cloud computing brings computing engineered for simplicity, backed by expert support. This means customers can focus on developing and managing their application, but no longer need to operate the physical infrastructure. With cloud computing, customers use the infrastructure and outsource all operational aspects.

IONOS' Cloud Solutions can be categorized into "Bare Metal Cloud" solutions, Private Cloud solutions, Public Cloud solutions (which include IaaS and PaaS services such as compute engine, storage and backup, network services, managed services, databases as well as virtual private servers and cloud servers) and so-called Managed Service Provider ("**MSP**") offerings. That means that if customers have a very specific demand and need an individual service for the set-up and operation of complex infrastructure projects, IONOS offers these services through its sub-brands "CRONON" and "Arsys Consulting Service". These offerings are tailor-made and comprise consulting, project-management, set-up and operation – depending on the specific customer needs.

IONOS' cloud offerings support different cloud strategies of its customers, for example:

- *Cloud native customers using a single cloud service provider*, so that all customer workloads and applications are migrated to one cloud service provider (Public Cloud). This model has the advantages of lower complexity, a more seamless integration and no capital expenditure requirements. Use cases for this strategy may include, for example, fast-growing start-ups "born in the cloud".

- *Hybrid cloud strategies,* in which customer workloads and applications are shared between an integrated, on-premise environment and a Private or Public Cloud environment. This model allows for a controlled access to the data and selective cloud migration. For example, this model may work well for companies that have protection needs for specific sensitive data (*e.g.*, personal data) and own data centers, for example in the banking, insurance or manufacturing sectors.

- *Multi-cloud strategies*, in which customer workloads and applications are shared among multiple cloud service providers. Generally, this model allows to access innovations and a global coverage. These strategies may be used, for example, by tech-savvy companies or organizations keen on protecting their digital autonomy (*e.g.*, multinational companies, public sector entities or software vendors).

Our Cloud Solutions can be quickly and flexibly scaled up and down; they are designed to operate on a state-of-the art and innovative and stable infrastructure and offer a broad variety of configurations.

13.5.2.1 "Bare Metal" Cloud Solutions

"Bare Metal Cloud" hosting solutions offered by IONOS allow the creation of a set-up of dedicated servers (*e.g.*, bare metal servers) which are exclusively dedicated to one customer, but connected to each other via a private network. This dedicated infrastructure as a service (IaaS) product is tailored to the individual needs of customers. IONOS supports customers with a personal expert during the compilation and set-up of the customer's infrastructure; the adaptation or expansion can be performed by the customers themselves at any time. IONOS also supports migration scenarios. This set-up allows for the operation of isolated workloads (for example by web and IT professionals).

13.5.2.2 Private Cloud Solutions

To round off the product offering of our Server Hosting area (see "*13.5.1.6 Server Hosting*") and our VPS and cloud server offerings within our Public Cloud Solutions area (see "*13.5.2.3.6 Virtual Private Servers and Cloud Servers*"), we offer Private Cloud as a cross-selling product complementing our IONOS Cloud offering. However, Private Cloud is a stand-alone product which is physically disconnected from the IONOS Public Cloud. Thus, Private Cloud has no shared user base with respect to IONOS (Public) Cloud, as a Private Cloud is an isolated virtualized hardware environment dedicated to one single customer, where no other customer stores data on the hardware or consumes its resources. If customers decide to build up a hybrid cloud infrastructure consisting of a Private and a Public cloud, the data exchange between these two clouds will only be possible through the public Internet, not through a private or direct network connection between these two platforms.

Similar to Public Cloud, Private Cloud also includes an infrastructure (IaaS) and a service (PaaS) layer. IONOS' Private Cloud powered by VMware provides customers with all the benefits of a cloud environment with higher security thanks to dedicated hardware and physical infrastructure exclusively used by them in high-performance data centers which are ISO-certified for compliance with information security standards. VMware is the leading cloud system and service management software provider worldwide, according to analyst firm IDC (source: IDC VMware Article), and it is particularly strong in on-premise infrastructure environments. With our Private Cloud powered by VMware we offer an attractive solution for businesses that are already using VMware but who want to start shifting their infrastructure to an off-premise environment. We have a ten-year partnership with VMware, and in April 2022 we launched a new VMware Sovereign Cloud Partnership for Germany, which grants IONOS access to joint sales and marketing opportunities.

13.5.2.3 Public Cloud Solutions

13.5.2.3.1 Compute Engine

IONOS provides "Compute Engine" as a flexible IaaS solution for advanced cloud computing applications, allowing for ecommerce applications to remain up and running even during peak loads and enabling SaaS solutions to work smoothly. CPU-intensive rendering tasks are carried out cost-efficiently, and data archives and backups are stored redundantly. The customer can configure its Compute Engine in any combination of CPU, memory and storage size. This allows customers to model the virtual machine according to the requirements of their own applications. This flexibility also allows customers to avoid paying for unnecessary resources (that would have to be booked when ordering fixed instance sizes) but rather pay for the capacities they actually require. In addition, we mostly operate a "Dedicated Cores" model, which means that customers receive the entire physical core (and can thus benefit from the entire performance of the core), but we also plan to launch an additional model on the basis of virtual CPUs ("**vCPUs**"). The difference between a "Dedicated Core" and a vCPU is that a "Dedicated Core" is exclusively booked for one customer, for which a CPU is reserved and which CPU is not used by any other user, even when such core is not in use. The vCPU model relies on a virtual CPU that delivers the compute capacity to the customer when needed in terms of efficiency; in this case, the CPU is more often in use, as multiple customers demand its capacity. At this time, "Cubes" (explained in more detailed further below), which essentially operate as open source-based VPS, are running on shared infrastructure to allow customers to deploy workloads that are less critical on shared systems. We currently have over 210,000 Dedicated Cores and vCPUs, with over 1 million GB RAM and over 52 million GB of block storage as part of our Public Cloud infrastructure (as of October 2022).

Compute Engine works on a modern IaaS platform for cloud computing designed to be highly available, secure, reliable, and with a fast software-defined networking that addresses the specific virtual IT infrastructure that different customers need. The "drag-and-drop" feature in the IONOS Data Center Designer allows to put together the resources for a customized virtual data center, without any rigid, pre-configured packages. Customers also have the option of flexibly adding new capacities and components to the virtual infrastructure at any time, on short notice, and without rebooting the system. Customers can also blend on-site applications with a Public Cloud into a hybrid cloud, or can require an alternative to a multi-cloud strategy. The platform provides a high level of safety to protect business-critical data. Such data is processed and stored with dual redundancy in IONOS' certified data centers in the United States and Europe. With this solution, customers benefit from low investments, faster responses to market changes and powerful virtualization technology.

In addition, IONOS offers Cloud Cubes. Cloud Cubes are a fast, affordable way to build cloud infrastructure. IONOS' Cloud Cubes manage scalable development environments to meet specific software requirements. IONOS provides customers with cost-effective virtual servers that can be used as independent computing capacity for workloads such as development and test environments. One advantage of Cubes over enterprise servers is that Cubes is used by applications that provide redundancy themselves, while enterprise servers provide redundancy/high availability within the product and enable short recovery times in the event of service outages. IONOS has an easily configurable server-and-storage system that can be adapted and expanded according to changing needs at any time. IONOS' Cloud Cubes come in different instance sizes for optimized resource utilization to offer an excellent performance/price ratio. IONOS' Cloud Cubes works by default with an attached NVMe volume, which can be expanded with Hard Disk Drive ("**HDD**") or SSD network block storage as needed. Simple workloads are mapped out (*e.g.*, as web applications) and easily linked to production environments. IONOS' Cloud Cubes are fully integrated into IONOS cloud data centers, taking over specific workloads and running in tandem with the Compute Engine in the same virtual data center. This allows to harness enterprise-grade features such as backups and network performance.

13.5.2.3.2 Storage and Backup

IONOS offers different kinds of storage and backup services. A storage system is a central unit that contains a large number of physical hard disks (HDD or SSD). It hosts several virtual hard disks (so-called volumes) which represent the hard disk of a virtual machine ("**VM**"). The storage space can be used simultaneously by several servers via a storage network or even directly by the end device customers. Customers can choose between three performance classes depending on their performance requirements. With an ascending range of services, IONOS offers HDD, SSD Standard and SSD Premium. HDD (*i.e.*, hard disk drive-based storage) is the more basic storage option, with a lower level of bandwidth in MB/second per instance, a lower level of input/output operations per second ("**IOPS**") per instance and a low, static value for maximum write IOPS per instance than SSD options. Our standard SSD (*i.e.*, a solid-state drive-that allows to store data persistently, typically using flash memory) option offers better performance than HDD in relation to the above-mentioned parameters with lower energy costs and high access reliability. Under the same server conditions, SSD is nearly always faster than HDD. The SSD premium option offers higher performance for larger workloads. IONOS also offers high-performance storage solutions that are included in the products (with no separate booking of IOPS/bandwidth being required): high-performance is available on regular Compute Engine products with small configuration and not only for large instance products. All storage solutions are based on a modern Infiniband stack and a high-performance and efficient internally-developed memory stack. This type of data carrier is designed with double redundancy. This means that a customer's data is stored as four copies – all of which are stored in a redundant array of independent disk systems ("**RAID-Systems**") on two different physical storage servers.

In addition, IONOS provides IONOS Cloud S3 Object Storage as a scalable storage for large data volumes. IONOS Cloud S3 Object Storage is operated in an erasure-coded redundancy set-up at each site. In addition, by offering multiple IONOS Cloud S3 Object Storage set-ups, we provide cross-region replication of data to increase redundancy. Object Lock allows customers to secure data against both deletion and manipulation.

IONOS' Compute Engine as an IaaS has a fully-integrated backup function offering secure data storage in German data centers for different data backup application scenarios in medium-sized and large companies. Compute Engine allows to quickly and efficiently back up data from used applications and any used images as well as data from applications that run on-premises or in private clouds in commonly used virtualized environments such as VMware and Hyper-V. It also allows to restore data quickly and directly, without detours.

13.5.2.3.3 Network Services

IONOS Cloud products are supported by a highly flexible set-up of performant network connectivity. It allows provisioning of Local Area Networks ("**LANs**") containing multiple VMs, full control of public or private exposure of these LANs, management of IP addresses as well as flexible set-up of bi-directional firewall configurations on a Network Interface Card ("**NIC**"). In addition, high-availability failover set-ups can be configured. Each LAN (whether private or public) is designed to be fully isolated and secured, setting up a structure so that virtual instances cannot be accessed by other virtual instances if they are not members of the same LAN. This means that virtual networks are isolated among all customers, which is done by calculating a specific LAN configuration based on certain unique identifiers. There is never the same LAN configuration more than once in one data center region.

A private LAN is a network that has no access to the public Internet. By contrast, public LANs have access to the Internet. Thus, in case of a wrong configuration by the user, the public LAN could provide unrestricted access to the Internet or access from the Internet to the VMs. Within IONOS Cloud, also public LANs are fully isolated and secured, and a proper firewall must be configured by the customers to control access to or from the Internet.

In addition, IONOS Cloud provides different managed network services such as network load balancer, NAT gateways or DDoS protection.

Virtual data center workloads can fluctuate, increasing the risk of downtime. By automatically distributing the load over several servers, the IONOS Cloud Network Load Balancer can help minimize disruption during scaling. It helps to keep the cloud operating as needed when demand peaks. As a managed service, IONOS takes care of the administration of the load balancer. Redundancy of cloud applications can increase with an additional layer that prevents single points of failure. That means that a load balancer will balance load across multiple instances of a service, so that if one instance is down (*e.g.*, due to maintenance), the load balancer will still route traffic to a second instance. From an end-customer perspective, the service is not interrupted. That is why redundancy in cloud applications – *i.e.*, for entire instances, including VMs, storage and networks – is important and needs to be taken into account by users when building applications, to ensure these applications are able to run in redundancy setups. The IONOS Cloud Managed Network Load Balancer distributes network traffic across several endpoints, according to customer-defined rules. The process can be automated at any time. The load balancer uses different algorithms that apply forwarding rules via different load balancing methods such as Round Robin, Least Connection, Source IP or Random. Specific endpoints can be excluded from the load balancer monitoring, *e.g.*, to perform maintenance work.

Applications and VMs can be safeguarded by enabling a Network Address Translation ("**NAT**") service – NAT Gateway – as an automated gatekeeper. Managed NAT Gateway allows to connect private VMs to public repositories, *e.g.*, to perform software updates or to connect Network Time Protocol ("**NTP**") servers. The Managed NAT Gateway masks the source, providing another layer of protection against external compromise. All Internet Protocol ("**IP**") addresses generated during the process are transferred to public IPs using DNS. Multiple outbound rules ("**SNAT rules**") can be set on each NAT Gateway to anonymize IPs. IONOS' Cloud Managed NAT Gateway can be used as an additional security feature for virtual data centers. The complete separation of internal and external network traffic and the isolation of VMs is designed to effectively prevent unauthorized data traffic. This offers a secure environment that streamlines the management of lists of authorized IP addresses. With Source Network Address Translation ("**SNAT**"), IPs can be dynamically managed and ports can be traceably assigned.

In addition, IONOS' DDoS protection is an "always-on" protection that scans all incoming traffic for suspicious patterns and clears all malicious traffic before it gets forwarded to the actual VM. It is automatically included in all public network setups. This solution helps to safeguard the cloud infrastructure against malicious and Distributed Denial of Service ("**DDoS**") attacks. IONOS' Cloud DDoS Protect is a managed DDoS defense mechanism, which is designed to ensure that IONOS' hosted IT infrastructure remains secure and resilient. Customers can extend their network security by the IONOS DDoS Protect Advanced which provides additional services in DDoS prevention, pro-active DDoS mitigation as well as expert analysis and reporting on DDoS attack vectors.

13.5.2.3.4 Managed Services

IONOS offers so-called master container application orchestration in distributed production environments with IONOS' Cloud Managed Kubernetes. Managed Kubernetes is a platform for high-performance and highly scalable container applications, where the Kubernetes cluster is comprehensively integrated into the IONOS Cloud ecosystem and can be controlled automatically, interacts with many other cloud-native solutions and is professionally managed around the clock. IONOS makes a range of integrated tools available, and provides expert support to ensure the optimal use of the powerful infrastructure, ensuring a high level of security and transparency. In addition, with this tool operations can be controlled with less administrative effort.

Applications and services can keep running at their peak by making decisions early on the back of sound data. Monitoring as a Service ("**MaaS**") is a sophisticated, yet simple tool for tracking relevant metrics such as CPU load, network throughput, or storage performance in real time. MaaS can be directly integrated into the Data Center Designer ("**DCD**") or via application programming interfaces ("**API**")-connected tools such as Prometheus. MaaS is available at any time, at no additional cost, and does not require an additional software client, or any complex implementation or configuration.

We use "Flog Logs" as an auditing service to allow customers to an outgoing traffic that was accepted or rejected by the customer's network based on its firewall rules. This tool provides visibility and traceability as to where traffic came from and where it went.

13.5.2.3.5 Databases

IONOS' Database as a Service ("**DBaaS**") continuously delivers resources and corresponding know-how for databases based on the configuration of the customers' systems. In addition, DBaaS reduces administration and maintenance efforts. With DBaaS, high-availability database capacity can be built easily and quickly, and critical infrastructure can be secured. DBaaS leverages the long-standing expertise of IONOS' operations team, both in configuration and in maintenance as well as in monitoring of the corresponding resources.

Furthermore, PostgreSQL by IONOS offers a flexible open source solution for a wide range of application scenarios. The very high code quality, achieved thanks to peer review, forms the basis for an extremely stable system for every use case.

IONOS not only offers managed PaaS services such as "Managed Kubernetes" (see "*13.5.2.3.4 Managed Services*"), but also ensures a demand-driven, reliable operation of enterprise business applications such as managed databases from German data centers. Companies from different industries, associations and public service providers receive a needs-based solution for setting up and operating databases for any setting of business processes, which are one of the most common enterprise applications. Personal support is available in all phases of the business partnership.

In 2022, IONOS partnered with MongoDB, one of the world's most popular databases with a very large developer community, to extend the Group's DBaaS offering. As per its own statements, the MongoDB database platform has been downloaded over 325 million times (source: MongoDB website, https://www.mongodb.com/de-de/company; data as of January 25, 2023). In our assessment, the MongoDB-as-a-Service on IONOS is based on strong security and privacy foundations that meet business needs for both innovation and data sovereignty and compliance, and we have measures in place to protect our customers' data with a strict Secure-Software-Development-Life-Cycle (SSDLC) that is designed to ensure that security and privacy goals are tested and met during the development of the service, coupled with organizational measures adopted to prevent unauthorized access to the databases. The service itself (Mongo DB-as-a Service) is hosted in the IONOS Cloud and designed to comply with GDPR requirements. In addition, the partnership includes working together to provide direct support for businesses implementing the solution. The partnership included the joint implementation of the MongoDB service on the IONOS cloud, launched in October 2022, as well as technical support from MongoDB and joint marketing activities.

13.5.2.3.6 Virtual Private Servers and Cloud Servers

A "virtual private server" (VPS) is a virtualized server which combines physical hardware that is broken down into separate systems with the help of software. The capacity of VPS can be used (and shared) by several users, so that the resources available in the physical server are available to different users (this is the main difference with dedicated servers, and also accounts for the much lower price of the service for VPS). With our SSD cloud-powered VPS, we offer our customers affordable but strong performance designed to meet the demands of demanding customer projects. Customers can choose the data center in which their VPS shall be hosted (EU, United Kingdom or the United States) and benefit from unlimited traffic and full virtualization, which gives customers more isolation, autonomy and security than other virtualization types.

We also offer scalable cloud servers, which are basically like VPS based on VMware, but with further functionalities available to customers, such as the set-up and connection of several virtual servers in a cloud environment. Thus, cloud servers provide a complete, web-based IT infrastructure, including computing power, storage space and network technology. There is no need to have an own physical server hardware, which would have to be purchased, configured, updated and maintained at high cost. If a cloud server is rented, IONOS provides all the resources which are needed to carry out private or corporate web customer projects. The exchange, securement and management of data, either via web-based or location-independent applications, can be easily processed. Also various data-supported applications can be run over the web and make them available to other users. Server resources which are not currently used by one customer can be made available to other users. Based on our assessment, we believe that our cloud servers are particularly cost-effective compared with cloud offerings from other competitors, in particular hyperscalers. Customers are charged on a PAYG basis. All cloud server instances offered by IONOS include performance computing (*i.e.*, high compute (CPU-RAM) performance/processing power of the platform), unmetered transfer (which means that the traffic/transfer is not measured, and thus is not artificially limited, so that even if a customer fully utilizes the available bandwidth and continuously generates data throughout the maximum bandwidth traffic, this does not represent a danger to our networks), certified data centers (*e.g.*, with the ISO/IEC 27001 certification of our data center and system operation, see references to other certifications under "*13.8 Product Design; Programming and Innovation*"), load balancing and expert support around-the-clock.

13.5.2.4 MSP Offerings

IONOS' MSP offerings are provided via the sub-brands CRONON in Germany and Arsys Consulting Service in Spain, but we also support customers in cross-country projects across our key markets in Europe. MSP offerings are a special form of tailor-made consulting services for customers along the customer-related cycle. It begins with the clarification of the specific customer needs and support for experience-driven and fact-based decisions for project needs and scoping. As a second step, we offer consulting regarding the architecture design. This includes reflecting the customer needs and scope of the project in a technical concept with all elements that are needed to set up the customer's cloud environment from a technical perspective. Thirdly, we offer implementation and migration services, which includes the project work to set up and help the customer to migrate from the current solution to the new environment. Finally, we offer services to manage the ongoing administration and operation of the stack so that customers can outsource all infrastructure management to IONOS' expert team.

13.6 Customers, Customer Care and Billing

IONOS has a well-balanced and growing portfolio of customers worldwide, with approximately 6.0 million customers worldwide as of September 30, 2022, mostly in our Key Focus European Countries and in North America. We focus on small and medium businesses, but also have non-commercial users, enterprises and public sector organizations as customers.

While our Web Presence & Productivity solutions mainly address small and medium customers, our Cloud Solutions are typically used by larger, technically more advanced, organizations. Within our IONOS brand, we estimate that roughly half of our customers are solopreneurs (*e.g.*, private users, non-governmental organizations, bloggers, etc.), which are taking their first steps online, typically with simple websites and domains, with (other) SMBs accounting for about 48% of our customers (including a broad variety of SMBs, such as start-ups, restaurants, dentists, hairdressers, etc.). These SMBs typically use more advanced websites and productivity solutions such as email and office. Agency customers (*e.g.*, freelancers or digital agencies) make up approximately 2% of the customers of our IONOS-branded products; they generally use modern developer tools and DaaS to build web apps. The two groups of mid-market customers (including, among others, software vendors, manufacturers and media companies; this group typically runs their infrastructure on IONOS' compute and storage services) and public sector customers of our Cloud Solutions business (*e.g.*, IT service providers on a state and federal level, generally using collaborative suites and highly complex cloud solutions with strict data regulations and security) each account for less than 1% of our customers (estimates as of July 2022).

SMBs which use our Web Presence & Productivity solutions (including solopreneurs) typically spend between € 10 and € 20 per month on our solutions. Solopreneurs typically choose basic web presence offerings at a low cost, and look for easy-to-use solutions (*e.g.*, via simple DIY "drag-and-drop" solutions). They also value help desk availability and pricing. In turn, other SMBs typically focus on easy-to-use offerings at a transparent price, with a preference for DIY "drag-and-drop" or DIFM solutions; they are also increasingly showing interest in added functionality such as basic ecommerce or online marketing solutions. Agencies which build more advanced online solutions, for example ecommerce or media services, typically spend around € 100 per month on our professional hosting and server products. They often demand scalable, professional services and place importance on flexibility and security; they generally have a high design and customization need as well as lower price sensitivity than SMBs. Agencies are also more likely to use APIs and professional tolling solutions. Our Cloud customers (SMBs, agencies, mid-market customers and public sector customers) typically spend between approximately € 300 and € 500 per month (the above figures have been calculated for the IONOS-branded products and solutions only), whereby mid-market customers and public sector customers tend to spend more on our Cloud solutions, generally around € 1,000 or more and € 10,000 or more, respectively. Mid-market customers typically opt for sophisticated web-presence and dedicated hosting solutions. They usually also have high design and customization requirements and often have a professional purchasing department; price is also a relevant factor for this customer group. Government bodies and public administration customers also generally choose sophisticated solutions, since they tend to have highly complex applications. They usually have high requirements in terms of security and compliance and show a preference for working with national cloud providers whose solutions can be used as an extension for their own data centers. With our Cloud Solutions offering, in 2021, we generated over € 80,000 of revenue with each of our top-50 IONOS Cloud customers. Across the entire portfolio of the IONOS Group, our monthly ARPU was approximately € 13.28 for 2021, compared with € 12.38 for 2019.

Our focus on solopreneurs and SMBs translates into low customer concentration. We are not dependent on any single customer; the top-10 customers and the top-100 customers for our IONOS brand accounted for around 2% and 4%, respectively, of the revenue generated with IONOS-branded products and solutions during fiscal year 2021. The number of our customers increased from – approximately – 5.6 million as of the end of 2019, 5.8 million as of the end of 2020, and 5.9 million as of the end of 2021 to 6.0 million as of September 30, 2022.

We create online business opportunities for our customers, while at the same time helping them to digitalize their organizations, offerings and processes. We do this by offering a comprehensive range of powerful web solutions, such as domain registration, website builder, web hosting, servers, ecommerce, email and office software as well as advanced cloud solutions around compute, storage, network and platform services. Customers often start with a basic service (*e.g.*, a registered domain plus a website builder) and then, over time, use more services (*e.g.*, online marketing or professional email) to advance their businesses. On average, about half of our customers for our IONOS-branded products (domains, email and office, website builder and ecommerce, web hosting, server hosting, VAS and cloud solutions) purchased a second product group in 2021, while approximately 15% of these customers purchased a third product group from IONOS in 2021, resulting in further opportunities to cross-sell our products.

New customers tend to be initially attracted through welcome discounts in the first year before the switch to full pricing in the second year. Cross- and upselling partly offsets churn in year three and cohort revenue tend to stabilize by year four. A large portion of our revenue stems from customers that have been with us for several years: we estimate that almost two-thirds of our Web Presence & Productivity revenue from our IONOS-branded products in 2021 stemmed from pre-2015 customer cohorts, and approximately 80% from customers that were onboarded before-2018.

Our Web Presence & Productivity solutions are mostly offered under a subscription model, whereby customers commit to purchase a service for a fixed term, *e.g.*, for a twelve-month period for a fixed price / monthly fee. Our Cloud Solutions are often provided "as-a-service" and thereby leverage a consumption model, under which customers pay according to their usage of our services over a designated time period – for compute resources for example by the minute.

IONOS is committed to helping its customers succeed in the digital space. We are therefore investing in high-quality customer services and track customer satisfaction closely. For this reason, structures and processes have been established within the Group to continuously and sustainably measure customer satisfaction with specific KPIs to analyze them and ultimately to improve them. In order to obtain customer feedback, we conduct regular customer surveys, market research, and analyses of, for example, posts on social media platforms.

Customer satisfaction is primarily measured by means of the recommendation rate / Net Promoter Score℠ (NPS®). The findings from the customer satisfaction analyses are used to identify potential for improvement and subsequently translated into concrete measures to increase customer satisfaction (*e.g.*, in the area of service or product quality). In addition, in our experience, a good customer satisfaction level (*e.g.*, creating "promoter" customers) also contributes to an improved churn rate over time: From 2019 to 2021, we had a reduction of 1.2 percentage points in annual customer churn percentages (from 14.2% in 2019 to 13.0% in 2021).

We collect NPS data on a quarterly basis, based both on an online NPS survey (shown to customers after their login; this builds the Group's "**Online NPS**") and an NPS email survey to which customers are invited immediately after a customer care contact (this builds the Group's "**Post Contact NPS**"). The data is collected for each of our IONOS, STRATO, fasthosts and arsys brands and then aggregated to build our overall "**Global NPS**". In order to calculate the Group's Global NPS, the data from the Online NPS is weighted with 75%, whereas the Post Contact NPS is weighted with 25%; this allocation reflects the effective proportion of the respective customer contacts. The survey asks customers the following question: “How likely is it that you would recommend the relevant brand, *i.e.*, IONOS/STRATO/fasthosts/arsys, as applicable?" or "How likely is it that you would recommend the relevant brand to a friend or colleague?”, on a scale from 0 (very unlikely) to 10 (very likely). Promoter customers are those customers who answer the question with 9 or 10 (“**Promoters**"). We define those customers responding with 7 or 8 as passives, ("**Passives**") and those answering 0 to 6 as detractors (“**Detractors**”). NPS is then measured as the percentage of Promoters minus the percentage of Detractors. IONOS had a Global NPS of 35.3 for the fourth quarter of fiscal year 2021. For the same period, the Group's Online NPS was 29.7, while the Post Contact NPS was 52.1, which underlines the importance of competent customer care. For our email solutions (IONOS brand only), we had an Online NPS of approximately 32.0 in the fourth quarter of 2021 and also in the third quarter of 2022. Our Post Contact NPS has been increasing over the past years, from 26.0 in the first quarter of 2019, over 42.4 in the first quarter of 2020, 47.2 in the first quarter of 2021, 52.1 in the fourth quarter of 2021. Our Post Contact NPS was and 49.3 in the first quarter of 2022 and 51.9 in the third quarter of 2022. For the IONOS brand alone, our Post Contact NPS was 51.0 in the third quarter of 2022.

Since October 2018, we have introduced the possibility for all customers of the 1&1 IONOS brand (after the rebranding, for the "IONOS" brand) to choose a dedicated personal consultant free of charge as a central point of contact for all questions relating to products, to the customers' contracts, and their online business success. In this way, IONOS can accompany customers through all phases of their development with one personal touchpoint – from registering a domain and setting up a first website, to setting up shop systems and dedicated servers, to using enterprise cloud infrastructures. Overall, as of November 2022, we employed more than 260 persons who act as dedicated consultants for our customers across the Group. In our view, the personal consultant is a key differentiator vis-à-vis several relevant competitors (including GoDaddy for its GoDaddy, HostEurope and Domain Factory brands and Wix), which in our assessment do not offer such as service in Germany. We assess that this personal consultant model has a positive impact on our business, with an increase in Post Contact NPS by 10.5 percentage points since the inception of the personal consultant program in 2018, and a churn reduction of 35% since that time (compared with customers without a personal consultant), for our IONOS-branded products. More than 40% of all customers of our IONOS-branded products already actively participate in the personal consultant program. When participating customers attempted to reach their personal consultant, 87% of those contacts are directly handled by the personal consultant or dedicated back-up (showing a high direct availability of the personal consultant generally). We estimate that the customers in the program accounted for over 25% higher service revenue (*i.e.*, the cumulated payments received from customers for IONOS-branded products) in 2021 compared with customers without a personal consultant. In addition, IONOS sees itself as a digitalization partner and trusted cloud enabler for its customers, supporting companies with excellent cloud infrastructure applications that effectively support their business as well as excellent customer care, including multiple personal support choices (*e.g.*, in Germany, besides the personal consultant for the IONOS brand, also a call center, 24/7 hotline and live chat function) and social media activities.

Because we believe that trust is critical to our customer relationships, we focus on data protection (see also "*13.10 Information Technology, Information Security and Data Privacy*"), operational reliability, 24/7 availability of our competent contact partners and 24-hour replacement of defective equipment are all exemplary elements of our approach to customer care. Overall, based on our assessment, we believe that our customer service department is in general terms cost neutral, meaning that profit derived from the revenue over a customer's lifetime attributable to directly related sales-after-support, inbound telesales and churn reduction generally net each other. We estimate that our customer care channels (sales-after-support and inbound telesales) accounted together for 21% of the service lifetime revenue related to IONOS-branded products in 2021 (service lifetime revenue represents our estimate of the revenue that we expect to generate from a defined customer/customer group over the expected lifetime of a product, considering parameters such as basic price, average duration, discounts, etc.).

Besides several customer awards (see "*13.2.4 We have a large, diverse and loyal customer base with approximately 6.0 million customers worldwide and strong economics per customer, supported by an award-winning customer service platform*"), we have a high scoring of 4.4 (out of 5)/"excellent" on Trustpilot, based on over 45,000 reviews (status as of October 5, 2022; based on an aggregation of reviews and average of scorings on Trustpilot for the IONOS websites with the ".co.uk", ".com", ".de", ".fr"., ".es", ".it", ".mx", ".ro", ".hu", ".bg" and ".at" TLDs).

Economies of scale represent a further key success factor for our business. With our strong and specialized brands, a steadily growing portfolio of cloud applications, and existing relationships with millions of home users, freelancers and small businesses, we believe we are also well positioned to further leverage the domestic and international opportunities offered by the cloud computing market for business clients.

IONOS is using business systems that are operated by United Internet Services GmbH and 1&1 Telecom GmbH. For systems that have a high level of specific functionality relating to the operations of IONOS, it was decided in December 2019 to set up dedicated systems within IONOS and to migrate data and processes to this new landscape. This is a project with significant inherent complexity that is intended to eliminate dependencies from third parties. The preparation phase of this major project was ramped up in 2020. Until the first half of 2022, most front-end end systems have been successfully set up and processes and data have been migrated. Examples are the customer communication platform "Genesys", the hotline tool and the hosting communication platform, which sends out all email communications to customers. In addition, IONOS set up its own accounts receivable team in 2021.

The development and integration of the back-end systems, such as new billing and accounting systems, are currently ongoing. The migration of the billing processes and data shall be rolled out on a country-by-country basis. We currently expect that the migration of the first country to the new business system's back-end will begin in the second half of 2024 (*i.e.*, starting with the migration of the Spanish market), and that it will be finalized approximately twelve to eighteen months later.

13.7 Brands, Marketing and Sales

We offer our services via our main brand IONOS, as well as via other brands such as STRATO, arsys, fasthosts, home.pl, and World4You, which are well established in their respective home markets. In addition, under the sedo, united-domains and InterNetX brands we provide businesses and enterprises worldwide with professional services for advanced domain management and carry out our aftermarket activities. In 2021, we acquired we22, which offers a white label website builder for the creation of high-quality websites. IONOS and other key brands of the Group enjoy high a brand awareness in the main markets they serve. In a survey commissioned by the Company and carried out in October 2021 among micro and small SMBs (1-49 FTE), our brands achieved a brand awareness of 84% in the key EU markets Germany, the United Kingdom, Spain, France and Poland. In Germany, the IONOS brand achieved a brand awareness of 90% – the highest in Germany – while STRATO followed closely with a brand awareness of 86%. In Poland, home.pl had a brand awareness of 85% – the highest compared to its peers. Furthermore, the IONOS brand has a high awareness in the United Kingdom (93%), Spain (86%, with 83% for arsys) and France (75%), according to the same survey.

IONOS is the leading web hoster in Europe according to the number of domains hosted (see for more details "*12.3.4.1 Web Presence & Productivity*"). While we serve customers primarily in Germany, the United States, Canada the United Kingdom, Spain, France and Poland, but also in other countries, including Mexico, Italy and Austria (see "*13.4 Overview of Geographic Footprint*" for further information), many of our products can be purchased in most other countries via our international hub "ionos.com". We believe that differentiating factors for IONOS include a wide selection of innovative products and the fact that it acts as a one-stop shop for many customers who can purchase from us substantially all the services they require for their digital presence and digital operations. In addition, we believe our customer service provides us with a competitive advantage, such as the personal assistants that support customers of our IONOS-branded products (see also "*13.6 Customers, Customer Care and Billing*"). Moreover, we believe that a further distinctive strength is our comprehensive product portfolio (which is, in our view, broader in scope than that of many competitors in our branch, since we offer a vast array of web presence and productivity solutions as well as cloud solutions under one roof; therefore, we allow our customers to not only buy several digital solutions from one provider, but also to purchase additional services from IONOS supporting the acquired solutions as their business and needs grow).

Brands such as STRATO and home.pl are basic brands offering ease-of-use. STRATO is a leading web hoster within Germany (ranked second, after the IONOS brand; according to HostAdvice data on the number of client domains of web hosting companies as of September 2022). We also use our STRATO brand in the Netherlands and, more recently, with our market launch in Sweden. Home.pl is the Polish leader in hosting in terms of number of clients of web hosting companies. Other brands of the Group, *e.g.*, arsys and fasthosts, are focused on professional customers. Arsys is one of the largest web hosters in Spain (*e.g.*, according to HostAdvice data on the number of client domains of web hosting companies as of September 2022) and also in terms of the number of domains held as accredited registrar, ranking second behind IONOS according to the Official Spanish Domains

Data (December 2022). Arsys is also one of the largest cloud providers in that country beyond the large hyperscalers, who make up a large majority of the Spanish cloud market, in terms of IaaS revenue (source: Company Data Analysis based, among other, on IDC data for the IaaS segment of the Spanish public cloud market for 2022 from the Spanish Cloud Article and an analysis of our revenue for the Arsys brand for 2021 and for the first nine months of 2022). Arsys offers standard and tailor-made solutions to customers in Spain and Portugal. Fasthosts has a long tradition and strong position in the United Kingdom (for more details on the competitive position in the different countries, see "*12.3.4.1 Web Presence & Productivity*"). In Austria, we operate under both our local World4You brand as well as under the IONOS brand. In the rest of the 18 countries in which we have an active market presence, we use the IONOS brand.

We are committed to further increasing our brand awareness aiming to attract more customers directly and less via dominant platforms such as Google and Meta. Our significant brand awareness in our key markets (in particular in Europe) places us into the relevant set of providers for customers making purchase decisions. Therefore, we invest in large multi-channel awareness campaigns, including TV, online advertising and social media. In addition, in 2021, we entered a sponsorship with the Haas Formula 1 team, which matches our brand attributes in terms of technology, innovation, speed and being a challenger. The Haas Formula 1 team uses the IONOS cloud for its computational and data storage needs. In 2022, we invested approximately € 30 million into additional marketing activities to further raise brand awareness in our most important European markets. This brought our brand investments to roughly € 55 million in 2022. For example, we were sponsors at the 2022 WordCamps EU and U.S., the most relevant WordPress events (WordCamps are community-organized events that are organized by WordPress), and had IONOS booths and staff onsite. Next to the attendance and sponsorships of relevant industry events, IONOS has started to establish its very own event series with very successful (in terms of the number of participants and, in our view, of the potential to enhance our brand awareness) online and hybrid events in 2021, focusing on cloud and partner (agencies, web professionals) customers and prospects, and launched the first offline flagship event – the IONOS Summit – in September 2022. Furthermore, in September 2022, we launched integrated brand campaigns, focusing on our relevant target group, in online video, TV and Video on Demand / Connected-TV. For example, our brand campaign in the United Kingdom started in the fourth quarter of 2021 and was carried out in several branding waves; it helped us to achieve an increase in several relevant parameters in that country, including an increase of 10 points in aided company awareness (according to our brand tracking via the market research institute Interrogare, based in Bielefeld, Germany; increase between March 2021 and July 2022), an increase of 12 points in NPS in September 2022 compared with September 2021. Moreover, we were able to narrow the gap to our largest U.K. competitor in terms of Google search volume during 2022, compared with the 2018-2021 period, according to our own internal assessment of Google search figures in the United Kingdom for IONOS and GoDaddy. Moreover, we saw an increase of 30% in the number of job applications received worldwide during the first ten months of 2022 compared with 2021 (full year 2021), which we also attribute in part to the extensive media presence due to the brand campaigns.

CLTV per customer is calculated as the average revenue per customer (ARPU) reduced by sales discounts and cost of goods (*i.e.*, the gross profit) over a certain period (in €) divided by 1 / customer churn for that period (representing the average customer lifetime); at IONOS, CLTV is calculated for IONOS Group excluding the sedo brand (due to a different business model and lack of tracking of the relevant customer data for this KPI). IONOS believes it has a very targeted and efficient customer acquisition strategy, reflected in a CLTV : CAC ratio of more than 10 : 1 for fiscal year 2021; in this calculation, CAC is calculated as the amount of recurring and variable purchase marketing expenses (excluding brand marketing costs for the IONOS brand), over a certain period (in €) divided by the number of new customers gained over the same period. If, however, CAC is calculated as the amount of recurring and variable marketing expenses (excluding brand marketing costs for the IONOS brand) as well as costs relating to our sales & marketing personnel divided by the number of customers gained over the relevant period, then the CLTV : CAC ratio would be approximately 7.5 : 1 for fiscal year 2021. In addition, if CAC is calculated as the total recurring and variable marketing expenses, including brand marketing costs, and including the costs relating to our sales & marketing personnel (in €) divided by the number of customers gained over the relevant period, the CLTV : CAC ratio would be approximately 7.0 : 1 for fiscal year 2021 (however, we expect the CLTV : CAC ratio under this last definition to decline in 2022, to approximately 5.6 : 1). Furthermore, the average customer lifetime was 7.7 years in 2021, compared with 7.0 in 2019.

The COVID-19 pandemic and its lockdowns had a significant impact on the global ecommerce demand, as many businesses had to convert to online business and this led to a major effect in customer acquisition in 2019 and 2022.

For our marketing activities we use a clearly defined funnel approach with specific marketing tools, for (i) brand marketing, defining strong brand messages and creating campaigns with high visibility (top-funnel), (ii) product marketing, with integrated campaigns based on appealing brand and segment stories for the relevant customer groups and on our strong partnerships, and (iii) performance marketing based on data-driven online marketing optimized by artificial intelligence and machine learning technology.

Our strategy for new customer acquisitions targets customers based on the market maturity and IONOS position in the respective market. Depending on these market characteristics, we deploy three different marketing strategies, namely one for countries in which we have a leading market position, one in which we particularly address the relevant customer segment and another one that is focused on performance. Germany, for example, is marketed across the full funnel with significant brand investment (top funnel), integrated product and content marketing campaigns (mid funnel) and performance marketing channels such as affiliate, SEA, SEO and lead marketing on the lower funnel to optimize our return on investment and brand awareness. In the United States, for example, we typically concentrate on branding marketed mainly via mid- and lower funnel to address the high-value professional customers aiming to improve CLTV value at attractive acquisition costs. Other markets such as Italy or Mexico are mainly addressed by marketing via performance channels and conversion rate optimizations to achieve steady growth rates at attractive costs.

Beyond brand building, we employ a comprehensive and integrated marketing and sales strategy to attract new customers, help them activate their services, expand our business with them and keep them with us until the end of their project or business lifecycle. With our broad portfolio of solutions, we tailor our marketing and sales communication to the various target groups and their respective needs and preferences. For example, we differentiate our communication depending on the level of technical expertise of customers. Our marketing and sales team consists of more than 300 specialists across all Group companies, usually working in the regional markets served by the respective brand. We target our customers through three different sales channels: digital, direct and partners' channels. Despite the various channels, we have an underlying unified data infrastructure, from which we derive a single customer profile, which again is the basis for highly-personalized, often multi- or omni-channel campaigns.

The *digital channels* consist of our own-built website, shop, control panel and the IONOS app. For cloud customers, we have a specific cloud panel and our Data Center Designer. We estimate that the majority of our new orders for the IONOS-branded products (approximately 79% of our total "**gross orders**" for IONOS-branded products in 2021, *i.e.*, orders initially placed, which includes orders that are later canceled, either by the client, for example within the trial period, or by the Group) are generated over the digital channel, which allows customers to order their products via self-service. In terms of "**net orders**", which includes the portion of the gross orders that remain in our contract portfolio after 60 days following the date on which the individual gross order is received, the digital channels accounted for approximately 78% of such net orders in 2021 (figure refers to IONOS-branded products only). In our digital channels, all provisioning and billing processes happen automatically afterwards, and need no manual interference of any kind. We continuously invest in optimizing our digital assets, including via over 100 statistical tests carried out each year, and, as a result, we achieve conversion rates that we consider to be excellent ("**conversion rate**" refers to the rate of display of an advertising tool to an order; in our experience, the fact that potential customers are shown products that better fit their interests and needs increases the possibility that such customers decide to order a product from us). Across all shop sites, digital and start-up guides for the IONOS Group, we had approximately 8 million average monthly visits during the nine-month period ended September 30, 2022 and over 50,000 individual landing pages as of September 2022 (across the ionos.de, ionos.fr, ionos.it, ionos.co.uk and ionos.com websites). Our customer shop is built via microservices and API architecture, allowing us fast development cycles and go-to-market for new products. Our control panel is the central location for our customers to manage and buy products. It is an internally built platform for customers to manage their products (self-service). Engagement features of the platform are designed to achieve regular logins and interactions with customers, which we believe increases product activation – and thus customer lifetime –, drives sales of additional products and services and helps to create customer loyalty and to increase brand awareness. At the same time, the platform has an in-built personalization engine which calculates 'Next Best Offers' ("**NBO**") or 'Next Best Activity' ("**NBA**") for each customer. Our personalization engine features machine learning algorithms. In this way, we are able to analyze the millions of data points received per day (these include all types of customer interactions, such as orders, customer care contacts, logins etc.). The engine has an integrated 'ad server' which displays ads to customers who log in. These personalization features enable omni-channel campaigns across all channels (online, email and telesales) based on real time data, driving cross-selling, upselling and activation of products. In our experience, personalized messages and personalized offers have increased conversion rates by over two-thirds across all channels (as estimated by us for the IONOS brand, for email, outbound telesales and control panel ads, compared to campaigns and ads using no personalization engine). In 2021, we had, as a monthly average, 2.9 million logins onto our control panel, 23 million ad impressions (*i.e.*, ad displays) and 110,000 gross orders from customers, in each case, for our IONOS-branded products.

Our *direct channel* consists of our customer care agents and personal consultants for web presence and productivity and inside (inhouse) sales representatives and account managers (who serve fewer customers with high revenue potential) for cloud solutions. We assess that approximately 15% of our gross new orders (14% of net new orders) for IONOS-branded products in 2021 were generated through our direct channel. Our customer agents and personal consultants are trained in selling and incentivized accordingly. As part of the "sales after service" inbound sales approach, they offer the customer – after successfully solving their initial service request – the NBO or NBA as calculated by our personalization algorithm. We also deploy a "trigger-based" outbound sales approach, calling or writing to the customer, based on product usage or behavior to pro-actively consult customers, *e.g.*, an existing product reaching its capacity limits or a newly introduced service, which might be useful to the customer. This outbound sales approach includes the automated management of eleven call centers with about 140 agents. For our Cloud Solutions business, we have sales representatives who assess the quality, nurture and convert incoming leads, *e.g.*, from physical or virtual events, engagement with our content or customer forms or registrations. For our larger partners and customers we employ account managers, who help them identify the right cloud solutions, find the right migration and operation partners and therefore expand their workloads with us.

Our *partner channel* consists of organizations and partners who resell IONOS products and services to their own end-customers or build their solutions on top of our products. In our assessment, in 2021, approximately 6% of our new gross orders for IONOS-branded products (also approximately 6% of our new net orders for the IONOS-branded products) were generated through this channel. Currently, we have more than 20,000 verified web agencies who are registered with our agency partner program, enjoying benefits such as special tooling, access to events and content and – on the highest partner level – an assigned partner account manager. We see strong revenue growth and ARPU expansion among our premium and select partners, which reflects the appreciation of partners for our partner program (verified agency partners typically have a monthly ARPU that is, on average, more than five times higher than for regular IONOS customers, and can be up to forty times higher for selected premium partners). For Cloud Solutions, we work with over 200 system integrators, value-added distributors and managed services providers, focused on reselling our services, and independent software vendors, interested in running their software on our cloud infrastructure and platform. The resellers and managed services providers are managed by channel experts.

Once a customer has bought a service, we support the customer in the onboarding phase, both digitally with trigger-based activation routines and, in case of a blocker, with a personal assistant from our customer service team. Thus, we ensure that customers have an initial positive experience in creating their projects and businesses online. Should a customer realize that their time is better spent elsewhere, we are offering so-called "do-it-for-me" services, where, for example, we build the website or the ecommerce shop for the customer. Besides helping customers activate their products and services, we invest significantly in retaining customers where possible. We have dedicated retention teams and employ save desks in our customer care organization. We closely monitor the churn rates across products and regions and analyze customer cohorts to assess the impact of retention and loyalty measures. On an ongoing basis, we engage with customers who cancel their subscriptions to understand the cancellation reasons and on the basis of customer feedback improve our products and services.

We believe that our marketing activities are advanced, covering not only basic activities such as keyword-based SEA and SEO ("level 1"), but also a layer of marketing automation ("level 2", with lead and content marketing (*e.g.*, emails to potential customers to try to attract them as customers), strategic marketing partnerships, etc.) and a further, third layer ("level 3") with data-driven artificial intelligence and machine learning technology (including the use of statistical models for multi-touch channel attribution ("**MTM**"), etc.). Our current focus is on increasing efficiency within the Group ("level 4"), for example through branding investment measuring and steering activities, with KPIs based on return-on-investment and MTM models, and harmonizing Group marketing activities using a value-based approach. When we expanded from marketing level 1 to level 2 and implemented new marketing channels into our paid marketing mix, we saw a 14% increase in customers acquired via such paid marketing channels overall when comparing the nine-month periods ended September 30, 2020 and September 30, 2022 (as assessed internally based on the customer inflow since the inception of the new channels (September 2020) excluding customers won via the previously existing channels. Moreover, when implementing artificial intelligence and machine learning tools and tactics into our marketing mix (level 3), we saw a 32% efficiency increase in return on investment in the performance of our SEA generic (*i.e.*, SEA that bids on general keywords, not our brand keywords) customer inflow results when comparing the inflow from September 2021 and September 2022.

13.8 Product Design; Programming and Innovation

As an Internet service provider, the IONOS Group does not engage in any conventional research and development (R&D) on a scale comparable with manufacturing companies; therefore, IONOS does not report any key figures for R&D. Nevertheless, we believe that the IONOS Group stands for innovative, web-based products and applications and we are convinced that the ability to further develop innovative products and services, to combine them and to launch them in large markets will be central to the Group's future success.

The IONOS Group has more than 30 years of experience in developing, optimizing and offering cloud and web hosting products on a large, global scale addressing a broad spectrum of customers.

With a team of experienced IT and cloud engineers (approximately 1,400 in Europe as of September 30, 2022, including IT developers, project managers, data center and network engineering and operations functions, among others), IONOS is able to innovate quickly and agilely to serve new market demands and leverage new technologies. The development teams are mostly located in Germany for the IONOS brand and within the subsidiaries. Karlsruhe in Germany is the largest Group site for IT and cloud engineering with approximately 500 employees as of December 31, 2021. In addition, Berlin is the main site for IONOS cloud development, with about 220 employees, and we operate a development center in Bucharest, mainly for the development of IONOS-branded products (but also for other functions) with approximately 200 employees (both, as of September 30, 2022). In order to strengthen our cloud development capabilities, we hired a significant number of cloud developers during the course of 2022.

We drive innovation and optimization in all layers of our technology stack, including our tangible assets, our virtualized infrastructure (IaaS), managed platform components (PaaS) and full-service application hosting (SaaS). In our view, our IaaS platform is highly efficient in terms of the cost of running shared web hosting on our own stack, allowing for a strong positioning in terms of price/performance proposition (as mentioned in the ISG Provider Lens/Quadrant Report for 2021 for IONOS in Germany). An independent benchmarking analysis by Cloud Mercato shows that IONOS' cloud infrastructure benchmarked in that analysis had a higher price/performance rating than the cloud infrastructure benchmarked for the hyperscalers AWS, Azure and Google; IONOS' cloud instances also ranked higher in terms of block storage bandwidth and performance in block storage input/output operations per second (IOPS) (source: Cloud Mercato website/projector tool "State of the art of European IaaS Compute – Q2 2022", benchmark for (i) "Geekbench", compute optimized/parameters for output and hourly pricing in €; while hyperscalers offer fixed compute instances, so that customers can chose from a pre-defined size, including a certain number of vCPUs and a certain amount of memory, IONOS Cloud offers a fully-flexible configuration which allows users to configure any permutation of Dedicated Cores and RAM they need; the configuration benchmarked by Cloud Mercato for IONOS would be comparable to the "optimized" categories benchmarked for the hyperscalers; (ii) "Block Storage Bandwidth" and (iii) "Block Storage IOPS" (input/output operations per second, *i.e.*, the number of "read and write" operations of an SSD storage device).

We believe that artificial intelligence-driven optimization of the total cost of ownership contributes to a significant extent to the efficiency of our hardware. In terms of PaaS, we have built over 100 IT platforms over more than two decades, based on a modular concept and standard interfaces. With respect to SaaS, we offer more than 50 solutions across brands, all of which are built on PaaS, with a team of over 100 engineers focusing on SaaS applications such as MyWebsite, HiDrive (both explained below) and DCD (Data Center Designer, explained under "*13.5.2.3.4 Managed Services*").

Over the years, IONOS has developed the skills to manage the entire life cycle of all relevant components of the products offered. We believe we have a long experience in successfully integrating acquired brands into a single technology stack. This is demonstrated by the fact that over 60% of our products and services are already used by multiple brands. The single technology stack enables IONOS' smaller brands to bring leading-edge products and services to market at high speed, while benefiting from cost reductions through economies of scale within the Group. Also, due to its experience, the Group is able to develop a large portion of its cloud infrastructure in-house, and to build, own and operate its key data centers and engineer a considerable portion of the hardware we require for our operations. We believe that this ability provides cost advantages, while allowing for high performance of the required components. Covering product development mostly in-house also provides us with strategic flexibility. For example, we engineer our own bare metal servers, which are optimized in terms of costs and sustainability – with purely functional industrialized servers, stripped down to the relevant functional components, which are also reusable and energy-optimized, for example with respect to cooling of the servers (by allowing for heat reuse), reusability and recycling. Our dedicated server lifetime ranges, on average, between five and seven years.

Our developers create the products and services for the customers predominantly on the basis of open source components and within the framework of firmly defined and modeled development environments. For the business support systems, IONOS pursues a strategy of using proven third-party systems such as "Genesys Cloud CX" for customer relationship management or "Salesforce" to support key accounts sales processes. In addition, the Group purchases certain solutions from partners, which are then modified and integrated into its own systems (see also "*13.12 Employees*").

Due to the growing number of customers, the requirements for reliability, user-friendliness and availability of the offerings are increasing. In addition to the further development of products and the continuous optimization of the backend (for example, in the administration and configuration tools available to customers), existing processes must be constantly improved in order to further increase reliability and customer satisfaction.

The Group has a modular system at its disposal, with products and services that can be combined to form a wide variety of powerful and integrated applications. These can be provided with a brand- and country-specific user interface. Early adoption of Big Data technologies and integration into the multiple – mostly digital – customer touchpoints of our products and customer interaction systems enable us to quickly optimize products to meet customer needs, improve customer satisfaction and increase customer loyalty as well as cross- and upselling.

The IT architecture segregates the overall IT landscape into clearly defined areas. Integration takes place via APIs. This provides the foundation to leverage development resources, products and services by deploying them across all brands and Group companies, also with joint group developments. Within the Group, we refer to this concept of unified product platforms, joint group development and a joint technology stack (with over 100,000 operated servers, of which over 90% are located in own data centers) as "IONOS Internet Factory". More than 60% of our products and services are currently used by multiple Group brands, and we plan to increase this common use further in the future.

The focus of our product engineering and innovation activities since 2019 has included the following:

Within the IONOS-branded products

- The start of Private Cloud powered by VMWare, including Intel scalable CPU with optane technology.

- Innovations relating to bare metal servers: Previously, the speed of bare metal servers was limited to GigEthernet. Now, we are also able to deliver 10G+ speed as an offering for customers, peaking at a technical possibility of 100G for VMWare Private Cloud instances. We have also expanded our bare metal portfolio, which previously included only Intel servers, to now also include state-of-the-art AMD servers such as Ryzen Pro-based or Epyc-based servers. Moreover, we have introduced the first bare metal instances with GPU (graphics processing unit) support.

- Extension of the WordPress portfolio by adding ecommerce solutions (WooCommerce Hosting) as well as performance WordPress Hosting (WordPress Pro) which runs on a dedicated cloud infrastructure.

- Launch of MyWebsite NOW, a new self-developed, section-based web builder which enables customers to create websites very easily. This website builder uses modern frameworks like node.js, typescript or react as well as scalable cloud hosting technologies from IONOS. In 2021, we integrated an ecommerce offering within MyWebsite NOW that allows creating small and mid-size web shops.

- Relaunch of the DIFM service portfolio and international roll-out of such portfolio in all countries in which we operate as a new customer acquisition track as well as a logical cross-sell opportunity as an additional service to the DIY website builder portfolio. Our latest product development was the switch to a full WordPress-based product approach.

- Expansion of the ecommerce portfolio with full integration in all available CMS and website editor systems for a seamless user experience to enhance the own online presence with transactional capabilities. As a recent addition to our portfolio, we have added integrations for social platforms (such as Instagram, Facebook, etc.). For all use cases, the ecommerce platform is unified into one consistent/uniform system. For this solution we use a white label application of our service provider Ecwid.

- Launch of "managed Nextcloud" and "managed Jitsi" as fully-maintained turnkey solutions within our cloud application portfolio. "Managed Nextcloud" provides a well-known open source software to non-tech users; the whole stack runs on our own cloud infrastructure and is designed as a mass-market cloud storage and productivity solution. In addition, "managed Jitsi" is an open source tool that provides video-chat and online conferencing as an add-on to our email productivity portfolio.

- Launch of "Deploy Now", a static site deployment offering for developers who manage their website projects directly via GitHub (see also "*13.5.1.1 Domains*").

- Other projects include the implementation of seamless domain and mail transfer services to provide customers the ability to move with their existing assets from other platforms to the IONOS environment simply and smoothly as well as the upgrade of VPS packages (extension vCore, RAM and SSD as well as launch of RAM-optimized packages).

In addition, we had several projects in relation to data security:

For example, we accomplished the certification of mail archiving according to IDW PS 880 (audit of software products) as a legally compliant solution for archiving of digital business communication under the GDPR and the GoBD. This certification encompasses all email products of IONOS (both white label as well as under the MS Exchange license).

In addition, we launched "MyDefender" as a multi-device security and backup suite which is designed to protect customers from ransomware and viruses and which provides automated backup. This suite is provided as a white label solution by Acronis, an expert in cybersecurity solutions. "MyDefender" offers ransomware protection and backup for the easy protection of all customer devices from ransomware with virus scans, auto backups and easy recovery. This tool is made for on-premise usage on external devices such as PCs and laptops, designed to protect them against cyberattacks by malware and other threats. A configurable auto-backup offers a fast way to restore data in any case of damage. We also launched "DNS Pro" as a domain add-on tool to protect customers from DNS hijacking, spoofing (*i.e.*, disguising a communication from an unknown source as being from a known, trusted source) and DDoS attacks as well as enabling a faster loading thanks to "Anycast" technology.

The focus of IONOS' Cloud product engineering and innovation activities during the past three years can be separated into two streams. The first stream aims at closing technology gaps by releasing the latest versions of key software components within our platform as well as by launching in-house development solutions (especially in the field of storage and network). The second stream relates to further product developments, including developments driven by a specific customer opportunity. The features requested by such customer had been on the Group's development roadmap, but were prioritized to meet customer expectations.

Also in relation to Cloud Solutions, IONOS is one of the founding members of the Gaia-X project, a European initiative initiated by the German Federal Ministry for Economic Affairs and Climate Action in late 2019. Gaia-X intends to provide the architecture, policy and rules building a federated, multi-cloud infrastructure and data ecosystem based on European values and regulations such as the GDPR (for more information, see "*13.2.3 We operate a powerful scalable, integrated platform offering a range of innovative products across the customer lifecycle, supported by a strong focus on data security, regulatory sovereignty and local support*" and "*13.10 Information Technology, Information Security and Data Privacy*").

Other significant key projects since 2019 relating to our Cloud business area include:

- *IONOS Cloud Cubes*: In 2020, we launched this virtual private product solution with over-provisioned hardware and high-performance direct attached NVMe storage. The product can be ordered via pre-configured templates and is fully integrated into the IONOS Cloud product landscape, which means it can be used in combination with all other features. The product is available in all European locations and will be the target platform for all VPS products in the IONOS group as part of our "Cloud Consolidation" program. In 2022, we launched IONOS Cloud Cubes in the United States.

- *Managed Kubernetes*: In 2019, IONOS Cloud launched a Managed Kubernetes solution that is technically available in all locations but currently optimized for European customers. An optimization for the North-American market is planned for 2023. After the initial launch, the feature has been constantly improved and allows for auto-scaling, set-up in private networks and management of access to configuration files. A Container Registry Service has been provided to support for customer container management. Further features are scheduled to follow, for example selective runtime environments of Kubernetes nodepools or an AppEngine allowing customers to select from a catalogue of applications provided as containers by IONOS or partners. See also "*13.5.2.3.4 Managed Services".*

- Monitoring as a Service ("**MaaS**"): Launched in 2021, MaaS records basic metrics (such as CPU, storage, network) for every instance (public cloud servers as well as Cubes) deployed in any data center location automatically, so that no agent installation is required. The MaaS feature can be configured to send notifications if freely configurable thresholds get hit, so the customer can in such cases decide to apply counter measures.

- *CloudInit*, launched in 2021: For public as well as private Linux images, customers can inject user data scripts that get executed extremely fast and allow for a fully-automated provisioning, set-up and configuration of a virtual instance. This feature is available for Public Cloud servers and Cubes in all Group data center locations.

- DDoS Protection: In 2020, IONOS Cloud introduced DDoS protection to its network platform. All traffic is automatically protected for DDoS attacks. In addition, IONOS Cloud created a service called "DDoS Advanced", which allows subscribers of this service to use additional consulting services from network security experts, pre-configuration of IP addresses for DDoS monitoring, pro-active DDoS mitigation through IONOS network security experts as well as post-mortem analysis report on any DDoS attack.

- *Air-gapped Data Center Solution*: In 2021, IONOS Cloud developed a solution to operate its products in an isolated environment that does not have any Internet access – even for management purposes. This solution not only includes the technical set-up but also a framework of required processes (*e.g.*, support, software updates and patches). The Air-gapped Data Center Solution has been deployed in a Proof-of-Concept ("**PoC**") tender with a security sensitive public customer during the course of 2022 and passed the PoC tender phase successfully. A production phase tender of this security sensitive public customer is expected to be initiated in 2023, in which IONOS plans to offer its solution as well.

- *ANDBD/ IBNBD rollout*: ANDBD is a block storage technology developed by IONOS Cloud. It utilizes storage in a more efficient way than other block storage solutions and provides higher performance. It is used in combination with IBNDB, which is a transport protocol between the physical server and physical storage based on Infiniband technology. The IBNDB stack has been published to the open source community. Both technologies have been rolled out to all Group data centers – especially new data centers but also new products such as IONOS Cloud Cubes have been equipped with new stack from the start.

- *Certification and Infrastructure* of further product areas of IONOS Cloud, *i.e.*, the ISO/IEC 27001 certification of the data center and system operation (also including, for the 2022 certification, the customer service operations for our IONOS and STRATO brands). In 2022, the IONOS Cloud business passed the initial German IT Basis Protection (*IT-Grundschutz*) certification, a procedure developed by the German Federal Office for Information Security ("**BSI**") to identify and implement security measures for a company's own IT (see also "*13.10 Information Technology, Information Security and Data Privacy*"). The BSI certificate was issued on September 14, 2022. In addition, we continuously optimize the energy consumption of our data centers. The data center and system operation, which also includes software development and other disciplines, is certified according to international security standards (ISO/IEC 27001). A certification according to ISO/IEC 50001 for our data centers is currently in roll-out.

- *Launch of a Managed Network Load Balancer* for automatic load balancing and a *Managed NAT Gateway* for IONOS Cloud products (both in 2021) as well as the launch *of Early-Access Phase Managed Application Load Balancers* in 2022. These are services managed by IONOS, who undertakes the installation, operation and maintenance.

- *Gitlab-as-a-Service,* launched in 2022, is a joint offering of IONOS and the software developer codecentric. The Gitlab platform is now available on IONOS' cloud, with both partners undertaking the licensing, operation, updates and monitoring. The platform allows for a complete daily backup of the entire database, with high security and flexibility through the operation of a dedicated environment, 24/7 monitoring of the systems involved and automatic alerting to incident management, updates and security patches provided by automated processes.

- Other cloud-related projects in 2022 included: (i) within dedicated servers, the launch of a storage server portfolio, new high-end AMD EPYC (Milan) server models and new Intel Xeon E entry-level models with the current processor generation (Rocket Lake); (ii) within Public Cloud, the start of a managed DBaaS with the advanced open source database management system 'PostgreSQL'; and (iii) within Private Cloud, making available the maintenance releases VMware's NSX-T 3.1 (focused on quality and bug fixing) and vSphere 7 (a new version of the popular server virtualization software for containerized and existing enterprise applications 'vSphere') for new customers, with updates for these releases being planned for existing customers.

Within the STRATO-branded products

- The STRATO mail archiving tool was certified according to IDW PS 880 (audit of software products) as a legally compliant solution for the archiving of digital business communication in accordance with the GDPR and the GoBD.

- Launch of "HiDrive share" (an equivalent of "WeTransfer"), a free product for uploading files, with which we aim to gain more paying customers. We have also added office functionality to our existing HiDrive tariffs, including enhanced feature set of our cloud storage product "HiDrive" to create an integrated office solution, where the customer can share, create, open and edit office documents directly in its own browser. In 2021, we added a new Mac client to enable the use of HiDrive on Apple-branded PCs.

Within the arsys-branded products

- Launch of a new backup solution based on Veeam third-party software offering third-party backup of cloud/dedicated servers.

- Migration to a new firewall system, and the upgrade of the virtual desktop infrastructure ("**VDI**") platform to a high-performance Veeam backup integration for our virtual desktop product/platform.

Within the fasthosts products

- Launch of "Ecwid eCommerce", which brought a quality ecommerce solution into the fasthosts portfolio, and of launch of WordPress on our Web hosting as a Service platform (which allows to setup a hosting stack via API and to load different applications, as required), which added a significantly more performant and feature-rich WordPress offering.

- Launch of "Ranking Coach" and "Marketing Radar", two suites of tools to enable customers to achieve greater online success while increasing ARPU and allowing for upsell opportunities across our fasthosts customer base.

- Launch of a new shop platform for most fasthosts products providing a high performance, smooth onboarding process using latest JAM stack frontend and micro-services backend (JAM stack is a widely used architectural pattern for building modern websites, with JAM originally standing for JavaScript, APIs and markup but currently typically used more broadly).

13.9 Intellectual Property Rights

After more than 20 years operating under the 1&1 brand, the web presence, hosting and cloud business underwent a rebranding and has been operating under the IONOS brand (in different variations; see also "*13.3 History and Development of the Group*" for more details) since late 2018. Next to our main brand IONOS we market our products via other strong brands such as STRATO, arsys, fasthosts, home.pl, and World4You, which are well established in their respective home markets. For additional information on our brands and on our brand-building activities, see "*13.7 Brands, Marketing and Sales*".

Within the Group, trademarks and patents are held by different entities depending on the brand, business area or product group they refer to. We hold several trademarks, comprising international and national trademarks. Our key brand "IONOS" has genuine protection in our core markets (Europe and the United States; in Germany and the EU the brand is also protected as a "word-picture" trademark). We have also purchased older trademarks from other companies that provide protection in other relevant regional markets (such as Canada or Mexico), but generally for a subset of protected goods and services rather than with a more general scope. Other protected trademarks include "STRATO" (as word, or word-picture trademark in Europe, including certain combinations such as "strato.cloud" and "Strato Pro" in Europe. IONOS SE has filed several new wordmarks and figurative marks in Europe in 2018 and purchased several existing international trademarks. All newly filed trademarks have been granted and none of the trademarks filed since 2020 have been successfully challenged to date.

Due to the nature of the hosting and cloud business, the number of our patents is relatively low (*e.g.*, it is difficult for new patent filings in the area of software to be granted). For example, we hold patents relating to the replication of data from faraway data centers, the verification of certificates for email communication or the transfer of private PGP keys to a mobile device, a computer implemented system and a method for detecting abuse of an electronic mail infrastructure in a computer network, among others. In some cases, we hold the patents together with other third-party companies with which we cooperate in certain areas. Several of our patents were registered around 15 to 20 years ago and will expire over the next few years. Most existing patents are only kept alive in Germany and/or the United States. We are also not materially dependent on any of our patents.

With regard to some of our patents and trademarks, intra-group licensing agreements are in place to ensure that such trademarks and patents can be continued to be used even if a third party would gain control over the entity holding the relevant patent or trademark (*e.g.*, by way of an acquisition). For potential risks in connection with our intellectual property rights, see "*3.3.6 Any threat to, or impairment of, our intellectual property rights and know-how could cause us to incur costs to defend these rights and impair our ability to compete effectively.*".

As of the date of the Prospectus, we are not aware of any challenges by any third parties relating to any of our patents or trademarks which we deem material for the Group as a whole. In the past, IONOS and its predecessor 1&1 faced a limited number of challenges by "non-practicing entities" (NPEs) in the United States, which are entities who hold intellectual property rights (in particular, patents) for a product or process but with no intention to develop these. These cases could be solved so far without any material effect for the Group. For more information on related potential risks, see "*3.3.5 Intellectual property infringement claims may be costly to defend, could require us to pay damages or royalties and could limit our ability to use certain technologies.*". We also, from time to time, are confronted with a limited number of other challenges, such as an application for revocation filed in November 2022 against the European part of a certain international "IONOS" trademark (which in our assessment would not hinder the trademark protection for the "IONOS" brand, even if this particular trademark were to be revoked), or an ongoing opposition proceeding initiated by a competitor in 2021 regarding a figurative mark of STRATO. In both cases, a decision by the competent authority is currently outstanding.

We also own more than 400 Internet domain names, covering in particular the term "IONOS" (with generic TLD names such as ".com/.net/.org" but also for different countries in which we operate, *e.g.*, ".fr"), along with certain business-relevant additions or abbreviations (*e.g.*, "ionos.com", "ionos-hosting.com", "ionos.gmx" or "ionos-cloud.com", plus relevant new TLD names such as "ionos.cloud" and many others. In addition, there are also several domain names relating to other of our brands, such as STRATO, as well as a large number of Internet domains that do not relate to a specific brand and which are only in place for practical reasons, *e.g.*, to cover typing errors etc.

With respect to employee inventions, in addition to applicable legal regulations in the different countries in which we have employees, there is a directive for employee inventions in place at United Internet Group level, which in particular provides the framework for the remuneration of inventions made by our employees. This directive also applies within the IONOS Group with the exception of InterNetX GmbH, Sedo Holding GmbH, united-domains AG, World4You Internet Services GmbH and home.pl S.A. In Germany, by operation of law, intellectual property rights to an invention made by a Group employee are automatically assigned to IONOS. The compensation for employee inventions is based on a fixed remuneration model with specific lump sums. If an employee inventor decides to accept the fixed remuneration under the framework, a separate remuneration agreement is concluded. Otherwise, a remuneration in accordance with the requirements of the German Act on Employee Inventions (*Gesetz über Arbeitnehmererfindungen*) and its related official guidelines will be paid.

13.10 Information Technology, Information Security and Data Privacy

The security of our products and applications goes to the core of our business, since we generate most of our business in the Internet environment. The protection of customers' data (data security and data privacy) is also one of the most relevant criteria for customers when deciding on a provider of web hosting, cloud, email and other services such as the ones we offer.

In the context of our business operations and in order to provide our products and services to our customers, we use information and telecommunications technologies (data centers, servers, storages, network systems, etc.), which are closely networked with the Internet and whose availability can be jeopardized by security threats from the Internet. To be able to counter such risks increasingly quickly, we continuously work on the optimization of our monitoring and alerting system, including the necessary processes and documentation. There is also a risk of a hacker attack that may be launched to spy on customer data or to misuse services. In the past few years, we have seen an increase in the professionalism of cyber attackers and their methods of attack. To counter these risks, we use a large number of technical and organizational measures, including, in particular, the operation and continuous improvement of the security management system, as well as the constant expansion of the systems' resilience. The foundation of these countermeasures lies in the functionalities of our systems and applications as well as clear assignment of responsibilities. Based on this, resilient and secure processes can be established, for example effective patch management to reduce the attack surface. Additional instruments include antivirus software, firewalling and secure network concepts, an application security strategy, specially developed tests and various technical control mechanisms. Another key feature contributing to secure our operations is the fact that the most relevant PaaS and SaaS platforms within the Group are operated in a geo-redundant way, *i.e.*, a minimum of two copies of data are stored in data centers at different locations, which contributes to an availability level of 99.995% (figure relates to the monthly average in 2021, weighted by revenue from contracts with customers) for these products. We also have measures in place to ensure the continued operation of our systems should a data center temporarily experience a breakdown.

IONOS' IT landscape consists of a state-of-the art and harmonized IT infrastructure which we believe is reliable and scalable. A global data center portfolio and an extensive internal network backbone form the foundation that supports all the products that we offer. The Group currently uses eleven (owned) data centers in different locations in Europe and the United States, including several with geo-redundant platforms (*i.e.*, geo-redundant services such as web hosting, email, data bases and internal systems). This allows for a cost-efficient and highly available IT environment. In addition, we use co-location (shared) data centers, where we rent the space, cooling and power devices from the third party operating the data center, but IONOS owns and operates the servers it has in such co-location centers. As of September 30, 2022, we used 21 of these co-location data centers. By operating the Group's most relevant data centers and the backbone itself, IONOS has a high degree of control relating to the management of IT infrastructure risks and the IT infrastructure quality. Our eleven data centers for the exclusive use of the Group house roughly 4,000 racks. Including our co-location data centers, we operate more than 100,000 servers and also other IT equipment units, such as storages, switches, network devices and routers. By operating data centers in many countries, IONOS is well positioned to provide services in the different regions in which it is present with its business activities from the nearest data center. One server room in the arsys data center in Logroño, Spain, has a design certification for Tier III according to the Uptime Institute's tier classification on data center performance according to its infrastructure and system availability (*i.e.*, Tier III defines a data center which is concurrently maintainable with redundant components as a key differentiation, with redundant distribution paths to serve the critical environment). Our newest owned data center in Worcester, United Kingdom, has a design certification for Tier IV – the highest tier, which adds fault tolerance to the Tier III topology, and we currently strive to obtain a Tier IV facility certification for that data center. We are also currently analyzing the possibility to reduce about 20% of the power we require by using shared power supplies in the future for up to 20 servers; this planned optimization is aimed at bare metal cloud servers, which are running mostly idle, without a meaningful load. A certification according to ISO/IEC 50001 for our data centers' energy management systems has been renewed in 2022.

The backbone network connects the data centers (including more than 1,000 networks), with each other and with a high capacity (Terabit-level external bandwidth) to the Internet. All data centers are connected by redundant lines with dual vendor equipment. This ensures a robust and highly available data transfer from the servers in the data centers to the access network of the customer and allows us to sustain a line outage, equipment outage or vendor software issue. In Germany, IONOS operates a triple set of data centers: two data centers are operated for geo-redundant IT production (in Karlsruhe and Baden-Airpark, Germany) and one additional data center (in Karlsruhe) is used exclusively for data backup storage, in order to ensure that backup data is geographically separated from the production site at all times. In the United States, we have a comparable set-up. In addition, each data center is connected to two redundant points of presence ("**PoP**") of the backbone via several diverse fiber cables and paths, so a single fiber cable interruption cannot disconnect a data center from the backbone and the Internet. Moreover, our backbone relies on multiple vendors (currently, Juniper and Cisco) to ensure protection against vendor-specific software bugs and architecture weaknesses. The fact that we operate our own backbone, which also includes Terabit-level DDoS filtering capacity and a highly integrated DDoS defense, means that we are able to effectively defend against DDoS attacks. Attack traffic typically enters the network in many diverse parts of the network and can be inspected and dropped in a highly parallel and distributed way.

Our IT landscape comprises clearly defined areas, which are integrated via APIs, which allows us to deploy development resources, products and resources group-wide and across all brands and Group companies (we refer to this concept as "IONOS Internet Factory"). IONOS Internet Factory defines platforms via which IONOS provides a product to the Group's brands and Group companies and works with access control (see also "*13.8 Product Design; Programming and Innovation*"). Technical Operations teams monitor the operation of our products and services at the data centers as well as the different network and IT levels.

Our IT landscape also includes a broad variety of internal tools, mostly based on open source software.

Our IT systems landscape comprises, among others, customer interaction systems, business support systems, product service systems and other IT systems. Some brands operate brand-specific systems as well. In the past few years, we have insourced many tools previously provided by companies of the United Internet Group (which are not part of the IONOS Group). Our security objectives with respect to the protection of customer data include ensuring confidentiality, integrity and availability and measures to protect the data. We have measures in place designed to ensure business continuity, such as prevention against physical risks and redundancy for critical infrastructure systems.

As part of IONOS' risk management system (which is oriented towards international standards such as ISO 3100 on risk management), and with respect to information security, we have laid down the relevant processes relating to information security risk management in a specific policy. Our security policy aims to address and counter the multitude of different threats from internal and external sources (either intentional attacks, or other threats due to negligence or human error, accidents or disasters). The "top-level" policy defines, among other things, the scope, the security objectives, the security strategy and the information security organization. Derived from this "top-level" policy, individual security policies are defined for areas, according to ISO/IEC 27001, such as access control, supplier relationships, human resources, users, development, operations, network, IT emergency and information security. Depending on the area for which a risk exists, these policies include procedural instructions for employees. IT emergencies are defined in our IT emergency management policy. The policy defines IT emergencies as (i) all impairments of IT operation and software development, where a restoration of availability of one or more critical business services cannot be achieved within a defined period, and which are able to lead to an unbearable damage, or (ii) to occur when the integrity or confidentiality of business-critical or person-related data needed for services is impaired and data is breached in a large amount and results in an unbearable damage for the company.

The Group attaches great importance to data protection and cybersecurity. We store our customers' data on servers in self-developed and owned as well as in rented data centers. With few exceptions, the data centers and system operation, which also includes software development and other disciplines, are certified according to international security standards (ISO/IEC 27001). We expect the new data centers in Worcester and Lightedge to become formally covered by the ISO/IEC 27001 certification following the next audit in 2023. In 2022, the BSI certified our compliance with ISO 27001 based on the standards of the German IT Basis Protection (*IT-Grundschutz*), a procedure developed by the BSI to identify and implement security measures for a company's own IT. The handling of our customers' data is subject to compliance with comprehensive legal requirements (see also "*14.2.1 Data Protection*"). Our next objective is to obtain the German Cloud Security attestation from the BSI (C5 level). We have completed the preparations, including the submission of a report to the BSI by the external auditors, and we are currently waiting for the issuance of the certificate by the BSI. By using the latest technologies, constant monitoring of data privacy and other legal requirements, an extensive data privacy training program for employees, and incorporating data protection aspects and requirements into the product development as early as possible, we continuously invest in improving the level of data protection and IT security.

The existing data protection system within the Group is constantly being further developed. For example, an external data protection audit by TÜV took place in January 2022. Measures have been identified to address the findings which were implemented by the end of 2022.

There is a data protection guideline in place at United Internet Group level which also applies within several companies within the IONOS Group, which is, among other things, aimed at ensuring a uniform data protection level across the group subsidiaries that are under the scope of the guidelines, as well as compliance with the GDPR and other applicable data protection laws and regulations. These group subsidiaries are responsible for ensuring compliance with such guideline which is currently being further refined and rolled-out for a few products and processing activities. To complement the data protection guideline, there is also a data deletion policy at United Internet Group level applicable to the same scope of companies as the data protection guideline. This policy serves to implement one of the central principles of the EU General Data Protection Regulation (*Datenschutzgrundverordnung*), namely the deletion of personal data.

The national and international subsidiaries of IONOS have their own data protection organizations with their own data protection officers (if required by the GDPR or local law) or data protection contact persons. For example, IONOS SE's data protection organization consists of a group data protection officer, a privacy team, data protection coordinators and data protection managers. The group data protection officer is nominated for the whole IONOS Group and coordinates the flow of information from and to the data protection officers and contact persons within the subsidiaries. The group data protection officer reports to the CFO and submits an annual report to IONOS SE's executive board. In addition, there are data protection officers who perform this role at the different Group companies in accordance with the GDPR. There is a privacy coordinator and several privacy managers for each of the so-called board divisions (*Vorstandsbereiche*), *e.g.*, technology, cloud, financial and marketing. The privacy team advises on privacy issues, reviews contracts and data protection agreements and advises on software approval matters. The privacy coordinators ensure that the framework conditions, higher-level processes, training and audits are established and are the contact persons for the data protection officers of the subsidiaries. The data protection coordinators coordinate all data protection issues, including compliance with data protection requirements, in their respective board divisions. They also ensure awareness and training and report relevant issues and risks to the data protection officer and to the executive board member of IONOS SE who has competence over such board division. Data protection managers create records of processing activities, conduct data protection impact assessments, report risks and ensure the conclusion of data processing agreements. Responsibility for compliance with the GDPR (see "*14.2.1 Data Protection*") and other data protection requirements is decentralized to the individual departments (*Fachabteilungen*) organized within the different board divisions and not to the central data protection organization. New employees and managers are trained to data protection and information security (and approximately 80% of all Group employees received regular security awareness and privacy trainings in 2021 and 2022).

The data protection organization of STRATO AG and its subsidiaries consists of a data protection officer supported by the legal and compliance team. The data protection officer is part of the legal team, reports directly to the board and submits an annual report to the executive board of STRATO AG. There is also a group's risk management system. New employees are also trained regarding data protection and information security as part of a program set at United Internet Group level. Moreover, STRATO AG has its own policy on the handling of personal data (which also applies to its subsidiaries). This policy regulates, among other things, who is responsible in the respective companies, what must be observed when using external service providers and when passing on and using personal data.

In addition, IONOS is involved in the Gaia-X project. The idea behind Gaia-X is to build a hybrid cloud using EU security and data privacy standards that meets the highest digital sovereignty standards. IONOS has been involved in the international non-profit association for Gaia-X (set-up under Belgian law) right from the start, is a member of its Technical Committee, and is actively helping to shape this European initiative. The project's objective is that the numerous successful local clouds in Europe cooperate and standardize their operations to create a common "hypercloud" that will allow both large enterprises and SMBs on the German and other European markets to exchange and process data in a trusted, secure, and transparent manner. Customers can choose between multiple hosting providers and – thanks to the planned standards – can switch at any time. The architecture of Gaia-X is based on the principle of decentralization. Gaia-X is the result of a multitude of individual platforms that all follow a common standard – the Gaia-X standard – to develop a data infrastructure based on the values of openness, transparency, and trust that results in a networked system that links many cloud services providers together (source: Gaia-X website of the German Federal Ministry for Economic Affairs and Climate Action). According to the KPMG/Bitkom Cloud-Monitor 2021 report, 65% of the German companies using, planning or discussing cloud solutions and which are aware of the Gaia-X project state that a cloud solution in conformity with Gaia-X would be a "must-have" criterion when selecting a cloud provider.

IONOS is helping with the rapid construction of a European cloud by contributing its many years of experience in developing and operating cloud infrastructures to the Gaia-X project. Our employees are providing their knowledge in working groups on a number of issues, *e.g.*, defining standards and the reference architecture, and establishing certifications. We are also helping shape Gaia-X's development as the moderator of the Product & Service Board and as a member of the Gaia-X Technical Committee. The objective is for Gaia-X to offer a European alternative to the large U.S. and Asian cloud providers known as "hyperscalers" (see also "*13.2.3 We operate a powerful scalable, integrated platform offering a range of innovative products across the customer lifecycle, supported by a strong focus on data security, regulatory sovereignty and local support*"). Numerous cloud providers, associations and enterprises (both at EU level and in Germany) are also working on the project in addition to IONOS.

13.11 Business Partners and Suppliers

Our business model relies on a deep value creation, *e.g.*, from planning and building data centers and servers to designing and developing cloud environments. Nevertheless, it makes sense from a business perspective to work with partners and suppliers in different areas where required, including product development and data center operation, effective sales and marketing and active customer support. This includes wholesale service partners, hardware suppliers (*e.g.*, servers and storage devices from Dell, and switches and routers from Cisco and Juniper), software suppliers, call center service providers and shipping partners, for example. Among other things, we conduct one-on-one discussions with these partners and help call center service providers to train their employees. Reasons for working together with specialized cooperation and outsourcing partners include the strategic decision to focus on our core business, reduce costs or benefit from the specific know-how of our partners.

We source both commercial off-the-shelf ("**COTS**") hardware products – via the United Internet Group – and customized hardware products, *e.g.*, custom servers (this is handled by the IONOS Group). Many of our relationships with product and service suppliers have existed for many years, and we do not often change our hardware suppliers. As regards software, we usually buy or license software for an extended period. However, our procurement with respect to hardware and other products and services is based on specific orders depending on the changing requirements of the business. In general terms, we are not committed to taking predefined commercial volumes for customer servers and other key products or services we source. With respect to service providers, we are typically not bound by long contract terms, but rather most of our contracts are structured in ways that allow us to cancel contracts, with pre-defined notice periods, or wind down the respective business relationship if required. We regularly screen potential partners and rely on close cooperative exchanges with suppliers and other business partners.

In terms of software suppliers, IONOS maintains close relationships with its partners. Joint targets and quarterly reviews ensure continuous improvement in the fields of customer experience, integration and feature sets. A stringent partner-selection process helps us to find suitable partners for the different needs of IONOS' customers. Most third-party applications are integrated following a "white label" approach. This means that the partner tailors the applications to IONOS' specific needs in order to achieve an optimal integration into the entire value chain. A few selected partners are integrated using a "branded" approach to make the value of the integrated partner directly clear to customers, *e.g.*, "Jetpack" as a WordPress plugin, Microsoft Office 365 or G Suite (now Google Workspace).

Some examples of our "white labeled" deep integration of partner solutions include OpenXchange as an email solution & productivity provider, Duda as provider for the product "MyWebsite Creator", Uberall as provider for our online marketing tool "ListLocal", and Ecwid as provider for our integrated ecommerce solution.

A very significant area of specific partner relationships is the business area relating to domains. The IONOS Group maintains contractual relationships with over 250 registries worldwide to offer its customers a wide range of generic top-level domains (gTLD) as well as new gTLD, *i.e.*, domains introduced since October 2013 (nTLD), sponsored top-level domains (sTLD) and country code top-level domains (ccTLD). In this area, the Group's close relationship management enables some valuable advantages in terms of commercial offers as well as technical integration.

In the case of bare metal systems, *e.g.*, servers and storage, we pursue a two-fold supply strategy: on the one hand, we have contractual relationships with COTS suppliers who supply systems developed by them and configured by IONOS (*e.g.*, with suppliers such as Dell, SMC, HPE and NetApp, among others). On the other hand, a significant amount of bare metal is developed by IONOS in-house and built by partners according to our specifications. We refer to this area internally as "IONOS Metal" and the systems are manufactured by providers such as RNT, Thunder IT and Primeline, among others. With respect to networks, we use systems from Cisco and Juniper, but are increasingly using bare metal systems to run software-based or virtualized network functions.

With regard to data center infrastructure, the latest data center expansions within the Group have been built using cooling and power systems from Vertiv, as well as other companies acquired by Vertiv. In general, data center infrastructure tends to be country-specific and there is no global standard used across all relevant jurisdictions.

To operate our Wide Area Network ("**WAN**"), we lease dark fiber and wavelength channels from 1&1 Versatel (part of the United Internet Group), Gasline, Colt and Lumen. We also connect to the largest European Internet Exchange Points, *e.g.*, DE-CIX, AMSIX and LINX, for peering with other network operators. In addition, we source global IP transit connectivity from Lumen and Telia.

We have an IONOS Agency Partner Program in place, aimed at agencies, developers, freelancers and web professionals. With this program, we currently partner with over 20,000 agency partners worldwide, to whom we offer exclusive advantages and products, tools and support especially for web professionals, for example specially configured WordPress, hosting or cloud infrastructure solutions tailored to professional users. Moreover, our agency partners can manage projects and clients centrally and generate leads through our agency partner portal. The reach of our agency partner network also helps agents find potential clients looking for a developer or web designer. In addition, the IONOS Cloud Partner Program offers over 200 distributors, resellers, consulting or technology partners access to versatile benefits and tools to help them grow the cloud business together with IONOS. For example, distributors and resellers receive volume-based discounts and are strategically managed, and we run joint marketing and acquisition/sales campaigns with them. For example, in January 2022 we announced our partnership with Computacenter AG & Co oHG as a new platinum partner of our IONOS Cloud business. Together with Computacenter, we want to drive the digital transformation of the public sector in Germany, with joint cloud projects. Among our cloud partners are managed service providers which are small IT providers, handled through distributors. Resellers and managed service providers sell cloud services, often as part of a larger managed solution offering.

Another example of a partnership is IONOS' participation in the Stackable Data Platform (IONOS holds a 25.1% interest in Stackable GmbH), an innovative open source modular solution combining tried and highly-scalable components with Kubernetes, launched in July 2022. The platform may be used in a variety of application fields, such as data warehouses, event streaming, machine learning, etc. The Stackable Data Platform is also used by the European project Marispace-X, one of the projects sponsored under the Gaia-X umbrella project (see also "*13.10 Information Technology, Information Security and Data Privacy*").

The ability to work together reliably with wholesalers and business partners is crucial for the Group. For example, collaborating with specialized partners and outsourcers, and sourcing wholesale services are decisive for our business success. We collaborate with specialized partners which, for example, carry out software security audits and audits to assess compliance with data privacy regulations as well as to review the required data processing agreements which are entered into with each supplier for compliance with such data privacy regulations.

Furthermore, a code of conduct for business partners issued at the level of the Company's parent company, United Internet AG, applies to all affiliates of United Internet AG (which includes the Company and many other companies of the IONOS Group. This code contains, among others, rules and guidelines for the relationships with suppliers and other business partners to ensure compliance with applicable legal regulations and certain standards relating to ESG topics (including observance of human and labor rights as well as a careful use of natural resources), fair competition and information security, among others. Employees of the business partner can report violations of this code directly to us anonymously. In this case, IONOS may examine the matter and end the business relation if necessary. In addition, the remaining companies of the Group have their own conduct standards relating to business partners. This mostly applies to companies that have been acquired by the Group over the past years. These companies have kept their existing policies, which reflect market standards in their respective relevant markets.

We source relatively high levels of energy to run our business and in particular the data centers (see also "*13.13 Environmental, Social & Governance*").

13.12 Employees

13.12.1 Overview

The following table sets forth the average number of employees of the IONOS Group (based on headcount; headcount is calculated including trainees and student interns but excluding long-term sick employees who are not categorized as active employees of the Group) for the periods and functions indicated below:

	For the Fiscal Year Ended December 31,			For the Nine-Month Period Ended September 30,
Average number of employees (based on headcount)*	**2021**	**2020**	**2019**	**2022**
(by function)	**(unaudited, unless otherwise indicated)**			**(unaudited)**
Technology and Development	1,360	1,140	1,086	1,462
Sales & Marketing	2,205	2,062	1,961	2,286
Administration	381	338	329	405
Total	**3,946****	**3,540****	**3,375**	**4,153**

* The average number of employees for a given fiscal year is calculated as the average of the number of employees as of March 31, June 30, September 30 and December 31. The average number of employees for the nine-month period ended September 30, 2022 is calculated as the average of the number of employees as of March 31, June 30 and September 30, 2022.

** Audited

Note: The Audited Consolidated Financial Statements 2019 contained employee figures as of December 31, 2019, rather than average figures for fiscal year 2019 (and the Audited Consolidated Financial Statements 2020 also contained employee figures as of December 31, 2019 as comparative prior-year figures).

From a regional perspective, we increased our headcount in Germany and also outside of Germany since the beginning of fiscal year 2019. The following table sets forth the average number of employees of the IONOS Group (based on headcount) by region for the periods indicated below:

Average number of employees (based on headcount)*	**For the Fiscal Year Ended December 31,**			**For the Nine-Month Period Ended September 30,**
	2021	**2020**	**2019**	**2022**
(by region)	**(audited, unless otherwise indicated)**			**(unaudited)**
Domestic[1)]	2,173	1,877	1,783**	2,284
Foreign[2)]	1,773	1,663	1,592**	1,869
Total	**3,946**	**3,540**	**3,375****	**4,153**

* The average number of employees for a given fiscal year is calculated as the average of the number of employees as of March 31, June 30, September 30 and December 31. The average number of employees for the nine-month period ended September 30, 2022 is calculated as the average of the number of employees as of March 31, June 30 and September 30, 2022.

** Unaudited.

1) Refers to Germany.

2) Refers to countries other than Germany.

Note: The Audited Consolidated Financial Statements 2019 contained employee figures as of December 31, 2019, rather than average figures for fiscal year 2019 (and the Audited Consolidated Financial Statements 2020 also contained employee figures as of December 31, 2019 as comparative prior-year figures).

As of September 30, 2022, the Group employed 4,239 employees. As of December 31, 2021, 2020 and 2019, the Group had 3,998, 3,631 and 3,416 active employees, respectively (in each case, based on headcount).

From September 30, 2022 until the date of the Prospectus, the number of employees has remained largely stable. During the course of 2022, we have hired and expect to continue to hire a significant number of new developers for our Cloud business area.

13.12.2 Collective Bargaining Agreements and Shop Agreements; Employee Representatives, Trade Unions and Works Council

The applicable collective agreement applicable to employees of Arsys Internet S.L.U., Logroño, Spain, and for IONOS Cloud S.L.U. is the XVII National Collective Bargaining Agreement for Consulting Companies of December 2017 (IT services companies are included in the functional scope and obliged by this agreement).

The collective bargaining agreement sets, among others, minimum salary levels for the employees (the Group pays salaries that are substantially higher than the levels included in the agreement, in line with the usual salary levels of the market). The agreement contemplates an obligation to increase salaries to account for a seniority allowance. The amount may vary each year depending on the seniority of the employees (capped at 60% after 25 years of seniority with the company).

In order to comply with the legal obligation to regulate certain company-specific conditions not regulated in the industry collective bargaining agreement, Arsys Internet S.L.U. has entered into several separate agreements with that company's works council. These agreements have been in place for many years and are in line with market standards. For example, such agreements contemplate that overtime will be compensated with 200% of regular hourly salary, and that work on public holidays will be compensated with 200% of regular daily salary. In addition, work on Saturdays evening and Sundays will be compensated with an additional 30% of the regular hourly salary, while work on night shift will be compensated with an additional 35% of the regular hourly salary.

For Arsys Internet S.L.U., there is a works council of 13 representatives for the two locations of the company in Logroño. For the rest of the Arsys locations (Madrid, Barcelona, Bilbao, Seville and Valencia), there is no legal representation of workers. IONOS Cloud S.L.U. also has no works council or another form of legal representation of workers.

The last elections of union representatives at Arsys Internet S.L.U. were held in January 2020, in which nine representatives of the workers' union *Comisiones Obreras* and four independent representatives supported by the union *Unión Sindical Obrera* were elected.

At STRATO AG, while there are no collective bargaining agreements in place, there are agreements on specific topics at a company level, for example regarding job tickets, vacation and home office, among others.

No material strikes or other industrial actions have taken place during fiscal years 2019, 2020, 2021 and 2022 and none of these actions have occurred in fiscal year 2023 until the date of the Prospectus.

13.12.3 Pension Schemes of the IONOS Group

The Group only has defined contribution plans for certain of current and former employees in Germany and contributions to (voluntary) workplace savings plans (401k) for employees in the United States. The pension schemes are set-up at the level of the United Internet AG and also apply to IONOS and include, in Germany, capital-forming benefits in the form of a direct insurance with deferred compensation (where the employer contributes with a certain percentage of the amounts that the employee pays towards the insurance policy or pension fund, with a cap for the employer's contribution. Employees in Germany may also opt to have a part of their salary converted into pension contributions. In this connection, we have concluded a Group contract with Nürnberger Versicherung for a provident fund (*Unterstützungskasse*). The Company pays contributions to the state pension fund as a result of statutory obligations. The current contribution payments are recognized as an expense in the respective year. In fiscal year 2021, contribution payments to the state pension fund totaled € 12.2 million.

13.12.4 Employee Stock Option Program and Share-Based Compensation

The Group has currently a long-term incentive plan in place for certain eligible managers and other employees and has also set up a new stock appreciation rights plan to become effective after the First Day of Trading, both as further described below.

A former stock appreciations rights program and an employee participation program ceased to exist as of the end of fiscal year ended December 31, 2018.

In addition, a former stock option program for the managing directors of home.pl S.A., Poland ("**home.pl**"), which had been implemented in December 2015 in the context of the acquisition of home.pl and its subsidiaries, was discontinued in 2020, after the exercise of the stock options in the first quarter of fiscal year 2020, at the end of a vesting period of around three years. When the stock options were exercised, home.pl carried out a planned capital increase to fulfill its commitment under the plan. The shares to be purchased by general managers as part of the capital increase were then bought back by IONOS SE.

The managing directors ultimately received a payment equal to the difference between the strike price and the purchase price for the shares. There are no ongoing obligations under the stock option program for home.pl.

13.12.4.1 Share-Based Compensation: Long-Term Incentive Plans

In the second half of 2017, an employee participation program in the form of a Management Incentive Program (MIP I) was set up in order to align the economic interests of the members of the management team, including both members of the Management Board of the Company and other managers and employees in key positions of the Group, and the interests of the future shareholders of the Group, to ultimately increase the equity value of the Company and other companies in the Group. Within the LTIP, qualifying employees are allocated so-called Management Incentive Plan units (MIP I 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, at the option of the Company. 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. For more information, see "*19.2.4.1.2 Management Incentive Program I*". For a description of the contemplated rollover of this program following the Offering and the commencement of trading (*Aufnahme des Handels*) of the Company's shares on the Frankfurt Stock Exchange, see "*19.2.4.3.7 MIP I Rollover*".

In fiscal year 2021, another employee stock ownership program ("**we22 LTIP**") was introduced for selected members of the management board and the general managers of the we22 Group (we22 AG, now renamed as we22 GmbH, including subsidiaries and investees). The we22 LTIP is designed to align the long-term interests of the employees of the we22 entities and of the Company in order to raise the equity value of the we22 entities and the Company. Within the we22 LTIP, qualifying employees of the we22 entities are allocated so-called Management Incentive Plan 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.

For more information, please refer to Note 35 to the Audited Consolidated Financial Statements 2021, Note 37 to the Audited Consolidated Financial Statements 2020 and Note 6.23 to the Audited Consolidated Financial Statements 2019, all of which are included in the chapter "*21 Financial Information*" of the Prospectus.

In addition, in 2023, a new stock appreciation rights plan for certain executives and certain employees of the Group was set up, which will become effective after the First Day of Trading. This new plan follows, by and large, the stock appreciation rights plan that is part of the long-term incentive plan that will apply to the Management Board post-IPO; for further details, see "*19.2.4.3.2 Long-Term Incentive*".

13.13 Environmental, Social & Governance

In order to create sustainable value, IONOS is committed to core values in the areas relating to ESG and has integrated such values as part of its responsible and long-term oriented Group management. In the Group's vision, entrepreneurial action goes beyond the pursuit of commercial goals and also includes a commitment to the Group, the environment, our employees, our customers, the communities in which we operate and other stakeholders. As part of an ESG materiality assessment, we have identified the following four key ESG pillars, each including several relevant topics for the Group:

- *Environment*, with a particular focus on climate change and on promoting a circular economy.
- *People*, with topics such as diversity and inclusion, talent attraction and retention, training and development, health, wellbeing and safety as well as corporate citizenship.
- *Corporate digital responsibility*, focusing on data privacy and information security as well as working towards a safer web, *e.g.*, through the prevention of fraud and web abuse.
- *Customer*, based on the principles of customer centricity and customer enablement.

13.13.1 Sustainability

ESG is managed through a dedicated organization within the Group, which includes an ESG committee that makes recommendations to the Management Board and defines targets and measures to be implemented; officers (*i.e.*, experts) for each of the four ESG pillars; and an ESG department which coordinates the work relating to the ESG pillars and also reports to the ESG committee. In addition, the Chief Operating Officer, who is part of the ESG committee and has ultimate responsibility for ESG within the Group, reports to the Company's Management Board on ESG topics. Moreover, the ESG organization prepares reports to be presented to the Company's Management Board. Furthermore, as part of our good governance commitment, we have a compliance organization with different guidelines and policies (see "*13.14 Compliance*").

Our sustainability strategy takes into account a variety of international standards, for example several of the United Nations' Sustainable Development Goals ("**SDGs**"). This includes among others goal 13 ("take urgent action to combat climate change and its impacts"), which we address through different sustainability measures targeting our data centers, as explained further below. By the nature of our business, we enable people online to start their own business. With this we can support goal 8 ("promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all"). The nature of our businesses also helps drive goal 9 ("build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation"), as data centers are critical drivers of economic growth and the alignment of our data center infrastructure promotes energy efficiency, as explained in more detail below.

Furthermore we have already defined KPIs aligned with our four key ESG pillars and identified topics, in order to prepare for ESG reporting in the future. Such KPIs include, for example, (i) environment: energy/carbon emissions data (scope 1 & 2 and, in part, scope 3) for data centers and offices, (ii) people: diversity and data on talent attracting and retention as well as training, health and safety, (iii) corporate digital responsibility: data on the proportion of employees trained in information security and data protection, and (iv) customer: NPS.

We have several measures in place to contribute to a more sustainable environment. Our energy management systems are ISO 50001 certified and regularly assessed by dedicated energy management teams.

In the wake of the global climate debate and steadily increasing energy consumption, in the computer industry "Green IT" is often a hot topic. The term "Green IT" encompasses measures that help to reduce both carbon dioxide ("**CO_2**") emissions and the energy consumption of a company. Today, the Information and Telecommunications ("**ITC**") industry makes a significant contribution to global value creation and is thus a strong driver of economic growth. At the same time, it is also a not insignificant CO_2 emitter and requires significant levels of electricity. This also applies to providers of digital and cloud services such as the IONOS Group, and is particularly true for the data centers in which many millions of cloud applications are managed for private individuals and businesses. Thus, data centers are responsible for by far the bulk of energy used within the Group, especially since several are operated geo-redundantly, in line with data protection and information security requirements.

At IONOS, we use a mix of local, renewable energy sources, carbon offset certificates and other initiatives to neutralize our CO_2 emissions, and we continuously improve the efficiency of our data centers. The central data centers serving our core brands, *i.e.*, IONOS, STRATO, fasthosts and arsys, were 100% powered by renewable electricity in 2021 (compared with 91.90% renewable electricity in 2018, with the remainder being covered by renewable energy certificates, *i.e.*, offsetting). In addition, in 2021, 99.38% of the energy used at such data centers came from renewable sources, with emissions for the remainder (*e.g.*, diesel emissions) being offset. This is relevant to achieve carbon neutrality in terms of our scope 1 greenhouse gas ("**GHG**") emissions – which are those a company makes directly, *e.g.*, during its operations – and for our scope 2 emissions (*e.g.*, indirect emissions for purchased energy). In addition, in 2021, the absolute energy consumption of the data centers business relating to our core brands, *i.e.*, IONOS, STRATO, fasthosts and arsys, fell by 12.80% compared to 2018. The operations relating to our brand STRATO became 100% carbon neutral in early 2021 (in terms of scope 1, 2 and 3 emissions; scope 3 emissions include all emissions for which a company is indirectly responsible for, along its value chain). For 2024, STRATO has set itself a 12% energy reduction target for data centers and offices (for scope 1, 2 and 3 emissions) compared to 2020. At IONOS, we reduce our CO_2 emissions by using sustainable designs such as the carbon-neutral steel for our data center in Worcester, United Kingdom, which opened in September 2022. New servers are built with the most energy-efficient technologies possible; they are also regularly refurbished, and their parts reused, wherever possible. At the end of their service lives, parts are recycled or, where recycling is not possible, disposed of properly. For example, in Germany we cooperate with a non-profit organization, which aims to include persons with disabilities in everyday work, for the recycling and refurbishing of laptops and servers. From energy sourcing to the different steps of the supply chain, sustainability plays a key role in our decision-making processes.

As part of our commitment to fight climate change, IONOS utilizes energy from renewable sources wherever possible. We have been using electricity from renewable energy sources for our German data centers for over ten years. Also in the data centers located abroad (*e.g.*, in the United States, the United Kingdom, France and Spain), we use electricity from renewable energy sources. Indeed, already now, in the United States, our largest data center runs completely on electricity generated by wind power, while in the United Kingdom and Germany, 100% of the electricity used in our data centers comes from renewable sources. IONOS is also in the process of focusing on the generation of renewable energy on site, *i.e.*, the installation of photovoltaic systems. The new data center in Worcester, United Kingdom, is powered by on-site renewable energy. The Company's management approved the photovoltaic installations in Lenexa/Kansas, United States, and Niederlauterbach, France. In Lenexa the photovoltaic installation was commissioned in December 2022, and in Niederlauterbach, the installation is currently scheduled to be completed in 2023.

In the area of scope 3 emissions, a total of over 1,309 tons of CO_2 were saved at the IONOS Group during the years 2019-2021 through the responsible recycling of old servers and office equipment by the IONOS Group (thereof 432, 650 and 227 tons in 2019, 2020 and 2021, respectively).

Commitment to energy and carbon reduction consumption is also an essential part of our environmental policy. The most important building blocks in terms of saving energy within our international data centers are:

- The operation of a *certified energy management system* in accordance with ISO 50001:2011, which ensures that energy efficiency is considered and implemented sustainably in the procurement, operation and maintenance of all infrastructure components. This also includes the annual energy efficiency reduction targets in ESG areas and related initiatives.

- *The server hardware*: Some of the servers are assembled specifically for the IONOS Group. In the process, we aim to avoid superfluous components and to utilize, among others, low-power processors and power supplies with low heat loss. This means that only a small amount of heat is dissipated, so that the computer rooms do not have to be cooled as much. Since cooling requires a considerable amount of energy, we are always looking for new ways to become more energy-efficient. This includes the integration of newer technologies like adiabatic, or evaporative, cooling. An upgrade to our air conditioning system at our largest data center in Germany in 2020 resulted in a 15% increase in energy efficiency.

- *The software used*: The web hosting system used by the Group is a highly optimized in-house development, based on Linux. Thanks to the modification, data of several thousand customers can be administered on a single computer and resources can be used sensibly. This allows us to deliver optimal performance at high loads and reduce the overall number of servers at the same time.

- Similarly, *virtualization* enables us to replace dedicated servers with more energy-efficient virtual servers. *Containers* reduce redundancy on the operating system kernel, allowing for more scalability during peak load times. Virtualization and container clusters are used both for internal operations as well as for customer products.

Other sustainable initiatives include working remotely and fossil-free travel, as well as recycling old hardware. All our energy-efficient offices are equipped for high-end video conferencing and virtual meetings. This ensures cross-country collaboration — without the need for cross-country travel. When traveling is a must, traveling by train is preferred. We also encourage carpooling, offer subsidies for employees who cycle to work, and provide dedicated parking for electric vehicles.

Since the end of 2021, IONOS has been a certified "Zero Carbon Committed Partner" of VMware. The initiative recognizes cloud providers who have committed to developing their services with zero emissions and powering their data centers with 100% renewable energy by 2030.

13.13.2 Talent Attraction and Retention

As part of our efforts towards talent attraction and retention, we have an automated end-to-end recruiting process and optimized onboarding process enabling employees to get to quickly learn our corporate culture and network. We also offer working-from-home, hybrid and flexi-time models, among others, and 100% remote working for several job profiles. In 2021, we received over 10,000 job applications Group-wide and by September 2022 we had received over 13,000 applications. The average employee tenure has also increased over the past few years, from 6.8 years in 2018 to 7.3 years in 2021. Our investment in our employees includes extensive internal and external career development courses for talented employees. In 2021, we spent around € 464 on average on training per employee (refers to total spend for external and internal training in 2021, divided by the total number of employees as of December 31, 2021).

Furthermore, we also try to combat the substantial lack of women in the tech industry, this being a current and future focus of our diversity and inclusion efforts (SDGs goal 5 on gender equality). Initiatives in this respect include trainings in areas such as unconscious bias, diversity for leadership and cultural awareness; the establishment of internal working groups and networks to support women (*e.g.*, "Women in Tech" and "Women Explore"). Moreover, since 2021, IONOS has held annual employee-led "Diversity Days" events.

13.14 Compliance

The Management Board of IONOS SE has implemented a compliance management system designed to ensure that all applicable legal provisions and internal policies are complied with. The Group's compliance management system ("**IONOS CMS**") consists of the following pillars:

- *Compliance culture*: The Group expects employees to comply with laws and regulations and to put the Group's values into practice. This expectation is specified in various guidelines. All employees of the IONOS Group are subject to a code of conduct (issued by the Company's parent company, United Internet AG). This code sets out the values we strive for throughout the Group, such as solidarity, fairness, openness and responsibility. The IONOS CMS is designed to prevent, identify and respond to violations of the code of conduct as well as any suspected breaches of applicable legal provisions.

- *Compliance objectives*: The central objectives of the Group's compliance activities are adherence to data protection laws, as well as compliance with anti-corruption, competition and anti-trust regulations, compliance of the Group's products with technical and regulatory requirements, compliance with embargo regulations and the protection of human rights.

- *Compliance risk assessments*: The Group systematically and regularly identifies and assesses potential compliance risks and ultimately designs and implements suitable measures to avoid or mitigate such risks.

The compliance risk assessment distinguishes between corporate misconduct and individual employee misconduct. In the area of corporate misconduct, risks of active corruption, antitrust and competition, embargo, telecommunications regulation, financial reporting, capital market information, personal customer and employee data, telecommunications secrecy, regulatory provisions, consumer rights, licensing, copyright and trademark law, patents, employment practices, and environment, health protection and product safety are identified in particular. As regards individual misconduct, the compliance risk assessment considers the topics of call center fraud, misappropriation of business assets, the fulfillment of criminal offenses such as embezzlement, theft and fraud, the misuse of tangible and intangible assets, sideline activities, misuse of customer data, passive corruption, misuse of trade secrets, violations of purchasing guidelines, misuse of insider knowledge, other violations of our code of conduct and, where applicable, the misappropriation of donations. Based on the findings derived in connection with the respective risk level, appropriate measures for risk minimization are then agreed upon and implemented by the respective responsible departments.

- *Compliance program*: The Group's compliance program consists of measures aimed at minimizing compliance risks and preventing compliance violations. A central element is an electronic whistleblowing system through which employees can report possible compliance violations confidentially, upon request also anonymously. Moreover, to prevent corruption, an anti-corruption policy sets out clear rules for the acceptance and granting of gifts and benefits and explains the resulting measures and processes. The purpose of this policy, which is set at the level of United Internet AG and applies to many companies of the IONOS Group, is to raise employees' awareness of corruption, prevent conflicts of interest and avoid a loss of reputation due to inappropriate practices relating to gifts and benefits with regard to third parties. In addition, the remaining companies of the Group have their own compliance policies in place which reflect the type of business activities and local practices in their respective relevant markets.

- *Compliance organization*: As part of the compliance organization, IONOS has a dedicated Compliance Manager with a direct reporting line to the CFO as well as regular compliance board updates. In addition, local compliance managers have been appointed at all IONOS affiliates. These local compliance managers are supporting the implementation. Regular meetings are held between IONOS and the respective local compliance managers. All compliance-relevant issues are also prepared in quarterly and annual compliance reports and submitted to the Management Board.

- *Compliance communication and training*: The IONOS Group maintains a continuous exchange and open dialogue with employees to ensure compliance within the Group. In addition, all employees are required to complete e-learning courses on the code of conduct, data protection and information security.

- *Compliance monitoring*: Through comprehensive policy management and regular compliance risk assessments, the Company fulfils its supervisory and monitoring obligations with regards to the IONOS Group companies.

Moreover, we aim to ensure that our business partners comply with social values such as human rights, fair pay and non-discrimination. To this end, we require our business partners to comply with a Code of Conduct for business partners (see "*13.11 Business Partners and Suppliers*").

13.15 Insurance

Our insurance coverage includes, among others:

- general liability (*Haftpflichtversicherung*),

- liability insurance for pecuniary loss in connection with IT (*Vermögensschadenhaftpflichtversicherung*),

- business (premises/operations) and product liability insurance (*Betriebs- und Produkthaftpflichtversicherung*) customary in our industry, including property and business interruption coverage (*Sach- und Betriebsunterbrechungs-Versicherung*),

- crime insurance (*Vertrauensschadenversicherung*), which covers, subject to certain conditions, certain damages, including certain indirect damages, due to loss of profit caused by a malfunction of the online distribution system due to a third-party intervention in the IT systems of a Group company which hinders the sale of goods or the provision of services via the Internet, and

- criminal legal protection insurance (*Strafrechtschutzversicherung*).

Some of the policies are global master or group-level policies, while certain risks are insured by local policies (*e.g.*, with respect to general liability insurance, for our subsidiaries in the Philippines, Spain, Poland, United Kingdom and the United States) or otherwise at a local level to account for local particularities. For example, for IONOS employees that are German residents, we have car and group accident insurance coverage, and in 2020, as a result of the COVID-19 pandemic, we extended our insurance to cover mobile workplaces while mobile working models are available to our employees. In certain cases, United Internet AG or another company of the United Internet Group acts as policy holder or co-policy holder together with an IONOS Group company (such as IONOS SE). Our insurance policies contain market-standard exclusions and deductibles as well as maximum insured amounts (per incident and per year, in individual cases with certain distinctions depending on the jurisdiction).

The Company is in the process of obtaining coverage for certain cybersecurity risks and is in the process of analyzing offers from different insurance companies and discussing potential terms of an insurance policy for such risks with an insurance broker. We currently plan to finalize the process for obtaining such coverage during the first half of 2023.

The Company has directors' and officers' (D&O) liability insurance for the members of the Management Board and the Supervisory Board in place. The D&O insurance provides coverage in case of liability claims due to breaches of duty and wrongful acts by these board members. As required by applicable German law, each member of the Management Board remains personally responsible in the case of any finding of personal liability, as the case may be, for 10% of the total amount of such personal liability, up to an amount equaling 1.5 times of the member's total annual fixed remuneration from the Group. In addition, the Company has additional subsidiary D&O contract legal protection via a further policy (*Vermögensschaden-Rechtschutzversicherung und D&O-Vertrags-Rechtsschutzversicherung*) for the benefit of directors and officers within the IONOS Group.

We regularly review the adequacy of our insurance coverage, together with insurance brokers. As of the date of the Prospectus, on the basis of its current knowledge and based on the Group's risk management, the Company believes that its insurance coverage, including the maximum coverage amounts and terms and conditions of the policies, are standard and appropriate for its business. The Company cannot guarantee, however, that it will not incur any losses or be the subject of claims that exceed the scope of the relevant insurance policy. The Company may increase its insurance coverage in the future as it deems appropriate.

13.16 Legal and Administrative Proceedings

The IONOS Group is from time to time involved in court, arbitration and regulatory proceedings and out-of-court disputes in Germany and other countries, which are not described herein and which are part of the ordinary conduct of the Group's business. In the past, such disputes and proceedings have been, and in the future will likely be, related to, among other things, contractual claims by or against business partners, such as customers, suppliers and distributors, claims for (alleged) infringement of intellectual property rights (*e.g.*, patents, copyrights and trademarks) or license-related claims, claims related to the advertising of our products, claims or challenges regarding our general terms and conditions, in particular regarding consumer contracts, product liability claims, employment matters, customer data and regulatory compliance matters in the different jurisdictions in which we operate. As of the date of the Prospectus, there are no governmental, legal, or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) during the twelve months preceding the date of the Prospectus which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

13.17 Material Contracts

13.17.1 Financing Agreements

13.17.1.1 The Vendor Loan in the context of the WP Investment: An Overview of Corporate Steps Relating to the Acquisition of an Interest in the IONOS Group by Warburg Pincus

In 2017, WP XII Venture Holdings S.à r.l. indirectly invested in what is today the IONOS Group (the "**WP Investment**"). Prior to the WP Investment, United Internet AG held all common stock and preferred shares in (i) IONOS Holding SE (at that time named "1&1 Internet Holding SE") and (ii) IONOS SE (at that time named "1&1 Internet SE").

In the context of the WP Investment, the Group was re-organized creating the current Group structure:

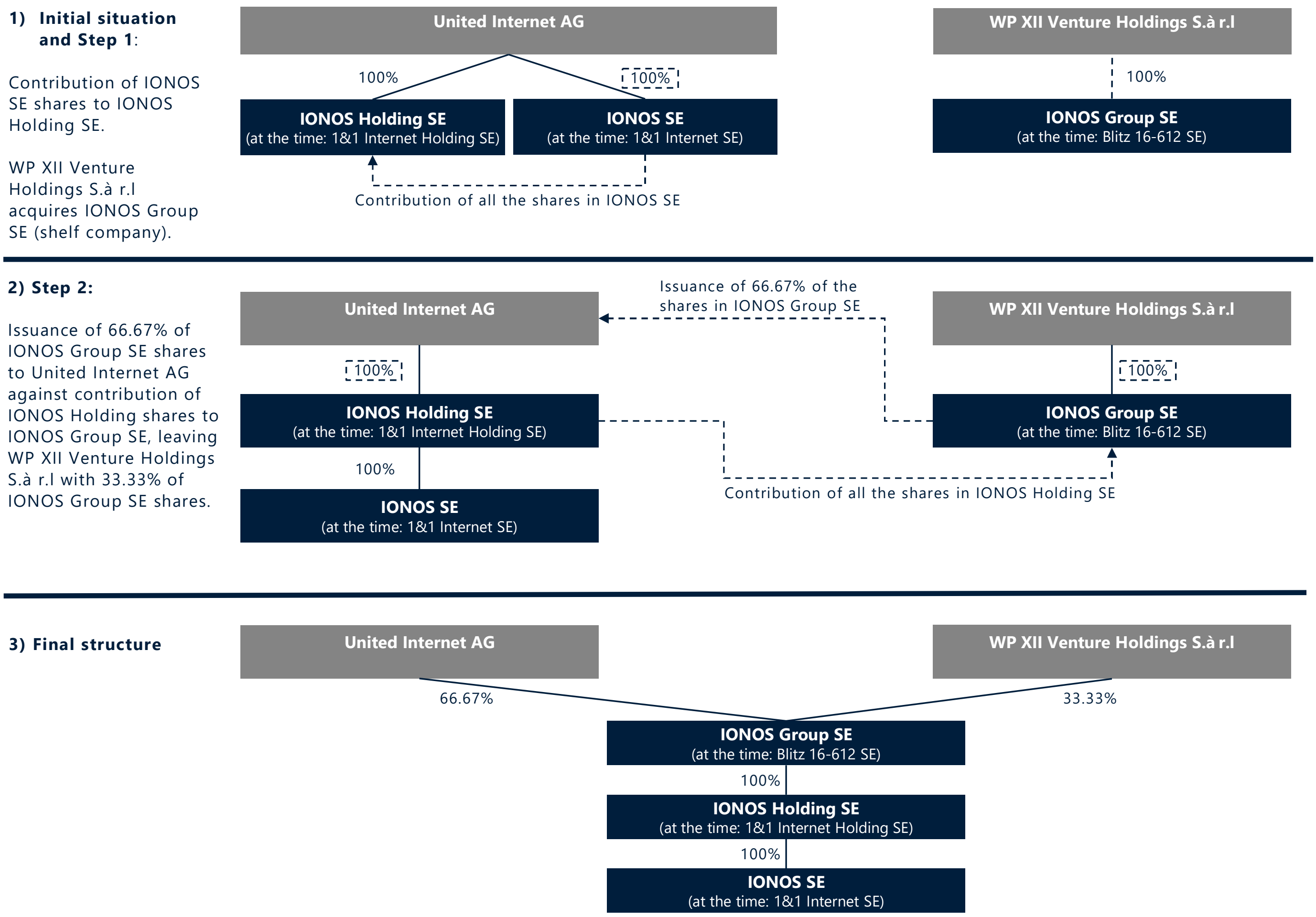
In a first step, United Internet AG and IONOS Holding SE entered into a share purchase, contribution and transfer agreement, pursuant to which United Internet AG transferred all ordinary shares and preferred shares in IONOS SE to IONOS Holding SE in two tranches:

- United Internet AG sold approximately 70% of the ordinary shares in IONOS SE to IONOS Holding SE. The consideration was not paid in cash but was converted into a vendor loan with four tranches in the aggregate amount of the purchase price of up to € 1.57 billion by United Internet AG as lender to IONOS Holding SE as borrower (the "**Vendor Loan**") under a vendor loan agreement dated January 26, 2017 (the "**Vendor Loan Agreement**"); and

- United Internet AG contributed the remaining (approximately 30%) of the ordinary shares and preferred shares in IONOS SE to IONOS Holding SE against issuance of shares in IONOS Holding SE.

In a second step, WP XII Venture Holdings S.à r.l. acquired the Company (at that time, a shelf company named "Blitz 16-612 SE") and contributed cash to the Company's distributable reserve to be used to partially repay the aforementioned vendor loan. United Internet AG, WP XII Venture Holdings S.à r.l. and the Company subsequently concluded a contribution and transfer agreement providing for a threefold increase in the Company's share capital. United Internet AG subscribed for all new shares, *i.e.*, 66.67% of the total share capital of the Company thereby diluting WP XII Venture Holdings S.à r.l.'s stake to 33.33%. In consideration for the share subscription, United Internet AG contributed all shares in IONOS Holding SE to the Company. This allowed for the implementation of a levered structure as intended by United Internet AG and WP XII Venture Holdings S.à r.l.

The chart below shows the acquisition structure in 2017 in a simplified form:



In 2021, WP XII Venture Holdings S.à r.l. transferred its shares in the Company to a fully-owned subsidiary, WP XII Venture Holdings II SCSp. As of the date of the Prospectus, prior to the Offering, WP XII Venture Holdings II SCSp holds a 24.9% stake in the Company.

13.17.1.2 Pre-IPO Shareholder Loans

The Vendor Loan initially comprised four tranches in the amount of € 1.2 billion, approximately € 247.27 million, approximately € 81.08 million and up to approximately € 41.04 million respectively. The first tranche carries interest at a rate of 6.75% per annum and the other tranches carry interest at a rate of 0.01% per annum. The Vendor Loan Agreement has a fixed term until December 31, 2026. As of September 30, 2022, the outstanding loan amount under the Vendor Loan Agreement amounted to € 839.0 million.

On March 28, 2017, the Company's subsidiary IONOS Holding SE (at that time named "1&1 Internet Holding SE") entered into a loan agreement with United Internet AG to finance the purchase of STRATO AG. Under this loan agreement, United Internet AG extended a loan to IONOS Holding SE in the total amount of € 350.0 million with a fixed term until December 31, 2026 (the "**Speed Loan**"). The Speed Loan carries interest at a rate of 6.75% per annum.

On August 17, 2018, United Internet AG extended a € 76.0 million loan to IONOS Holding SE (at that time named "1&1 Internet Holding SE") to finance the acquisition of World4You Internet Services GmbH (the "**World4You Loan**"). The Wordl4You Loan carries interest at a rate of 5.00% per annum and is set to expire on December 31, 2023.

In aggregate, the outstanding loan amount under the Vendor Loan, the Speed Loan and the World4You Loan as of September 30, 2022 amounted to € 1,265.0 million, which corresponded to non-current liabilities to related parties.

13.17.1.3 Post-IPO Shareholder Loan

On January 27, 2023, United Internet AG as lender, IONOS Group SE as guarantor and IONOS Holding SE as borrower entered into an agreement to amend the Vendor Loan, the Speed Loan and the World4You Loan (together the "**Existing Loans**") as follows:

- The Existing Loans shall be consolidated into one single new loan in the aggregate amount outstanding under the Vendor Loan, the Speed Loan and the World4You Loan on the First Day of Trading (the "**Post-IPO Financing**"). As of the date of the Prospectus, the aggregate outstanding loan amount is € 1,245.0 million.

- A fixed interest rate of 6.75% per annum shall apply. Interest is payable quarterly in arrear, provided that unpaid interest on the Existing Loans as at the First Day of Trading shall become payable on the first interest payment date together with the first interest payment under the Post-IPO Financing.

- Subject to any early repayment, the Post-IPO Financing shall be repaid in whole on December 15, 2026.

- The borrower, IONOS Holding SE, must repay the Post-IPO Financing in part from available excess cash for each calendar quarter (excess cash sweep) and, in addition, may make voluntary early repayments in whole or in part at any time. No prepayment fees or other penalties shall apply upon an early repayment of the Post-IPO Financing in whole or in part.

- Upon the occurrence of a change of control event at the level of IONOS Group SE (*i.e.*, if United Internet AG ceases to hold, directly or indirectly at least 50% of the outstanding share capital of IONOS Group SE (disregarding treasury shares, if any)) or IONOS Holding SE (*i.e.*, if IONOS Group SE ceases to hold at least 50% of the outstanding share capital of IONOS Holding SE (disregarding treasury shares, if any)), United Internet AG is entitled to terminate the Post-IPO Financing. Apart from the change of control event, United Internet AG may terminate the Post-IPO Financing only for good cause (*wichtiger Grund*), including the breach of payment obligations under the Post-IPO Financing or negative pledge and *pari passu* undertakings given by IONOS Group SE and IONOS Holding SE as well as the occurrence of insolvency events in relation IONOS Group SE, IONOS Holding SE or any significant subsidiary of IONOS Group SE. Except for the annual excess cash sweeps, the Post-IPO Financing does not provide for any mandatory repayment events.

- No financial covenants shall apply.

- The Post-IPO Financing becomes effective on the First Day of Trading (expected to take place on February 8, 2023).

13.17.2 Agreements with Top-Level Domain Registries

We are accredited as a registrar by the Internet Corporation for Assigned Names and Numbers ("**ICANN**"), a multi-stakeholder, private sector, not-for-profit corporation formed in 1998 for the express purposes of overseeing a number of Internet related tasks, including managing the Domain Name System ("**DNS**")'s allocation of IP addresses, accreditation of domain name registrars and registries and the definition and coordination of policy development for all of these functions. Through IONOS SE and other Group companies, we have entered into registry-registrar with several domain registrars agreements allowing us to provide domain name registrar services within certain TLDs, such as Nominet UK, Public Interest Registry, DENIC and VeriSign, Inc, among others. Each of these domain registries exclusively manages certain TLDs within the DNS (such as ".org", ".net", ".eu" or ".uk"). For example, names in the .com TLDs are sold "wholesale" at a regulated price by VeriSign, and individual domain name registrars such as IONOS sell names "retail" to businesses and consumers. Maintaining our accreditation by ICANN as a registrar is a condition for the validity of the agreements with registries. In our view, the most important of these agreements (in terms of the payment volumes in connection with the agreements in 2021 and 2022) are:

- In May 2019, IONOS SE (at the time 1&1 IONOS SE) entered into a registry-registrar agreement with Public Interest Registry, a Pennsylvania non-profit corporation located in Reston, USA, ("**PIR**") regarding the use of domain names within the TLD ".org". Under the agreement, PIR is obliged, among others, to provide IONOS SE with access to the registry system, maintain the registry system and provide IONOS SE with a tool kit as well as customer support services. As a consideration, IONOS SE is obliged to pay registration fees to PIR. Further obligations of IONOS SE include, among others, certain specified clauses (including a hold-harmless clause for the benefit of PIR) in its registration agreement with individual registered name holders. The agreement had an initial term of two years and is automatically renewed for additional successive two-year terms unless terminated by IONOS SE with a termination notice of at least 30 days prior to the end of any renewal term. In connection with this registry-registrar agreement with PIR, IONOS SE and PIR also entered into a data processing addendum on May 25, 2018, which in particular establishes the responsibilities of the parties to the registry-registrar agreement with regard to the processing of shared personal data.

- In September 2014, IONOS SE (at the time 1&1 Internet AG) entered into a registry-registrar agreement with Nominet UK, a company with registered seat in Oxford, United Kingdom ("**Nominet**"), regarding the use of domain names within the TLDs ".wales" and ".cymru" and in November 2018 regarding the use of domain names within the TLD ".uk". Under the new version of the agreement for the ".uk" TLDs, effective as of November 26, 2021, as well as under the agreement for the ".wales" and ".cymru" TLDs, IONOS SE, as a registrar, is allowed to access the automated systems and register, and to renew and manage domain names on behalf of their customers. The agreement for the ".uk" TLDs includes an annex regarding data processing, including terms on how IONOS must process customers' personal data on behalf of Nominet when registering, renewing, transferring or managing .uk domain names, rules on the transfer of personal data to a country outside the EEA and Nominet's right to conduct an audit at IONOS to verify compliance with its obligations under the data processing annex, among other provisions. The agreement for the ".wales" and ".cymru" TLDs does not include a detailed data processing annex but generally states that Nominet shall comply with its obligations under applicable data protection legislation as well as its published privacy and/or data protection policies. Under both agreements, IONOS SE is charged for certain services provided by Nominet according to Nominet's fees policies. Each of the agreements can be terminated by either party (i) with a thirty-day termination notice, or (ii) for good cause, for the reasons stipulated described in the respective agreement.

- In October 2013, IONOS SE (at the time 1&1 Internet AG) entered into a registry-registrar agreement with Donuts Inc., a corporation located in Bellevue, Washington, United States, after a rebranding in mid-2022, Identity Digital Inc., ("**Identity Digital**"), regarding the use of domain names within, *inter alia*, the TLD ".info", ".io", ".email", ".gmbh" and ".immo". Under the agreement, Identity Digital is obliged, among other things, to provide IONOS SE with access to the registry system, maintain the registry system and provide IONOS SE with a tool kit as well as customer support services. As consideration, IONOS SE is obliged to pay registration fees to PIR. Further obligations of IONOS SE include, among others, to indemnify Identity Digital and certain representatives of it from all claims arising out of IONOS SE's domain name registration, and to provide services to registrants. The agreement had an initial term of two years and is automatically renewed for additional successive two-year terms unless terminated by a party with 60 days' prior notice to the end of a term. A similar agreement with Identity Digital was entered into by Cronon GmbH, a wholly-owned subsidiary of STRATO AG in January 2022, also with an initial term of two years and an automatic renewal clause for subsequent two-year periods, unless earlier terminated with 60 day's prior notice to then end of the initial or a renewal term.

- In March 2008, IONOS SE (at the time 1&1 Internet AG) entered into a registry-registrar agreement with VeriSign, Inc., a Delaware corporation with a place of business located in Reston/Virginia, United States ("**VeriSign**"), regarding the use of domain names within the top-level domain ".net" and in April 2020 regarding the use of domain names within the TLD ".com". Under such agreements, VeriSign is obliged, among others, to provide IONOS SE with access to the relevant registry systems, maintain the registry systems and provide IONOS SE with certain information on supported protocols, APIs and certain software that will allow IONOS SE to develop its system to register second-level domain names through the system as well as certain support services. As a consideration, IONOS is, among others, obliged to pay registration fees to VeriSign, comply with certain operational requirements and include certain provisions in its agreement with registered name holders (including a hold-harmless clause for the benefit of VeriSign). The agreements are initially valid for a five-year term and shall be renewed automatically for further successive five-year periods unless terminated, either for good cause or upon the exercise of other termination rights. For example, IONOS SE may terminate any of the agreements at any time with a thirty-day termination notice.

- STRATO AG (formerly ABC Televerlag Datenbank GmbH) has been a member of Denic eG, a non-regulated not-for-profit cooperative (*eingetragene Genossenschaft*) based in Frankfurt am Main, Germany ("**DENIC**"), for more than 20 years on the basis of a membership agreement regarding the use of domain names within the TLD ".de" and the ENUM-domain ".9.4.e164.arpa". Under the agreement, DENIC is obliged to operate the name servers for the TLD and ENUM-domain and provide an interface to receive and process domain orders. As consideration, STRATO is obliged to pay certain fees to DENIC. The membership can be terminated, *inter alia*, with six months' prior notice to the end of a fiscal year.

13.17.3 Shareholder Agreement regarding the Participation in Stackable GmbH

In 2021, we acquired a 25.1% interest in Stackable GmbH, a developer of an open source-based platform for the analysis and processing of Big Data, as part of a strategic partnership. In connection with such investment, IONOS SE entered into a shareholder agreement with the other shareholders of Stackable GmbH which comprises several provisions that govern the relationship among the shareholders and with Stackable GmbH. For example, under the shareholders agreement, IONOS SE and one of the founders of Stackable GmbH have the right to jointly dismiss a managing director (*Geschäftsführer*) and to appoint one or more new managing directors. Furthermore, an advisory board is implemented and IONOS SE has the right to appoint one member of such advisory board. In addition to specific information rights, the shareholder agreement also contains extensive provisions regarding the disposal over shares in Stackable GmbH, including, among others, a lock-up period, pre-emptive rights, tag-along and drag-along provisions, as well as takeover options, in each case subject to specific conditions. Moreover, the shareholder agreement contains non-solicitation obligations of the founders of Stackable GmbH *vis-à-vis* IONOS SE, accession rules and a customary confidentiality clause. The shareholder agreement has an initial term until December 31, 2035, and shall be extended for a further five-year period unless terminated by either party with a notice submitted to all other parties at the latest one year prior to the termination of each initial or renewal term, as well as under certain stipulated termination events.

14 REGULATORY ENVIRONMENT

14.1 Regulatory Overview

We operate mainly in Europe (with an important portion of our revenue coming, in particular, from Germany, the United Kingdom, Spain, France and Poland) and in North America (in particular, in the United States). We offer products and services in the areas of Web Presence & Productivity (*e.g.*, domains, web hosting, website builders and ecommerce applications, email, Office and other products and services) and – mostly in Europe – Cloud computing.

Our business and operations are affected by various national and international rules, regulations and standards, in particular, rules relating to data protection, cybersecurity, telecommunication services and online content management. In essence, these rules require us to protect our customers' data and information as well as our systems as such against data breaches, cyberattacks and similar events by implementing organizational and technical safeguards.

Furthermore, we are also subject to regulations generally applicable to all types of businesses such as state aid, anti-bribery, anti-corruption, antitrust and competition laws, sanctions and embargo as well as other regulations.

14.2 Regulation in Certain Specific Areas

14.2.1 Data Protection

The processing of personal data is subject to strict regulations on data protection. Personal data in this sense means any information relating to an identified or identifiable natural person (so-called "data subject"), *e.g.*, an individual's name, contact details, date of birth or personal preferences. We process personal data either in the course of providing our services to our customers or for internal purposes. Our services involve the processing of personal data, in particular, where our customers apply our products to store and use information on data subjects, in both the Web Presence & Productivity and in the Cloud business areas. In addition, we must comply with data protection requirements where we process personal data for our own purposes, *e.g.*, in human resources administration, or for marketing efforts and business contacts. We document the different instances of our handling of personal data in our records of processing activities, which we monitor and update frequently. We have appointed a data protection officer and put in place a dedicated team entrusted with ensuring our compliance with data protection requirements.

14.2.1.1 European Union

In the EU, the EU General Data Protection Regulation (GDPR) primarily forms the data protection framework. The GDPR sets a high and harmonized data protection standard across the EU. It is accompanied by implementation laws in the individual EU Member States, *e.g.*, the German Federal Data Protection Act (*Bundesdatenschutzgesetz*), the Law No. 2018-493 regarding the protection of personal data in France (*Loi relatif à la protection des données personnelles*) or the Spanish Law 3/2018 on the Protection of Personal Data and Guarantee of Digital Rights (*Ley Orgánica 3/2018 de Protección de Datos Personales y garantía de los derechos digitales*).

Data privacy under the GDPR is guided, *inter alia*, by the principles of lawfulness, fairness and transparency, data minimization, accuracy, integrity and confidentiality, as well as accountability. In line with these principles, every processing of personal data under the GDPR requires the respective data subject's consent or a statutory justification (*e.g.*, performance of a contract with the data subject, or overriding legitimate interests). Data subjects also have a number of rights under the GDPR, including a right to be informed about the processing of their personal data.

Under the GDPR, failure to comply with data protection requirements can incur fines of up to € 20,000,000, or up to 4% of the total worldwide annual group turnover of the preceding financial year, whichever is higher. In addition, affected data subjects can seek damages, including for non-material harm, and data protection authorities may initiate an administrative investigation and take enforcement measures (*e.g.*, conduct an audit or issue an order to rectify any non-compliance).

The primary responsibility for lawful data processing lies with the respective controller of the personal data within the meaning of the GDPR. Where customers store and use personal data with the help of our products, the respective customers themselves qualify as controllers as they determine the purposes and means of the data processing (within the general boundaries of our products). They must, therefore, ensure that there are legal grounds to justify the data processing and they must also inform the data subjects about how and why their personal data is processed. We, on the other hand, qualify as a data processor in these cases because we process such personal data on behalf of and under instructions from our customers. As a data processor, we are required under the GDPR, among others, to implement appropriate technical and organizational measures to ensure the protection of the rights of the data subject, including entering into data processing agreements with our customers if they use our products for storing and processing personal data.

Each data processing agreement governs the respective rights and obligations of the controller (*i.e.*, the respective customer) and the processor (*i.e.*, the respective IONOS entity). The mandatory content for data processing agreements is set out in the GDPR and includes, *inter alia*, (i) instruction rights of the controller regarding the data processing, (ii) the obligation of the processor to implement risk-adequate technical and organizational measures of data security, (iii) the obligation of the processor to assist the controller with data subjects' requests and data breach notifications, (iv) the processor's obligation to delete or return the personal data after termination of the processing and (v) specific restrictions on the engagement of sub-processors and international data transfers. We use a standard data processing agreement which we ask customers to accept before using our products for the processing of personal data. For new customers, we conclude the standard data processing agreement via the general terms and conditions. Customers who ordered our products before the inclusion of the standard data processing agreement in the general terms and conditions are required to conclude such an agreement in the control panel. This is implemented by way of a pop-up in the control panel asking customers to conclude the data processing agreement, if needed. With respect to the technical and organizational measures of data security that we have implemented to protect personal (and all other) data against loss, destruction and unauthorized access, please see "*14.2.2 Cybersecurity*".

Where we process personal data for our own purposes, we also rely on third-party service providers as data processors subject to data processing agreements under GDPR. For example, we cooperate with external call center operators to provide technical hotline support to our customers.

In some instances, we may transfer personal data outside the European Economic Area ("**EEA**"), *e.g.*, when we cooperate with certain third-party service providers located outside the EEA. This is the case, *inter alia*, for our call center partners in the Philippines. The GDPR stipulates special requirements for such international data transfers. Namely, additional safeguards need to be in place unless the European Commission has declared in a formal decision that the level of data protection in the recipient country is equivalent to EU standards (*e.g.*, for Switzerland, Canada and the United Kingdom). Where no such "adequacy decision" is in place, we rely on other instruments provided by the GDPR to require the recipient to protect the personal data in line with EU standards. These are, in particular, on so-called binding corporate rules approved by the competent data protection authority (*e.g.*, for our Webhelp services) and, more frequently, standardized contracts provided by the European Commission (so-called "**Standard Contractual Clauses**").

We generally also use Standard Contractual Clauses for data transfers to the U.S. but have, in certain cases, included additional data protection safeguards in view of the "*Schrems II*" judgment of the European Court of Justice. This includes, for instance, further data protection guarantees to supplement the Standard Contractual Clauses as well as amendments to intercompany agreements related to data transfers within the Group. The legal framework for the transfer of personal data to the U.S. may change in the near future. In October 2022, U.S. President Biden signed an Executive Order on Enhancing Safeguards for United States Signals Intelligence Activities (the "**U.S. Executive Order**") directing the steps that the United States will take to implement the U.S. commitments under the newly created EU-U.S. Trans-Atlantic Data Privacy Framework. This framework is intended to restore an important legal basis for transatlantic data flows by addressing concerns that the Court of Justice of the European Union had raised in *Schrems II*. The U.S. Executive Order, among other things, adds further safeguards for U.S. signals intelligence activities, including requiring that such activities may be conducted only in pursuit of defined national security objectives and subject to further conditions; imposing mandatory handling requirements for personal information collected through signals intelligence activities; and creating a multi-layer mechanism for individuals from qualifying states and regional economic integration organizations to obtain independent and binding review and redress of claims that their personal information collected through U.S. signals intelligence was collected or handled by the United States in violation of applicable U.S. law (including the enhanced safeguards in the U.S. Executive Order). Despite this U.S. Executive Order, the EU-U.S. Trans-Atlantic Data Privacy Framework has not yet been fully documented and finally approved by the relevant bodies in the U.S. and the EU, and will not be effective for purposes of data transfers to the U.S. unless and until such documentation and final approval has occurred.

The Standard Contractual Clauses have recently been updated and we have almost completed the process of (i) analyzing our international data transfers and their legal grounds, and (ii) renewing existing contracts where necessary, based on data transfer impact assessments. This also includes intra-group data transfers to U.S. data centers under intercompany agreements. We have completed the process to update all relevant SCCs before the end of the transition period for the old SCCs, *i.e.*, before December 27, 2022.

To the extent we provide telecommunications services as an email provider (see "*14.2.3 Telecommunications Regulations*" below), further data protection requirements stem from statutory rules on secrecy of telecommunications, *e.g.*, in Germany under the Act on Data Protection and Protection of Privacy in Telecommunications and Telemedia (*Gesetz zur Regelung des Datenschutzes und des Schutzes der Privatsphäre in der Telekommunikation und bei Telemedien,* "**TTDSG**"). This prohibits accessing or disclosing the contents or circumstances of email communication that we process unless this is required for the provision of the email services or a specific statutory exception applies (*e.g.*, cases of legal interception, see "*14.2.3 Telecommunications Regulations*" below).

14.2.1.2 United Kingdom

Where we process personal data in, or under the laws of, the United Kingdom, we are subject to the Data Protection Act (2018) ("**DPA**"), as amended on January 1, 2021. The DPA is the U.K. correlate of the GDPR, and effectively brings the GDPR into the United Kingdom.

14.2.1.3 United States

With regard to our servers located in the United States or business entities which target the U.S. market, we are subject to a number of different U.S. federal laws on data protection. Most of those laws are sector-specific or limited to certain demographic groups, such as the Health Insurance Portability and Accountability Act ("**HIPAA**"), the Gramm–Leach–Bliley Act ("**GLBA**"), the Children's Online Privacy Protection Act ("**COPPA**"), and the Fair and Accurate Credit Transactions Act ("**FACTA**"). Currently, there is no overarching U.S. privacy law similar to the GDPR, although at least one similar act is under consideration (the Consumer Online Privacy Rights Act). Several U.S. federal states have enacted broad privacy laws, the applicability of which depends primarily on the location of the customers in the United States. Of particular interest are the California Consumer Privacy Act ("**CCPA**") and California Online Privacy Protection Act ("**CalOPPA**"), the Colorado Privacy Act, and the Virginia Consumer Data Protection Act ("**CDPA**"), although a number of other privacy laws are pending for approval in various states across the United States.

14.2.2 Cybersecurity

As a web hosting provider, we process a large amount of user data and content on DNS servers located in different data centers within and outside the EU. These systems are generally considered important for the public welfare and must, therefore, be protected against cyberattacks in line with EU and national regulations in the countries in which we operate. Specific obligations may vary among different countries. In general, we have to take adequate organizational and technical measures to avoid disruptions of our IT systems, components or processes that are essential for the operation. We must also implement safeguards to ensure the availability of these systems and of the stored data as well as the integrity and confidentiality of processed information.

Our efforts to ensure a very high security standard are expressed *inter alia* in our involvement in the EU initiative Gaia-X, which aims at building a hybrid cloud using European security and data privacy standards that meets the highest digital sovereignty standards as an alternative to the large U.S. and Asian cloud providers (so-called hyperscalers). We have been involved in the initiative from the start, and we are a member of its Technical Committee and are the moderator of the Product & Service Board. For more information, see "*13.2.3 We operate a powerful scalable, integrated platform offering a range of innovative products across the customer lifecycle, supported by a strong focus on data security, regulatory sovereignty and local support*", "*13.8 Product Design; Programming and Innovation*" and "*13.10 Information Technology, Information Security and Data Privacy*".

14.2.2.1 European Union

At EU level, Directive (EU) 2016/1148 on cybersecurity of network and information systems (the "**NIS Directive**") proposes a wide-ranging set of measures to enhance the level of security of network and information systems to secure services vital to the EU economy and society, including providers of essential services in critical sectors such as IT. It aims to ensure that EU-wide cyberattacks are handled properly, in particular, by adopting national cybersecurity strategies and imposing obligations on operators of essential services and digital service providers to ensure that they take appropriate security measures and notify the relevant national authorities about serious incidents affecting their systems.

The requirements of the NIS Directive have been transposed into national law in the different EU Member States, *e.g.*, in Germany by an amendment, *inter alia*, to the BSIG, and in Spain by Royal Decree 12/2018. In France, several rules have been adopted, including the French NIS Directive Implementation Act which came into effect on February 28, 2018. In Poland, also several rules have been adopted, including the National Cyber Security System Act of July 5, 2018 ("**NCSA**").

In future, we expect EU Member States to implement stricter cybersecurity requirements to meet the standards set by the new Directive (EU) 2022/2555 on measures for high common level of cybersecurity across the Union of December 14, 2022 (so-called "**revised NIS Directive" or "NIS 2**"). The purpose of this revision of the NIS Directive is to strengthen security requirements for operators of critical infrastructure. NIS 2 entered into force on January 6, 2023 and EU Member States until October 17, 2024, to transpose its provisions into national law. Under NIS 2 and its respective national implementing laws, we will, in particular, be subject to a catalog of minimum cybersecurity risk management measures including, *inter alia*, the following: risk analysis and system security policies, incident handling (prevention, detection, and response to incidents), security in network and information systems acquisition, development and maintenance, including vulnerability handling and disclosure. We will also have to provide training for the Company's Management Board. Cloud service providers will no longer qualify as digital service providers, but rather fall under the (higher) category of essential entities. As such, we will be subject to (even) stricter supervision obligations and penalties in the event of non-compliance. The new directive provides for fines of up to € 10 million or 2% of the total worldwide annual turnover of the undertaking to which the essential or important entity belongs in the preceding financial year, with the determination of the specific amount depending on the circumstances of each individual case. In addition, in the event of infringements, the operation of an essential service facility may temporarily be suspended.

Another important ruleset on EU level is Regulation (EU) 2019/881 on the European Union Agency for Cybersecurity ("**ENISA**"). This regulation mandates ENISA to support EU Member States regarding cybersecurity risks and focuses on the certification of ICT products, services and processes in several critical infrastructure sectors such as digital services, *e.g.*, cloud computing services.

In future, we may be subject to additional cybersecurity and risk management obligations to the extent we provide services to customers in the financial services sector. The European Commission has on September 24, 2020, proposed a draft Regulation on Digital Operational Resilience for the Financial Sector ("**DORA**"). DORA aims at strengthening operational resilience and the integrity of the EU financial sector in light of ongoing digitalization and increasing ICT risks. If DORA came into law as proposed, we would qualify as an "ICT third-party service provider" and therefore have to implement adequate provisions against cyber-attacks and other ICT risks. We could also become subject to increased oversight by supervisory authorities, as DORA would provide, among other, for extensive investigation and inspection powers. Also, under DORA the competent authority could require the respective financial services institutions to suspend or even terminate their contracts with ICT third-party service providers that do not address ICT risks properly. DORA would further provide for penalty payments in case of non-compliance.

14.2.2.2 Germany

The DNS servers and data centers we operate in Germany qualify as critical infrastructure under the BSIG and the Ordinance on the Designation of Critical Infrastructures under the BSI Act (*Verordnung zur Bestimmung Kritischer Infrastrukturen nach dem BSI-Gesetz,* "**BSI-KritisV**").

Under the BSIG, we must comply with specific obligations for operators of critical infrastructure including notifying such infrastructure to the competent authority, conducting a designated security audit every two years, and providing for a stand-by contact. Additionally, as provider of digital services, we must, in particular, report every case of malfunctioning that has a significant impact on the provision of our digital services to the BSI. The BSI-developed standards are a key tool for us to make our business processes and data more secure. They contain recommendations on methods, processes and procedures as well as approaches and measures for various aspects of cybersecurity. In addition, the BSI conducts regular reviews of our cybersecurity concept and measures. For more information, see "*13.10 Information Technology, Information Security and Data Privacy*".

We source materials and components, including critical components, for our systems from a few manufacturers (German and foreign). As operator of critical infrastructure, we must fulfill obligations in connection with the use of critical components, such as taking appropriate organizational and technical precautionary measures to avoid disruptions of the availability, integrity, authenticity or confidentiality of those components that are decisive for the functionality of critical infrastructures, and reporting incidents with regard to components resulting in a failure or material impairment of the functionality of critical infrastructures. However, we are not subject to obligations for manufacturers of critical components under the BSIG, *e.g.*, information obligations.

Cybersecurity requirements for digital services providers like us will increase further under the revised NIS Directive and its respective implementation by EU Member States. In Germany, the standards of the revised NIS Directive have in part already been anticipated and implemented by the Second Act on the Increase of the Security of IT Systems of May 28, 2021 (so-called "*IT-Sicherheitsgesetz 2.0*") which was the applicable benchmark for our 2022 BSI audit. Moreover, the German government is currently contemplating new framework legislation to improve resilience of critical infrastructure in a variety of sectors (so called "*KRITIS-Dachgesetz*"). This project is still in its early stages and we cannot foresee whether the envisaged law would create additional cybersecurity requirements for us.

Further cybersecurity standards in Germany result from telecommunications regulations such as the German Telecommunications Act (*Telekommunikationsgesetz,* "**TKG**"). In particular, we are required to implement, and have implemented, a comprehensive safety concept and to submit it and have submitted it to the Federal Network Agency ("***Bundesnetzagentur***").

14.2.2.3 United Kingdom

With regard to our servers located in the United Kingdom, we are subject to the U.K. NIS Regulation. In 2018, the United Kingdom transposed the NIS Directive into national law (U.K. NIS Regulation) and continued to apply these rules also after Brexit, except for minor changes regarding, in particular, certain international cooperation obligations and references to EU-based service providers. Therefore, effectively the requirements of NIS Directive continue to apply in the United Kingdom.

14.2.2.4 United States

In the United States, cybersecurity is regulated on the federal as well as state level. We are subject to U.S. cybersecurity law if our U.S. customers choose a U.S. server location or target the relevant U.S. market, because the relevant regulations apply if a data breach is capable of endangering state residents. Most federal laws are sector-specific, such as the Gramm-Leach-Bliley Act and FACTA. On state level, cybersecurity regulations have been enacted in all 50 states, with the Massachusetts General Laws, part I, title XV, chapter 93H (Data Breach Notification Law) being considered one of the most stringent.

Except with respect to the U.S. IONOS entities, we are not subject to the United States Clarifying Lawful Overseas Use of Data Act (the "**CLOUD Act**"), a U.S. federal law in effect as of March 2018, which amended the Stored Communications Act of 1986 to allow U.S. law enforcement authorities to access electronic information held by cloud providers subject to U.S. jurisdiction (even if that information is located outside of the United States). In general, the CLOUD Act only applies to data centers or data which are under the control of a U.S. company. Pursuant to the Stored Communications Act, Group companies located in the United States may be compelled to provide certain electronically stored information in the subsidiaries' possession, custody or control to U.S. law enforcement authorities pursuant to a court order, warrant or subpoena. Other than those data centers which are operated by U.S. companies of the Group, the data centers we operate are primarily located outside of the United States, including co-location centers, and under the control of German companies of the Group. Information stored on (non-U.S.) servers maintained by non-U.S. companies of the Group should not be considered to be in possession, custody or control of the U.S. companies of the Group. Accordingly, such electronic information generally should not be subject to compelled disclosure under the CLOUD Act.

In addition, the CLOUD Act allows the U.S. government to enter into data-access agreements with foreign states through which the participating states' law enforcement can request information held by businesses subject to the partner country’s jurisdiction (*e.g.*, the U.S. has entered into such a bilateral agreement with the United Kingdom).

14.2.3 Telecommunications Regulations

Although we do not provide customary telecommunication services, our email services (such as STRATO Webmail) qualify as interpersonal telecommunications service and are, therefore, subject to the German TKG, which, *inter alia*, implements the European Electronic Communications Code (Directive (EU) 2018/1972 of December 11, 2018, "**EECC**"). Such interpersonal telecommunication services fall into the scope of the EECC and the TKG if they are normally provided for a fee. According to the German legislator, this includes web-based email services even if they are provided free of charge in a specific case. However, our email services did not require a notification to the competent authority (*Bundesnetzagentur*) because they qualify as a number-independent interpersonal telecommunications service (*nummernunabhängiger interpersoneller Telekommunikationsdienst*) and only the commencement, change or discontinuation of number-dependent interpersonal telecommunications services are subject to a notification obligation.

Insofar as our services are subject to the TKG, we have to comply with certain customer-related obligations including rules on non-discrimination of users, transparency and publication requirements regarding prices and general terms and conditions as well as information obligations in the course of contract initiation. In addition, we must fulfill obligations on security and emergency preparedness, including the implementation of technical and organizational security measures, which may be subject to review by the competent authority, as well as safeguards for minimum provision of telecommunication services (see "*14.2.2 Cybersecurity"*). We must also retain certain customer data and respond to formal inquiries, if any, submitted by German law enforcement authorities.

To the extent that we are subject to the TKG and the Telemedia Act (*Telemediengesetz,* "**TMG**") (see "*14.2.4 Online Content Management*"), we also have to comply with telecommunication-specific data protection obligations under the TTDSG which applies alongside the GDPR. Under the TTDSG, we must, *inter alia*, take technical and organizational precautions to prevent unauthorized access to our technical facilities and ensure that our facilities are secured against data breaches (see also "*14.2.1 Data Protection*" and "*14.2.2 Cybersecurity*" above).

14.2.4 Online Content Management

14.2.4.1 Germany

The German TMG implements Directive 2000/31/EC of the European Parliament and of the Council of June 8, 2000 ("**Ecommerce Directive**"). It contains provisions on the responsibility for content of any kind that is distributed via the Internet or comparable media, but it only applies to our business operations to a limited extent. This means that, with regard to our email services, the TKG prevails (see "*14.2.3 Telecommunications Regulations*"). Although our hosting services may qualify as an electronic information and communication service in terms of the TMG, we benefit from the so-called service suppliers' privilege, as service suppliers are generally not responsible for user content. Therefore, the obligations of the TMG for content providers (e.g., website operators) do not apply to our hosting services. In order to avoid liability for unlawful content, we are, however, obliged under the TMG to take action to remove or disable access to information without undue delay as soon as we become aware of any such content.

We are not subject to the Network Enforcement Act (*Netzwerkdurchsetzungsgesetz,* "**NetzDG**"), which includes specific online content management regulations in Germany, because we are not a social network provider pursuant to the NetzDG.

We expect that we will also be subject to the Digital Services Act (Regulation (EU) 2022/2065 of the European Parliament and of the Council of October 19, 2022 on a Single Market For Digital Services and amending Directive 2000/31/EC), which will take direct effect in all EU Member States once it becomes applicable. The Digital Services Act has been published in the EU's Official Journal on October 27, 2022. It entered into force on November 16, 2022, with most provisions being applicable as from February 17, 2024. The Digital Services Act will apply to intermediary services, which also includes hosting services. The key objective of the Digital Services Act is to combat illegal content by introducing comprehensive transparency and security measures for users. Preventing illegal content of data is currently addressed in our general terms and conditions (*Allgemeine Geschäftsbedingungen*), which prohibit certain content.

We further expect to be subject to the proposed EU Data Act (Proposal for a Regulation on harmonized rules on fair access to and use of data (Data Act), COM (2022) 68 final of February 23, 2022). In its current draft form, the Data Act aims to, *inter alia*, (1) facilitate access to and the use of data by consumers and businesses, (2) facilitate switching between cloud and edge services, (3) put in place safeguards against unlawful data transfer without notification by cloud services providers and (4) provide for the development of interoperability standards for data to be reused between sectors. The competent committee of the European Parliament submitted a draft report on the proposal in mid-September 2022, proposing various changes including a broader exemption for small and medium-sized enterprises from the new data-sharing obligations. The Data Act is not expected to enter into force before 2024.

We do not expect to be directly affected by the EU Digital Markets Act (Regulation (EU) 2022/1925 of the European Parliament and of the Council of September 14, 2022 on contestable and fair markets in the digital sector and amending Directives (EU) 2019/1937 and (EU) 2020/1828), which was published in the EU's Official Journal on October 12, 2022, and which will be applicable with respect to most provisions as from May 2, 2023. The Digital Markets Act applies to certain providers of core platform services, including, *inter alia*, cloud computing services. Such providers will be subject to the act's requirements if they are designated as a gatekeeper, that is if the respective provider (1) has a significant impact on the internal market, (2) operates a core platform service which serves as an important gateway for business users to reach end users; and (3) enjoys an entrenched and durable position in its operations or it is foreseeable that it will enjoy such a position in the near future. These criteria are presumed satisfied if certain turnover and user thresholds are met. We do not expect to meet all of these thresholds.

14.2.4.2 Other jurisdictions

In other jurisdictions, such as the United Kingdom, we may be required by specific copyright laws and online child sexual abuse prohibitions to report such content to the relevant authorities as soon as we become aware of it and, if appropriate, to delete it.

14.2.5 Free Movement of Non-personal Data

At EU level, Regulation (EU) 2018/1807 of the European Parliament and of the Council of November 14, 2018 ("**Free Movement of Non-personal Data Regulation**") contains the framework for the free flow of non-personal data. It applies directly in all EU Member States and removes obstacles to the free movement of non-personal data within the EU. The rules are intended to stimulate the data economy and the development of new technologies. Restrictions imposed by EU Member States on data localization in terms of geographical location for the storage and processing of non-personal data are prohibited, unless these restrictions are justified on public security grounds. The Free Movement of Non-personal Data Regulation does not impose any obligations on us as a web hosting provider.

Under the Free Movement of Non-personal Data Regulation, the European Commission shall encourage the development of self-regulatory codes of conduct in order to contribute to a competitive data economy, including establishing best practices for facilitating the switching of service providers and the porting of data. Such voluntary codes of conduct have been developed by Switching Cloud Providers and Porting Data ("**SWIPO**"), a multi-stakeholder association facilitated by the European Commission. Our technical and organizational measures comply with these codes of conduct.

14.2.6 State Aid

Occasionally, we carry out or participate in projects that are partly financed by public funds, most recently in Germany in the course of the Gaia-X project (see "*14.2.2 Cybersecurity*" and the other cross-references mentioned therein with respect to the Gaia-X project). In this connection, such public funds are granted for a defined development goal. Our subsidiaries Arsys Internet S.L.U. in Spain and home.pl S.A. in Poland also currently participate in publicly-funded development projects.

In the EU, any state aid has to comply with EU state aid rules which require the respective EU Member State to notify and seek approval from the EU Commission. Whenever we benefit from public grants, we have to comply with different terms and conditions of grant decisions and applicable collateral clauses, in particular regarding the use of funds for specific funding purposes, documentation obligations, employment commitments, exploitation periods and/or transfer restrictions, as the case may be. Failure to comply with the notification requirement or with the terms and conditions of the grant decisions may result in an obligation to repay the aid.

14.2.7 Anti-Bribery, Anti-Corruption, Antitrust and Competition

We are subject to anti-corruption, anti-bribery, antitrust and competition laws. Any violation of these laws in any jurisdiction in which we operate may have serious consequences for entities and/or individuals participating in such misconduct. For example, under German criminal law we must adhere to rules against corruption and bribery of public officials (Sections 332 and 334 of the German Criminal Code (*Strafgesetzbuch*)) or private sector employees or business representatives (Section 299 of the German Criminal Code) as well as rules against the taking and giving of bribes meant as an incentive to violating one's official duties (Sections 331 and 333 of the German Criminal Code). These provisions may under certain conditions also apply to circumstances that occur solely or partly on foreign territory.

Furthermore, the U.K. Bribery Act 2010 established company liability for corrupt acts committed by persons acting on behalf of the company. The act prohibits bribery of public officials and business-to-business bribery. With global jurisdiction, companies can be held liable in the U.K. for acts of corruption committed by employees, agents or subsidiaries anywhere in the world. In the United States, under the Foreign Corrupt Practices Act of 1977, as amended ("**FCPA**"), it is also prohibited to make payments to foreign government officials to assist in obtaining or retaining business. The anti-bribery provisions of the FCPA also apply to foreign firms and persons who cause, directly or through agents, an act in furtherance of such a corrupt payment to take place within the territory of the United States.

We are also subject to various antitrust and competition laws. In a broader sense, these laws include all legal provisions that concern the protection of a diverse and free competition. Antitrust law, in particular, aims to protect free competition. National and supranational authorities that monitor compliance with antitrust and competition laws may initiate investigations and proceedings into alleged infringements, such as anti-competitive agreements between undertakings or the abuse of a dominant market position. Violations of antitrust and competition laws can have various consequences including criminal sanctions, administrative fines, disgorgement of profits, exclusion from public tenders, nullity of agreements and civil claims for damages. Antitrust and competition laws in individual jurisdictions may also include rules requiring the approval by antitrust authorities regarding mergers and acquisitions or joint ventures and enable the authorities to impose certain conditions or obligations in these cases.

14.2.8 Embargoes and Trade Sanctions

When providing our services to customers around the globe, but also when sourcing hardware or software from our providers, we may be affected by economic sanctions and embargoes, which are subject to frequent changes as sanctions lists are updated on a regular basis. Such measures can take the form of comprehensive embargoes (total embargoes), partial embargoes, sectoral or financial embargoes and may be directed at countries, organizations, groups, non-state entities and individuals. Trade sanctions usually prohibit placing assets of any kind at the disposal of sanctioned persons, groups and entities or providing them with any economic resources. They can be based on national legislation (this is the case, for example, in Germany, the United Kingdom or the United States), but also on acts of supranational organizations such as the EU Council Regulation (EC) No 2580/2001 of December 27, 2001 on specific restrictive measures directed against certain persons and entities with a view to combating terrorism, EU Council Regulation (EC) No 881/2002 of May 27, 2002 imposing certain specific restrictive measures directed against certain persons and entities, Council Regulation (EU) No 269/2014 of March 17, 2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine, and Council Regulation (EU) No 833/2014 of July 31, 2014 concerning restrictive measures in view of Russia's actions destabilizing the situation in Ukraine, each of such regulations as amended from time to time. Such EU trade sanctions generally have a broad scope, applying (i) within the territory of the EU Member States, (ii) to any person inside or outside the territory of the EU who is a national of a Member State, (iii) to any legal person, entity or body which is incorporated or constituted under the law of a Member State whether acting inside or outside the EU, and (iv) to any legal person, entity, or body in respect of any business done in whole or in part within the EU. As of the date of the Prospectus, IONOS has no business with persons in Russia, in Belarus, on the Crimea peninsula or in the city of Sevastopol, or in the non-government controlled areas of Ukraine, as defined under the term "specified territories" in Council Regulation (EU) 2022/263 of February 23, 2022, as amended from time to time. In addition, as of the date of the Prospectus, IONOS' business is in compliance, in particular, with the following EU sanctions regulations, each as amended from time to time: Council Regulation (EU) No 833/2014 of July 31, 2014 concerning restrictive measures in view of Russia's actions destabilizing the situation in Ukraine, Council Regulation (EU) No 269/2014 of March 17, 2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine, Council Regulation (EU) No 692/2014 of June 23, 2014 concerning restrictive measures in response to the illegal annexation of Crimea and Sevastopol, Council Regulation (EU) 2022/263 of February 23, 2022 concerning restrictive measures in response to the illegal recognition, occupation or annexation by the Russian Federation of certain non-government controlled areas of Ukraine, Council Regulation (EC) No 765/2006 of May 18, 2006 concerning restrictive measures in view of the situation in Belarus and the involvement of Belarus in the Russian aggression against Ukraine.

14.2.9 Foreign Investment Control

Due to the nature of the business in which we operate, the German foreign investment control regime applies to the Group. In particular, the applicable German Foreign Trade and Payments Ordinance (*Außenwirtschaftsverordnung*) stipulates notification requirements for acquisitions involving German companies that operate "critical infrastructure", which includes the IONOS and STRATO Web Presence & Productivity business and our Cloud Solutions business.

Consequently, non-EU/non-EFTA investors who intend to directly acquire 10% or more of the voting rights in the Company will be required to notify the German Federal Ministry for Economic Affairs and Climate Action ("**BMWK**") in writing about the contemplated acquisition. The same applies to indirect acquisitions. Thus, all non-EU/non-EFTA investors upstream of a direct acquirer or holder of shares of the Company are relevant for the foreign investment control procedure, provided that the relevant foreign investor holds at least 10% of the voting rights in the respective investment vehicle and provided further that all other investment vehicles (if any) downstream of the respective investment vehicle in which the non-EU/non-EFTA investor holds or acquires at least 10% of the voting rights also hold or acquire at least 10% of the voting rights in the respective next downstream investment vehicle down to the direct acquirer or holder of shares of the Company and the direct acquirer or holder of shares of the Company holds at least 10% of the Company's voting rights, *i.e.*, there must be a holding of at least 10% of the voting rights at each level of the shareholding chain. When calculating the amount of voting rights, the voting rights of third parties with whom the non-EU/non-EFTA investor has concluded an agreement on the joint exercise of voting rights are attributable to the foreign investor.

The notification to the BMWK needs to present the acquisition, the acquirer, and the domestic company to be acquired and outline the fields of business in which the acquirer and the domestic company to be acquired are active. The BMWK then assesses whether the acquisition might adversely affect the public order or security of the Federal Republic of Germany, other EU Member States or certain EU projects. The extent of the assessment depends on the identity and background of the interested buyer. In cases where the BMWK determines adverse effects, the acquisition might be subject to restrictions or could even be prohibited. Clearance by the BMWK qualifies as a closing condition for all transactions that are subject to statutory notification requirements, *i.e.*, the direct or indirect acquisition of at least 10% of the Company's voting rights by a non-EU/non-EFTA investor can only be completed after the BMWK has cleared the acquisition.

15 TRANSACTIONS AND LEGAL RELATIONSHIPS WITH RELATED PARTIES

15.1 Overview

In accordance with IAS (International Accounting Standard) 24 "Related Party Disclosures", related parties include those entities with whom the Company forms an affiliated group or in which it holds an interest that enables it to either exercise a significant influence over the business policy of the associate or joint control over the business policy of the joint venture, as well as the principal shareholders in the Company, including their affiliates. In addition, related parties also include the members of the Management Board and Supervisory Board and close members of their families, as well as those entities over which the members of the Management Board or their close family members are able to exercise a significant influence or in which they hold a significant share of voting rights.

Set forth below are transactions with related parties for fiscal years 2022, 2021, 2020 and 2019 as well as for the current fiscal year 2023 until the date of the Prospectus. Business relationships between the Company and other companies of the IONOS Group are not included.

15.2 Transactions with Related Parties

In the course of ordinary business, the IONOS Group enters into business relationships with numerous companies, including companies that are related parties. Related-parties comprise the United Internet Group, WP XII Venture Holdings II SCSp and the Company's indirect shareholders (see "*17 Shareholder Structure*").

In addition, members of the Management Board and the Supervisory Board as well as their close family members qualify as related parties.

Receivables from related parties amounted to a total of € 23.4 million as of September 30, 2022, € 15.8 million as of December 31, 2021, € 40.7 million as of December 31, 2020 and € 62.9 million as of December 31, 2019. Such receivables mainly comprised cash pool receivables and trade accounts receivables. IONOS Group SE serves as an intermediate consolidation company for the cash pool arrangement in place with United Internet AG and its subsidiaries. The cash pooling arrangement comprises several internal cash pooling agreements between IONOS Holding SE and other Group companies as well as external cash pooling agreements with United Internet AG and other companies within the United Internet Group that are not part of the IONOS Group. The cash pooling involves an automatic liquidity balancing whereby each subsidiary of the Group involved in the cash pooling maintains at least one account with the operating bank as so-called source accounts. IONOS Holding SE, on the other hand, maintains a so-called target account with the operating bank. Liquidity is balanced in such a way that, on each banking day or at other intervals determined by IONOS Holding SE, existing credit balances on the source accounts are automatically transferred to the target account and debit balances on the source accounts are debited from the target account. 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 the nine-month period ended September 30, 2022 and in fiscal years 2021, 2020 and 2019. An annual impairment test is performed, examining the financial position of the related party and the market in which the related party operates.

Current liabilities to related parties amounted to a total of € 6.0 million as of September 30, 2022, € 5.9 million as of December 31, 2021, € 7.2 million as of December 31, 2020 and € 9.2 million as of December 31, 2019. Such current liabilities mainly comprised trade accounts payable. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. No guarantees have been issued.

Non-current liabilities to related parties amounted to a total of € 1.3 billion as of September 30, 2022, € 1.3 billion as of December 31, 2021, € 1.5 billion as of December 31, 2020 and € 1.6 billion as of December 31, 2019. Such non-current liabilities to related parties include a vendor loan for the acquisition of the shares in IONOS SE and a loan for the acquisition of the shares in STRATO.

Purchases/services from related parties amounted to a total of € 66.1 million for the nine-month period ended September 30, 2022, € 71.0 million in fiscal year 2021, € 77.4 million in fiscal year 2020 and € 92.6 million in fiscal year 2019. Such purchases/services from related parties chiefly concerned SAP licenses, the support for the related IT systems and financial accounting services provided by 1&1 Telecommunication SE to the IONOS

Group and marketing services purchased by the IONOS Group from A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur.

Sales/services to related parties amounted to a total of € 36.3 million for the nine-month period ended September 30, 2022, € 43.8 million in fiscal year 2021, € 45.3 million in fiscal year 2020 and € 38.8 million in fiscal year 2019. Such sales/services to related parties included, amongst others, the provision of data center services for the United Internet Group's (United Internet AG and its controlled companies) consumer access and consumer applications segments. IONOS Group SE and its subsidiaries own and operate the United Internet Group's six data centers.

Associated companies of United Internet AG also purchased services of € 7.8 million for the nine-month period ended September 30, 2022, mainly relating to Ranking Coach GmbH (€ 3.1 million), uberall GmbH (€ 1.9 million) and Open Xchange GmbH (€ 2.7 million).

Further information regarding related party transactions during the nine-month period ended September 30, 2022 can be found in Note 13 to the Unaudited Condensed Consolidated Interim Financial Statements. In addition, further information regarding related party transactions during fiscal years 2021, 2020 and 2019 can be found in Note 40, Note 42 and Note 8 to the respective Audited Consolidated Financial Statements of the Company.

15.2.1 Relationships Between the Group and its Shareholders

The related parties of the IONOS Group include group companies of the group led by United Internet AG, to the extent that such companies are not part of the IONOS Group, as well as WP XII Venture Holdings II SCSp. Related parties also include participations with respect to which the Group may exercise significant influence (associated companies). Furthermore, Mr. Dommermuth, as a significant shareholder of United Internet AG, is also identified as a related party with respect to the IONOS Group.

15.2.1.1 Underwriting Agreement

The Company, United Internet AG, WP XII Venture Holdings II SCSp – through its general partner, WP XII Venture Holdings II (GP) S.à r.l. – and the Underwriters entered into an Underwriting Agreement dated January 27, 2023 with respect to the offer and sale of the Offer Shares, see "*5.12 Underwriters and Underwriting Agreement*".

15.2.1.2 Cost Sharing and Indemnity Agreement between the Company and the Selling Shareholders in Connection with the Offering

On January 27, 2023, the Company and the Selling Shareholders entered into a cost sharing and indemnity agreement regarding the allocation of costs and liability in connection with the Offering (the "**Cost Sharing and Indemnity Agreement**"). Pursuant to the Cost Sharing and Indemnity Agreement, the Selling Shareholders will reimburse the Company for certain costs that are incurred in connection with the preparation and the execution of the Offering. The costs to be reimbursed include, in particular, certain legal, auditor, and other advisor fees, underwriters' commissions, as well as the cost of insuring against liability claims. The Selling Shareholders further agreed to indemnify the Company from all liability risks in connection with the Offering, including reasonable legal costs. In addition, the Company has agreed, upon indemnification by the Selling Shareholders and to the extent legally permissible, to assign certain claims the Company may have against third parties to the Selling Shareholders.

15.2.1.3 Lease and Rights of Use Agreements with Mr. Dommermuth and Related Companies/Persons

The business premises of the IONOS Group in Montabaur, Germany, and other Group locations are partly leased by Mr. Dommermuth, companies attributable to him or relatives of Mr. Dommermuth. The lease agreements are based on joint agreements with United Internet Corporate Services GmbH, 1&1 Telecommunication SE, and 1&1 Mail & Media Applications SE (all with registered seat in Montabaur, Germany). The respective lease agreements have different expiration dates ranging between March 2028 and June 2035. The corresponding rental payments are at a level customary for the respective location and amounted to € 3.7 million, € 2.3 million and € 3.9 million in fiscal years 2021, 2020 and 2019, respectively, and to € 2.9 million for the nine-month period ended September 30, 2022. The lower level of lease expenses in fiscal year 2020 compared to fiscal year 2019 results from the conversion of the lease agreements. In 2019, these related parties and the IONOS Group had cost recharge agreements in place for the premises rented by Mr. Dommermuth or companies attributable to him/persons related to him, as well as for other buildings rented by third parties. The costs were passed on to the respective related parties on the basis of the number of employee positions used in the building. In the second half of 2019, these leases were converted and the cost recharge agreements thus terminated. As a result, the IONOS Group only rents the office space it uses itself, which has led to a reduction in lease expenses.

The right-of-use assets in relation to business premises of the IONOS Group with Mr. Dommermuth or companies attributable to him/persons related to him amounted to € 34.5 million, € 38.6 million and € 7.6 million as of December 31, 2021, 2020 and 2019, respectively, and to € 37.6 million as of September 30, 2022. The increase as of December 31, 2020 compared to December 31, 2019 resulted from a new lease agreement for a new office building in Karlsruhe, Germany.

15.2.1.4 Financing Agreements with United Internet AG

Through IONOS Holding SE, the Group has entered into several financing agreements with United Internet AG in the total amount of € 1,315 million as of December 31, 2021. In the first nine months of 2022, € 50 million of the Vendor Loan were repaid; therefore, the balance of such financing agreements with United Internet AG (including the Vendor Loan, the Speed Loan and the World4You Loan) amounted to € 1,265 million as of September 30, 2022, which corresponded to non-current liabilities to related parties. Furthermore, United Internet AG, IONOS Group SE and IONOS Holding SE entered into a new financing agreement which will replace the Vendor Loan, the Speed Loan and the World4You Loan with effect as of the First Day of Trading. For further information, please see section "*13.17.1 Financing Agreements*" above.

15.2.1.5 Service Level Agreements with United Internet Group companies

As IONOS Group's business was managed as a majority-owned subsidiary of the United Internet Group prior to the Offering, certain services were historically provided to the IONOS Group by other group companies of the United Internet Group. As part of our preparations for the Offering since end of 2021, United Internet Group companies (excluding IONOS Group Companies) (each a "**Service Provider**") entered into various service level agreements (each a "**Service Level Agreement**") with IONOS Group companies (each a "**Service Recipient**") to continue the provision of services that are required by IONOS Group also after the completion of the Offering and the First Day of Trading.

The Service Level Agreements form the contractual basis for the provision of the services and specify the individual services to be performed, including the applicable service fees and further details such as on data protection and the level of co-operation required from the respective Service Recipient for the provision of the services. The individual services covered by the Service Level Agreements include services in the area of IT and data, media and marketing, human resources, controlling, legal and compliance, procurement, business support, accounting and financing, group internal and statutory tax reporting services and other support services.

Most of the Service Level Agreements run for an indefinite period of time, unless terminated by either party with 12 or (in some instances) 3, 6, 24 or even 36 months prior notice. However, if the Service Provider terminates a Service Level Agreement in relation to services which are business critical for the Service Recipient with effect as of a date falling prior to December 31, 2024, the Service Provider agrees to continue to render the services until December 31, 2024 as if the Service Level Agreement had not been terminated. In addition, during the period from the end of the term applicable to such services until December 31, 2024 ("**Wind-Down-Period**"), the Service Provider will make reasonable efforts to support the Service Recipient in either rendering the business critical services by itself or transferring those services to a third party. The Service Recipient will bear all additional costs that are necessarily incurred by the Service Provider during such period.

In general, the fees for the services under the Service Level Agreements are at arm's length and calculated on the basis of the actual costs and expenses plus a margin of 5%. The total fees paid by IONOS Group companies to United Internet Group companies for services performed under the Service Level Agreements in the nine-month period ended September 30, 2022 amounted to around € 26 million. As the fees depend on the services actually requested by IONOS Group companies, however, the fees that will be actually incurred by IONOS Group companies for a nine-month period in the future may be higher or lower, even though the fees remain to be calculated on the same basis.

15.2.2 Relationships with Management Board and Supervisory Board Members

The Company defines the members of the Management Board and the Supervisory Board, and of the management and supervisory board of IONOS Holding SE and IONOS SE, as well as their close family members, as related parties.

The fixed remuneration and variable remuneration not including share-based payments of members of the Management Board of the Company and of the management boards of IONOS SE and IONOS Holding SE for fiscal years 2021, 2020 and 2019 amounted to € 4.8 million, € 3.6 million and € 2.9 million, respectively.

There are no retirement benefits from the Company to members of the Management Board. Termination benefits in fiscal years 2021, 2020 and 2019 amounted to € 0.9 million, € 0.7 million and nil, respectively.

The share-based payment expense for members of the Management Board of the Company in connection with the LTIP recognized in the Audited Consolidated Financial Statements of the Company for fiscal years 2021, 2020 and 2019 came to € 8.8 million, € 7.6 million and € 6.0 million, respectively.

The related remuneration within the meaning of IAS 24 (including current cost of share-based payments) for fiscal years 2021, 2020 and 2019 amounted to € 14.6 million, € 12.0 million and € 8.9 million, respectively.

In fiscal years 2021, 2020 and 2019 the then members of the Management Board of the Company were granted rights to receive share-based payments under the LTIP. In fiscal years 2021, 2020 and 2019, 75,000 MIP units with a fair value of € 4.8 million as of the issue date, 50,000 MIP units with a fair value of € 2.9 million as of the issue date and 105,000 MIP units with a fair value of € 7.3 million as of the issue date, respectively, were issued to Management Board members.

Total remuneration of the members of the Management Board of the Company within the meaning of Section 314 para. 1 no. 6 a) and b) German Commercial Code (HGB), *i.e.*, including the fair values of the share-based payments granted in fiscal years 2021, 2020 and 2019 but excluding current cost of share-based payments for the corresponding years came to € 10.6 million, € 7.2 million and € 10.2 million, respectively.

The Supervisory Board members of the Company did not receive any remuneration during fiscal years 2019, 2020 and 2021. The IONOS Group paid a remuneration to the then members of the supervisory board members of IONOS Holding SE in fiscal years 2021, 2020 and 2019 in the aggregate amount of € 38 thousand, € 68 thousand and € 68 thousand, respectively.

For further information on the compensation of the members of the Management Board and the Supervisory Board for their services see also "*19.2.4 Compensation, Other Benefits*" and "*19.3.5 Compensation*", respectively.

16 GENERAL INFORMATION ON THE COMPANY AND THE GROUP

16.1 Formation and Incorporation; Legal Form; Legal and Commercial Name; Registered Seat

The Company was founded as a European company (*Societas Europaea, SE*) under the laws of Germany subject to the EU regulations on European companies, in particular the provisions of the EU SE Regulation by a shareholders' agreement dated November 8, 2016, as a so-called "shelf" company with registered seat in Munich, Germany, and was registered under the name "Blitz 16-612 SE" with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Munich under docket number HRB 229351 on November 16, 2016.

On December 22, 2016, the Company's shareholders' meeting resolved, among other matters, to move the registered seat of the Company from Munich to Montabaur, Germany. This change was registered with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Montabaur on January 20, 2017 and the Company received a new docket number: HRB 25386. On February 15, 2017, the Company's shareholders' meeting resolved to change the corporate name to "1&1 Internet TopCo SE"; this change was registered with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Montabaur on March 2, 2017. On October 8, 2019, the change of the Company's corporate name to "1&1 IONOS TopCo SE" was registered with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Montabaur, and on June 24, 2021, a further change of the corporate name to "IONOS TopCo SE" was registered with the same Commercial Register. Furthermore, on December 9, 2022, a further change of the Company's corporate name to "IONOS Group SE" was registered with the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Montabaur.

Accordingly, as of the date of the Prospectus, the Company is incorporated as a European company in Germany and under the laws of Germany, subject to the EU regulations on European companies, under the name "IONOS Group SE" and with registered seat in Montabaur, Germany. The Company's business address is Elgendorfer Str. 57, 56410 Montabaur, Germany, telephone: +49 721 170 5522, Internet address: www.ionos-group.com. Information contained on this website is not incorporated by reference in the Prospectus and does not form part of the Prospectus.

IONOS Group SE's Legal Entity Identifier (LEI) is 391200NQNTF0AP2MP438.

The Company and its subsidiaries appear in business dealings predominantly as "IONOS", in individual cases still under the older brand "IONOS by 1&1" until the rebranding is completed (see "*13.3 History and Development of the Group*") as well as in different regional markets under the other brands of the Group (see "*13.7 Brands, Marketing and Sales*").

16.2 Fiscal Year and Duration of the Company

The Company's fiscal year begins on January 1 and ends on December 31 of each calendar year. The duration of the Company is unlimited.

16.3 Corporate Purpose of the Company

Pursuant to article 2 of the current Articles of Association and article 2 of the Amended Articles of Association, the Company's corporate purpose (*Unternehmensgegenstand*) is the development and distribution of products and solutions in the field of web presence and productivity, in particular with digitalization applications such as web hosting, servers, e-business applications and related activities (for example, the registration of domains, hosting of websites, offering ecommerce applications and solutions for the creation of websites and e-shops for customers, applications for personal information management, marketing tools, Groupwork, online storage or office applications, as well as in the field of cloud applications and cloud infrastructure of any kind. Furthermore, the purpose of the company includes the development and operation of advertising and sales platforms and trading in domains, the construction, leasing and operation of data centers and information technology infrastructure of any kind, as well as the development of and trading in information technology products of all kinds for its own account and for the account of third parties; furthermore, it includes the publication, distribution and collection of data of all kinds in data networks and the sale, installation and training in the field of electronic data, communication and network connection systems, as well as the development and sale of software and services customary in the industry. The object of the company also includes the provision of services and support services relating to the Internet and the assumption of consulting tasks and other services, as well as the acquisition, holding and management and sale of investments in other companies, in particular those operating in the aforementioned business areas. The purpose of the Company does not include transactions for which authorization under the German Banking Act (*Kreditwesengesetz*) is required.

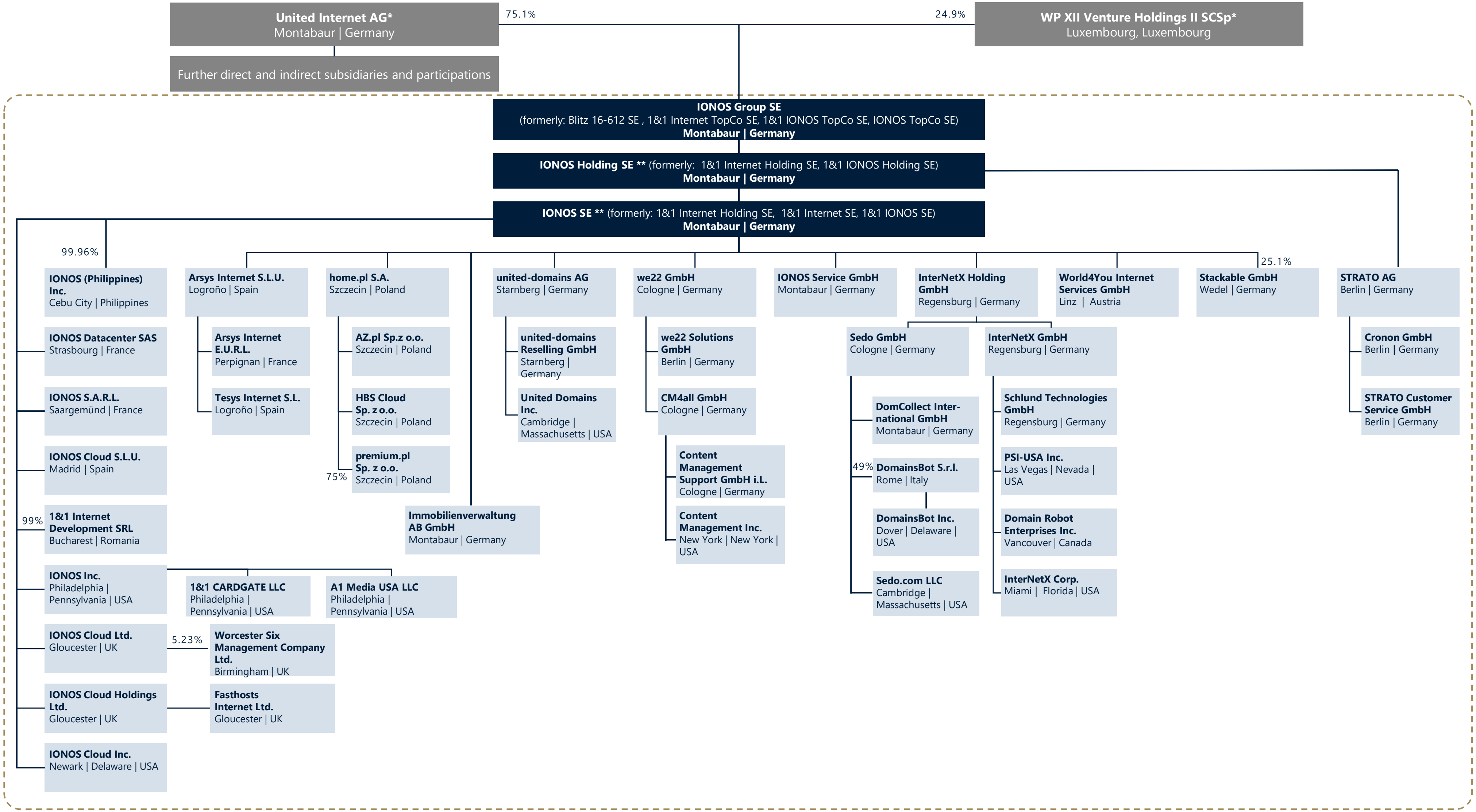
In addition, the Company may establish or acquire companies of all kinds in Germany and abroad, participate in any such companies and engage in all transactions which are conducive to the purpose of the Company. The Company is authorized to carry out all other transactions and measures which may be beneficial to the achievement of the purpose of the Company.

Furthermore, the Company shall also be entitled to conduct its business activities through subsidiaries, associated companies and joint ventures. It may spin off or transfer its operations in whole or in part to affiliated companies. Moreover, the Company shall be entitled to combine companies in which it holds an equity interest under its common management and to limit itself to the management or administration of the participation.

16.4 Group Structure and Holdings

The Company is the parent company of the IONOS Group and functions largely as a management holding company. As such, it performs the typical tasks of a holding company that does not conduct any business operations itself, such as strategic company development. The business operations of the IONOS Group are conducted exclusively through directly and indirectly owned subsidiaries and certain minority participations.

The chart below shows the Company and its consolidated subsidiaries as of the date of the Prospectus (where no percentage is shown, the participation is 100% of the share capital and voting rights):



* For a description of the (indirect) shareholdings/shareholding chains of the two direct shareholders of the Company prior to the Offering, see "*17 Shareholder Structure*".

** The Group company currently named "IONOS SE" had the corporate name "1&1 Internet Holding SE" from March 6, 2015 to June 11, 2015. The Group company currently named "IONOS Holding SE" had the corporate name "1&1 Internet Holding SE" from July 5, 2016 to April 1, 2019 (in all cases as per the date of entry in the Commercial Register). Although these two companies at different times both had the corporate name "1&1 Internet Holding SE" (but not simultaneously), these are and were two different entities. Both were initially incorporated as shelf companies: the current IONOS SE under the initial corporate name of Atrium 74. Europäische VV SE and the current IONOS Holding SE under the initial corporate name of "Atrium 93. Europäische VV SE".

Note: The dotted line shows the IONOS Group.

The following table provides an overview of the significant subsidiaries of the Company, *i.e.*, direct and indirect subsidiaries that have a book value equivalent to at least 10% of the total net assets of the IONOS Group as of December 31, 2021, or which contributed the equivalent of at least 10% of the operating result of the IONOS Group in fiscal year 2021, or which are otherwise of significant strategic relevance for the Group taken as a whole. All shares in such subsidiaries have been fully paid-in.

Corporate name and corporate seat	**LEI**	**Main line of business**	**Direct or indirect share-holding[1)]**
IONOS Holding SE, Montabaur, Germany	391200QJ00EAEOKU9J47	Holding company for the IONOS Group, with Web Presence & Productivity as well as Cloud as main lines of business	100%
IONOS SE, Montabaur, Germany	54930038KPLOYRDHV375	Holding company for the group companies of the IONOS Group (except those relating to the STRATO business), with Web Presence & Productivity as well as Cloud as main lines of business	100%
IONOS Inc., Philadelphia/Pennsylvania, United Sates	549300K3RCQWSASF8J20	Web Presence & Productivity in the United States under the IONOS brand	100%
STRATO AG, Berlin, Germany...........................	391200NI7XX02EZ49K32	Web Presence & Productivity (*e.g.*, domain registration and web hosting services) and Cloud in Germany under the STRATO brand	100%

1) As of December 31, 2021; all of the significant subsidiaries shown in the table were fully consolidated in the Audited Consolidated Financial Statements 2021.

Regarding the shareholdings held by the Company, there have been no significant changes since December 31, 2021. Among the few changes in shareholdings is the acquisition of the remaining 4.44% in InterNetX Holding GmbH by the Company, so that this subsidiary is now fully-owned.

16.5 Auditors

For the fiscal years ended December 31, 2021, December 31, 2020 and December 31, 2019, the Company appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, through its Eschborn/Frankfurt am Main office, Mergenthalerallee 3-5, 65760 Eschborn, Germany ("**EY**"), as its statutory auditor of the German-language consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2021, December 31, 2020 and December 31, 2019.

The German-language consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2021, December 31, 2020 and December 31, 2019 have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315e para. 1 HGB. In each case, EY conducted its audits in accordance with Section 317 HGB and German generally accepted standards for financial statement audits, which are promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer, IDW*), and issued German-language unqualified auditor's reports (*uneingeschränkte Bestätigungsvermerke des unabhängigen Abschlussprüfers*).

In addition, EY was appointed by the Company as the statutory auditor of the German-language unconsolidated annual financial statements of the Company as of and for the fiscal year ended December 31, 2021, prepared in accordance with the requirements of German commercial law applicable to business corporations (HGB). EY conducted its audit in accordance with Section 317 HGB and German generally accepted standards for financial statement audits, which are promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer, IDW*), and issued a German-language unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk des unabhängigen Abschlussprüfers*).

For the fiscal year 2022, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany, through its Düsseldorf office, Georg-Glock-Straße 22, 40474 Düsseldorf, Germany ("**PwC**"), has been appointed as the Company's (i) statutory auditor of the consolidated financial statements to be prepared in accordance with IFRS as of and for the fiscal year ending December 31, 2022 and (ii) auditor of the unconsolidated annual financial statements of the Company to be prepared in accordance with HGB as of and for the fiscal year ending December 31, 2022.

EY and PwC are each a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin, Germany.

See also "*4.7 Documents Available for Inspection*".

16.6 Announcements, Paying Agent

Pursuant to the Company's Amended Articles of Association, announcements of the Company are to be published in the German Federal Gazette (*Bundesanzeiger*), unless otherwise required by law. Furthermore, the Amended Articles of Association allow notices to the shareholders of the Company to be, to the extent permitted by law, also transmitted via remote data transmission means.

Notices in connection with the approval of the Prospectus or of supplements to the Prospectus shall be published in compliance with the provisions of the Prospectus Regulation and in the form specified for the Prospectus, in particular, by being published on the Company's website: https://www.ionos-group.com/investor-relations/ipo.html.

The Company's paying agent is COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main, Germany, LEI 851WYGNLUQLFZBSYGB56.

17 SHAREHOLDER STRUCTURE

17.1 Major Shareholders

As of the date of the Prospectus, the following entities directly or indirectly hold major holdings in voting rights of the Company that would be notifiable pursuant to Sections 33 et. seqq. of the German Securities Trading Act (*Wertpapierhandelsgesetz*):

Immediately prior to the Offering, United Internet AG holds 75.1% and WP XII Venture Holdings II SCSp holds 24.9% of the existing shares of (and of the voting rights in) the Company. The voting rights held by WP XII Venture Holdings II SCSp in the Company are ultimately controlled by Warburg Pincus & Co., a New York general partnership. More specifically, these voting rights held by WP XII Venture Holdings II SCSp are attributed pursuant to Section 34 of the German Securities Trading Act in full to each entity along the attribution chain set out in footnote 4 to the table below, with Warburg Pincus & Co., New York, United States, as the ultimate controlling shareholder.

Following the completion of the Offering, the shareholder structure of the Company will be as shown below (assuming in each case the implementation of the Pre-IPO Capital Increase):

			Upon completion of the Offering with implementation of the Pre-IPO Capital Increase and full placement of			
	Prior to the Offering[1]		the Secondary Shares (no exercise of the Greenshoe Option)		the Secondary Shares and the Greenshoe Shares (full exercise of the Greenshoe Option)	
Ownership in the Company	**No. of shares**	**As a %**	**No. of shares**	**As a %**	**No. of shares**	**As a %**
United Internet AG [3]........................	270,361[2]	75.1%	89,369,097	63.8%	87,003,445	62.1%
WP XII Venture Holdings II SCSp [4].	89,640	24.9%	29,630,903	21.2%	28,846,555	20.6%
Free float...	—	—	21,000,0000	15.0%	24,150,000	17.3%
Total	**360,001**	**100.0%**	**140,000,000**	**100.0%**	**140,000,000**	**100.0%**

1) Prior to the registration of the implementation of the Pre-IPO Capital Increase out of the Company's reserves. Upon registration of the Pre-IPO Capital Increase (which is expected to occur on February 1, 2023), United Internet AG and WP XII Venture Holdings II SCSp will receive the new shares to be issued in the Pre-IPO Capital Increase *pro rata* to their existing shareholdings in the Company, so that United Internet AG will hold 105,140,097 shares in the Company and WP XII Venture Holdings II SCSp will hold 34,860,903 shares in the Company prior to the completion of the Offering.

2) Includes one preference registered share held by United Internet AG which the Company's extraordinary shareholders' meeting held on January 26, 2023 resolved to convert into an ordinary registered share and which is expected to be registered with the Commercial Register on February 1, 2023, together with the Pre-IPO Capital Increase.

3) In turn, Mr. Dommermuth holds approximately 51.03% of the shares in United Internet AG along the following attribution chains:

49.28%: Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft, Montabaur, Germany – Ralph Dommermuth Verwaltungs GmbH, Montabaur, Germany – Ralph Dommermuth; 0.72%: Ralph Dommermuth GmbH, Montabaur, Germany – Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft, Montabaur, Germany – Ralph Dommermuth Verwaltungs GmbH, Montabaur, Germany – Ralph Dommermuth; 1.03%: RD Holding GmbH & Co. KG – RD Holding-Verwaltungs GmbH – Ralph Dommermuth.

4) The voting rights directly held by WP XII Venture Holdings II SCSp in the Company are attributed in full to each of the following entities along the following attribution chain:

WP XII Venture Holdings II (GP) S.à r.l.*, Luxembourg, Grand Duchy of Luxembourg, WP XII Venture Holdings S.à r.l.*, Luxembourg, Grand Duchy of Luxembourg – WP Equity XII Investments S.à r.l., Luxembourg, Grand Duchy of Luxembourg – WP XII International Holdings LLC, Delaware, USA – Warburg Pincus Private Equity XII, L.P.**, Delaware, USA, Warburg Pincus Private Equity XII-B, L.P.**, Delaware, USA, Warburg Pincus XII Partners, L.P.**, Delaware, USA, WP XII Partners, L.P.**, Delaware, USA, Warburg Pincus Private Equity XII-D, L.P.**, Delaware, USA, Warburg Pincus Private Equity XII-E, L.P.**, Delaware, USA – Warburg Pincus XII, L.P., Delaware, USA – WP Global LLC, Delaware, USA – Warburg Pincus Partners II, L.P., Delaware, USA – Warburg Pincus Partners GP LLC, Delaware, USA – Warburg Pincus & Co., New York, USA.

* Entity exercising joint control in WP XII Venture Holdings II SCSp.

** Entity exercising joint control in WP XII International Holdings LLC.

Each share of the Company confers the right to one vote at the Company's general shareholders' meeting. Voting rights are the same for all of the Company's shareholders. Pursuant to German law, to the extent that the Company may have major shareholders at any time, it may not grant them voting rights that differ from those of any of its other shareholders.

As of the date of the Prospectus, United Internet AG holds 75.1% of the share capital of, and of the voting rights in, the Company, and is therefore considered to hold a controlling interest in the Company within the meaning of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz, WpÜG*).

Upon the registration of the implementation of the Pre-IPO Capital Increase and the completion of the Offering and under the assumption of a full placement of the Secondary Shares and the Over-Allotment Shares as well as a full exercise of the Greenshoe Option, United Internet AG would hold approximately 62.1% and WP XII Venture Holdings II SCSp would hold approximately 20.6% of the Company's share capital and voting rights.

17.2 Information on Indirect Shareholders and Management Participation

As of the date of the Prospectus, the direct shareholders of the publicly listed United Internet AG, and therefore indirect shareholders of the Company, who have a notifiable interest in United Internet AG, are, according to the notifications received by United Internet AG in connection with the German Securities Trading Act (percentages refer to shares in the total share capital of United Internet AG):

- Mr. Dommermuth holds approximately 51.03% of the shares in United Internet AG, namely 49.28% via the entity Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft, Montabaur, Germany, 1.03% via RD Holding GmbH & Co. KG, Montabaur, Germany, and 0.72% via the entity Ralph Dommermuth GmbH, Montabaur, Germany; and

- BlackRock, Inc., Wilmington/Delaware, United States, holds approximately 3.35% of the shares in United Internet AG.

In addition, United Internet AG holds 3.75% in own (treasury) shares.

Furthermore, certain employees with management positions and key employees of the Group, including the members of the Management Board, participate in a Management Incentive Program (the "**MIP I"**) that includes the granting of certain units that can be settled, upon the occurrence of certain events and subject to certain conditions and thresholds, in cash or equity (shares of the Company or stock options), at the Company's sole discretion (see "*19.2.4.1.2 Management Incentive Program I"*). Following the completion of the Offering and the commencement of trading (*Aufnahme des Handels*) of the Company's shares on the Frankfurt Stock Exchange, a rollover of the MIP I is contemplated (see also "*19.2.4.3.7 MIP I Rollover*"). Upon the First Day of Trading, all granted MIP I units which are subject to the rollover will vest, however, the payment claim resulting from the MIP I will be linked to three new trigger events. Assuming that the Offer Price is set at the mid-point of the Price Range and based on such price, as of the First Day of Trading the aggregate claim of all participants would amount to € 65.4 million (including the claims which will be triggered later or are not subject to a rollover agreement).

The first new trigger event is defined as the First Day of Trading (expected to take place on February 8, 2023). With the first trigger event, one-third of the payment claim resulting from the MIP I will become due (except for participants whose units are not subject to the rollover and therefore not subject to the new trigger events). Assuming that the Offer Price is set at the mid-point of the Price Range, the portion of the total payment claim as triggered by the First Day of Trading would amount in aggregate for all participants to € 16.4 million. The Company may elect to make such payment in cash or shares but expects to make the payment triggered by the First Day of Trading in cash.

The second new trigger event pursuant to the rollover is defined as the day following an 18-month period after the First Day of Trading.

The third new trigger event is defined as the day following a 24-month period after the First Day of Trading. With respect to each of the second and third new trigger events, one-half of the virtual restricted stock units (which equals one-third of the total payment claim resulting from the MIP I) will become due respectively provided that the service agreement with the respective participant has not been terminated at the time the respective trigger event occurs. The virtual restricted stock units for the second and third trigger events can be settled, at the sole discretion of the Company, either in cash or shares.

18 INFORMATION ON THE SHARE CAPITAL OF THE COMPANY AND APPLICABLE REGULATIONS

The following overview presents information regarding the Company's share capital as well as certain provisions of the Company's Articles of Amended Association and of German law.

18.1 Share Capital and Shares

18.1.1 Current Share Capital; Shares

As of the date of the Prospectus, the Company's registered share capital amounts to € 360,001 and is divided into 360,000 ordinary registered shares with no par value (*auf den Namen lautende Stückaktien*) and one preference registered share with no par value (the "**Preference Share**"), each representing a notional share of € 1.00 in the Company's share capital. The existing shares have been created pursuant to German law, including applicable EU regulations, and denominated in euro. All shares are fully paid up.

Each share confers one vote at the Company's general shareholders' meeting. There are no restrictions on voting rights and the shares carry full dividend entitlement. Subject to the registration of the Amended Articles of Association in the Commercial Register (expected to occur on February 1, 2023, but in any event prior to pricing and allocation of the Offer Shares), the Company's shares are freely transferable in accordance with the legal requirements for registered shares (*Namensaktien*). The transferability of the Company's shares is not restricted by law or the Company's Amended Articles of Association: There are no legal restrictions on their ability to be traded, except for the restrictions referred to in section "*5.9 Selling Restrictions*" and no legal restrictions with respect to disposals or transferability, except for the restrictions set forth in section "*5.13 Lock-Up Agreements*".

As of the date of the Prospectus, the Company and its subsidiaries hold no shares in the Company (treasury shares), nor does a third party hold any shares of the Company on behalf, or for the account, of the Company.

For information on the Company's existing shareholders, see "*17 Shareholder Structure*".

18.1.2 Development of the Share Capital since January 1, 2019

Pursuant to a resolution of the shareholders' meeting of the Company dated February 15, 2017, the share capital of the Company was increased from € 120,000.00 by € 240,001.00 to € 360,001.00. This capital increase was entered into the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Montabaur, Germany, on March 2, 2017. During fiscal years 2019, 2020 and 2021, the share capital of the Company continued to amount to € 360,001.00, consisting of 360,000 ordinary registered shares with no par value (*auf den Namen lautende Stückaktien*) and one preference registered share with no par value, each representing a proportionate amount of the share capital of € 1.00. The right to a preferential profit share as initially attached to the Preference Share has lapsed in February 2020.

On January 26, 2023, an extraordinary shareholders' meeting of the Company resolved to convert United Internet AG's Preference Share into an ordinary registered share with no par value (*auf den Namen lautende Stückaktie*) of the Company. The change is expected to be registered with the Commercial Register of the Local Court of Montabaur, Germany, on February 1, 2023.

On January 26, 2023, an extraordinary shareholders' meeting of the Company resolved to increase the share capital from € 360,001.00 by € 139,639,999.00 to € 140,000,000.00 out of the Company's reserves (*Kapitalerhöhung aus Gesellschaftsmitteln*) in order to facilitate the trading of the Company's shares following the Offering (Pre-IPO Capital Increase). The Pre-IPO Capital Increase is expected to be registered with the Commercial Register of the Local Court of Montabaur on February 1, 2023. Following the consummation of the Pre-IPO Capital Increase and the registration of the conversion of the Preference Share into an ordinary registered share, the Company's registered share capital will amount to € 140,000,000.00 and will be divided into 140,000,000 no-par value ordinary registered shares and each representing a notional share of € 1.00 in the Company's share capital. The share capital of the Company will then include, among other shares in the Company, the Secondary Shares from the shareholdings of the Selling Shareholders and the Over-Allotment Shares from the shareholdings of United Internet AG (with respect to the UI Over-Allotment Shares) and WP XII Venture Holdings SCSp (with respect to the WP Over-Allotment Shares) to be offered as part of the Offering.

The shares to be issued in connection with the Pre-IPO Capital Increase will be created pursuant to German law, including applicable EU regulations, and denominated in euro. All shares are fully paid up.

18.2 Authorized Capital

On January 26, 2023, an extraordinary shareholders' meeting of the Company resolved to authorize the Management Board to increase the Company's share capital, with the Supervisory Board's consent, in the period until August 31, 2026, either once or repeatedly, by a total amount of up to € 56,000,000.00, by issuing new no-par value registered shares (*auf den Namen lautende Stückaktien*) against contributions in cash and/or in kind. It is expected that the authorized capital will be registered with the Commercial Register of the Local Court of Montabaur, Germany, on February 1, 2023.

The shareholders shall be granted subscription rights, subject to the following restrictions. The subscription right may also be granted as an indirect subscription right in such a way that the new shares are taken over by a credit institution or another company fulfilling the requirements of Article 5 of the SE Regulation in conjunction with Section 186 para. 5 sentence 1 of the German Stock Corporation Act (*Aktiengesetz*) with the obligation to offer them for subscription to the shareholders of the Company.

However, according to the shareholders' resolution, the Management Board is authorized, with the Supervisory Board's consent, to exclude the shareholders' subscription rights in each of the following cases:

(a) to the extent necessary in order to even out fractional amounts;

(b) if the new shares are issued against cash contributions at an issue price that is not significantly lower than the stock exchange price of the shares of the Company already listed and the shares issued under exclusion of the subscription right pursuant to Article 5 of the SE Regulation in conjunction with Section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) do not exceed 10.0% of the share capital of the Company. The relevant amount is the share capital at the time the authorization becomes effective or, if this value is lower, at the time the authorization is exercised. Any shares that are issued or that are to be issued pursuant to option or convertible bonds must be attributed to this figure to the extent that the bonds are issued during the term of this authorization in application *mutatis mutandis* of Section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) with the exclusion of subscription rights; moreover, any shares that are issued or sold during the term of this authorization in direct application or application *mutatis mutandis* of Article 5 of the SE Regulation in conjunction with Section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) must be attributed to this figure;

(c) to the extent necessary to grant holders or creditors of option and/or conversion rights or corresponding option and/or conversion obligations under warrant bonds and/or convertible bonds issued or to be issued by the Company and/or by companies that are controlled by the Company or that are directly or indirectly majority-owned by the Company a subscription right to the extent to which they would be entitled after exercising their option and/or conversion right or after fulfillment of the option and/or conversion obligation;

(d) for the purpose of business combinations or acquisitions of companies, company assets, operations or shares in companies, including the increase of existing shareholdings, or of other assets eligible for contribution in kind in connection with such an acquisition, including claims against the Company;

(e) if the new shares are issued against cash contributions and/or for contributions in kind in order to grant shares to fulfil claims by current or former members of the Management Board and employees of the Company, and/or by current or former managing directors, members of the management board or similar, and employees of any company affiliated with the Company pursuant to Section 15 and the following of the German Stock Corporation Act (*Aktiengesetz*) resulting from virtual stock option plans. Insofar as shares of the Company are to be issued to members of the Management Board, this is subject to a decision of the Supervisory Board.

The foregoing authorizations to exclude subscription rights are, in the aggregate, limited to an amount of up to 20% of the share capital existing at the time the authorized capital becomes effective or, if this amount is lower, at the time the resolution to use authorized capital is adopted. This maximum amount of 20% of the share capital includes the proportionate share capital attributable to shares that are issued during the term of this authorization in direct application or application *mutatis mutandis* of Article 5 of the SE Regulation in conjunction with Section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*) and the proportionate share capital attributable to treasury shares sold during the term of this authorization in a manner other than via the stock exchange or by means of an offer to all shareholders.

Furthermore, pursuant to the resolution the Management Board is authorized, with the Supervisory Board's consent, to determine the further details of the rights attached to the shares as well as the conditions of the share issue. The Supervisory Board is authorized to amend the wording of the Amended Articles of Association to reflect the respective use of this authorized capital as well as upon expiry of the authorization period.

18.3 Conditional Capital

It is currently contemplated to present for approval to the next annual general meeting to be held in 2023 a proposed resolution under which, if passed, the Company's share capital would be conditionally increased by up to € 20,000,000.00 by issuance of up to 20,000,000 new no-par value registered shares (*auf den Namen lautende Stückaktien*).

The sole purpose of the conditional capital would be to grant new shares to holders or creditors of warrant bonds and/or convertible bonds, profit participation rights and/or participating bonds (or combinations of these instruments) with option and/or conversion rights or option and/or conversion obligations or tender rights of the Company, which would be issued by the Company or by companies that are controlled by the Company or that are directly or indirectly majority-owned by the Company on the basis of the authorization potentially to be granted by the shareholders' meeting of the Company until August 31, 2026, to the extent holders or creditors of such instruments exercise their option or conversion rights under these bonds or fulfill their obligation to exercise the option or conversion rights or, insofar as the Company exercises an option, to grant no par value shares of the Company in whole or in part and insofar as in each case no cash settlement is granted or treasury shares or shares of another listed company are used for servicing. The new shares shall be issued at the option or conversion price to be determined in each case in accordance with the aforementioned authorization resolution.

Under the resolution currently expected to be proposed to the next annual general meeting in 2023, the new shares shall generally participate in profits from the beginning of the fiscal year in which they are created. However, to the extent legally permissible, the Supervisory Board would be able to determine the participation in profits of new shares from this conditional capital and also from Article 5 of the SE Regulation in conjunction with Section 60 para. 2 of the German Stock Corporation Act (*Aktiengesetz*), also for a fiscal year which has already expired.

The Management Board would be authorized, with the Supervisory Board's consent, to determine the further details regarding the implementation of the conditional capital increase.

A final resolution on the creation of a conditional capital will be made by the next annual general meeting to be held in 2023.

18.4 Authorization to Issue Convertible Bonds and Bonds with Warrants

It is currently contemplated to present for approval to the next annual general meeting to be held in 2023 a proposed resolution under which, if passed, the Management Board would be authorized to issue, with the Supervisory Board's consent, on one or more occasions, bearer and/or registered warrant bonds and/or convertible bonds, profit participation rights and/or participating bonds (or combinations of these instruments) (together referred to hereinafter as the "**bonds**") in a total nominal amount of up to € 650,000,000.00 with or without a term limitation and to grant the holders or creditors of bonds option or conversion rights (also with an option or conversion obligation or tender rights of the Company) to a total of up to 20,000,000 new no-par value registered shares (*auf den Namen lautende Stückaktien*) with a *pro rata* amount of the share capital of up to € 20,000,000.00 in accordance with the terms and conditions of the bonds. The bonds may also be issued against contributions in kind.

Under the resolution currently expected to be proposed to the next annual general meeting, the bonds may be denominated in euro or in the legal currency of an OECD country provided the equivalent amounts to those stated above in euro are not exceeded. The bonds may also be issued by a subordinate Group company of the Company domiciled in Germany or abroad. In this case, the Management Board, with the Supervisory Board's consent, would be authorized to guarantee the bonds on behalf of the Company and to grant or impose on holders of bonds option or conversion rights (also with option or conversion obligations or tender rights of the Company) for no-par value registered shares of the Company. The bonds may have fixed or variable interest rates, and may be divided into partial bonds.

In principle, the shareholders would have a subscription right, which means the bonds must be offered for subscription to the shareholders of the Company. The bonds may also be taken over by one or more credit institutions or companies within the meaning of Article 5 of the SE Regulation in conjunction with Section 186 para. 5 sentence 1 of the German Stock Corporation Act (*Aktiengesetz*) with the obligation to offer them for subscription to the shareholders of the Company (indirect subscription right). If bonds are issued by Group companies of the Company, the Company shall ensure the corresponding granting of subscription rights for the shareholders of the Company.

Under the resolution currently expected to be proposed to the next annual general meeting, however, the Management Board would be authorized, with the Supervisory Board's consent, to exclude shareholders' subscription rights:

- for fractional amounts resulting from the subscription ratio;

- insofar as the Management Board, after due examination, comes to the conclusion that the issue price is not significantly lower than the theoretical market price of the bonds calculated in accordance with generally accepted, especially financial mathematical, methods. The bonds issued under exclusion of the subscription right may not exceed 10% of the share capital existing at the time when this authorization entered into effect or when this authorization is exercised. This limit of 10% shall be reduced by the prorated amount of share capital represented by shares issued or sold during the term of this authorization in accordance with Article 5 of the SE Regulation in conjunction with Section 186 para. 3 sentence 4 of the German Stock Corporation Act, as applied directly or with the necessary changes; the aforementioned limit shall also be reduced by shares issued to honor option and/or conversion rights or option and/or conversion obligations created by the issuance of bonds on the basis of another authorization under exclusion of subscription rights in accordance with Article 5 of the SE Regulation in conjunction with Section 186 para. 3 sentence 4 of the German Stock Corporation Act during the term of this authorization;

- to the extent necessary to grant the holders or creditors of bonds with option and/or conversion rights or option and/or conversion obligations or tender rights issued by the Company or its Group companies subscription rights to bonds to the extent to which they would be entitled as shareholders after exercising the option or conversion rights or after fulfillment of the option or conversion obligations or after tendering shares;

- to the extent that the bonds are issued against contributions in kind, in particular in connection with business combinations or for the purpose of acquiring companies, parts of companies, interests in companies or other assets, provided that the value of the contribution in kind is in reasonable proportion to the value of the Bonds; the theoretical market price of the Bonds to be determined in accordance with generally accepted financial mathematical methods shall be decisive in this respect;

- to the extent that profit participation bonds and/or profit participation rights are issued without option or conversion rights or option or conversion obligations, if these profit participation bonds and/or profit participation rights have bond-like features, meaning if they do not confer any membership rights in the Company, do not grant any participation in liquidation proceeds and if the amount of interest is not calculated on the basis of the amount of the net income for the year, the unappropriated profit or the dividend; the interest rate and the issue price of the participating bonds and/or participation rights must also correspond to the current market conditions at the time of issue;

As per the currently envisaged resolution to be proposed to the next annual general meeting, in the event that warrant bonds are issued, one or more warrants are to be attached to each partial bond (such bond, a "**partial bond**") that entitle the holder to subscribe to ordinary registered shares with no par value of the Company under the bond conditions that are determined by the Management Board, with the Supervisory Board's consent. If there are fractional amounts of shares, it can be stipulated that these fractions can be added together, in accordance with the bond conditions, and in return for an additional cash payment, as the case may be, for the purpose of acquiring whole shares. The bond conditions may stipulate that the option price can also be settled by the transfer of partial bonds and, as the case may be, an additional cash payment. The proportionate amount of the share capital attributable to the shares to be issued for each partial bond may not exceed the nominal value of the partial bond. The same applies if warrants are attached to a profit participation right or a participating bond.

In the event that convertible bonds are issued, the holders of the partial bonds would be granted the right to convert their partial bonds into ordinary registered shares with no par value of the Company in accordance with the convertible bond conditions as determined by the Management Board, with the Supervisory Board's consent. The conversion ratio would be determined by dividing the nominal value, or the partial bond's issue price if that is below the nominal value, by the conversion price that has been set for an ordinary registered share with no par value of the Company, and could be rounded up or down to a whole number. Furthermore, it can be stipulated that an additional cash payment has to be made for non-convertible fractional amounts and that these are to be consolidated or otherwise compensated. The same shall apply for convertible participation rights and convertible participating bonds.

Under the proposal, the option or conversion price, as determined for a share of the Company, must be – except for cases in which an option or conversion obligation or a right to delivery of shares is provided for – equivalent to at least 80% of the volume-weighted average closing price of the Company's shares on the Xetra trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during the last ten trading days before the day of the Management Board's resolution on the issuance of the bond or – if a subscription right is granted – at least 80% of the volume-weighted average price of the Company's shares on the Xetra trading system of the Frankfurt Stock Exchange during the subscription period, except for the days during the subscription period that are required for the timely announcement of the option or conversion price pursuant to Article 5 of the SE Regulation in conjunction with Section 186 para. 2 sentence 2 of the German Stock Corporation Act. Article 5 of the SE Regulation in conjunction with Section 9 para. 1 and Section 199 of the German Stock Corporation Act remain unaffected.

The bond conditions may also provide for a conversion obligation or option obligation at the end of the term (or at another point in time) or for the right of the Company to grant holders of the bonds, upon the final maturity of the bond to which option or conversion rights or obligations are attached (including maturity due to termination), in whole or in part, shares of the Company from authorized capital or existing shares of the Company or shares of another listed company in lieu of payment of the cash amount due instead of new shares from conditional capital. The bond conditions can also stipulate that the Company has the right to pay a cash amount, that corresponds to the volume-weighted, average closing price of the Company's no-par value shares in electronic trading on the Frankfurt Stock Exchange during a period set out in the bond terms and conditions, instead of granting new shares in the event of a conversion or the exercise of an option.

The authorization would also include the possibility that the more detailed terms of the bond conditions can under certain circumstances provide for protection against dilution or adjustment mechanisms, provided that such adjustments are not already stipulated by law. Measures for protection against dilution and adjustment mechanisms can be provided for, in particular, if the Company's capital changes during the term of the bonds (meaning due to a capital increase or decrease, or a share split), but also in connection with dividend payments, the issuance of further convertible or warrant bonds, as well as in case of extraordinary events that occur during the term of the bonds or the warrant bonds (*i.e.*, a change of control). The measures for protection against dilution and adjustment can be provided for, in particular, by granting subscription rights, changing the conversion or option price, and changing or granting cash components. Article 5 of the SE Regulation in conjunction with Section 9 para. 1 and Section 199 of the German Stock Corporation Act remain unaffected.

The Management Board would be authorized, with the Supervisory Board's consent, to further specify the details of the issuance and structure of the bonds, in particular with regard to the interest rate, issue price, term and denomination, provisions for protection against dilution, the option or conversion period, and, within the aforementioned framework, the option and conversion price, or to specify such details in agreement with the corporate bodies of the Group company issuing the option or convertible bond.

A final resolution on an authorization to issue convertible bonds and bonds with warrants will be made by the next annual general meeting.

18.5 Authorization to Acquire and Sell Treasury Shares

As of the date of the Prospectus, the Company and its subsidiaries do not hold any treasury shares, nor does a third party hold any shares of the Company on behalf of, or for the account of, the Company.

The Company may not acquire its own shares unless authorized by the shareholders' meeting or in other very limited circumstances as set out in Article 5 of the SE Regulation in conjunction with the German Stock Corporation Act (*Aktiengesetz*). Shareholders may not grant a share repurchase authorization that is valid for more than five years. The rules of the German Stock Corporation Act generally limit repurchases to 10% of the share capital and re-sales must generally be made either on a stock exchange, in a manner that treats all shareholders equally or in accordance with the rules that apply to subscription rights relating to a capital increase.

On January 26, 2023, the shareholders' meeting of the Company passed a resolution, which is subject to the condition precedent of the registration of the Pre-IPO Capital Increase with the Commercial Register of the Local Court of Montabaur, Germany, to authorize the Management Board, with the Supervisory Board's consent, pursuant to Article 5 of the SE Regulation in conjunction with Section 71 para. 1 no. 8 of the German Stock Corporation Act (*Aktiengesetz*) to acquire treasury shares for any permissible purpose within the scope of the statutory restrictions and in accordance with the following provisions. This authorization is valid until August 31, 2026 and is limited in total to a maximum of 10% of the share capital existing upon the registration of the Pre-IPO

Capital Increase with the Commercial Register or – in the event that this amount is the lower one – when the authorization is exercised. The authorization can be exercised directly by the Company, by any company controlled or majority-owned by the Company, or by third parties commissioned by the Company or any company controlled or majority-owned by the Company. The authorization to acquire and use own shares can be exercised in whole or in part, once or multiple times.

Treasury shares may be acquired via the stock exchange or by means of a public purchase offer made to all shareholders or through a public invitation made to all shareholders to submit sales offers or by granting tender rights to the shareholders.

If the acquisition is conducted through the stock exchange or by means of a public purchase offer, the per share purchase price paid by the Company for each of the Company's shares (not including ancillary acquisition costs) cannot be more than 10% higher or lower than the arithmetic mean of the market price of the no par value shares of the Company in the closing auction in the Xetra trading system (or a corresponding successor system) on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during the last three trading days prior to (i) the transaction if the acquisition takes place through a stock exchange, or (ii) publication of the decision to make a public purchase offer if the acquisition takes place by way of a public purchase offer. The Company's Management Board determines further details of an acquisition through the stock exchange and of the structure of the public purchase offer.

Should the share price deviate significantly from the offered purchase price or from the limits of the offered purchase price range after a public purchase offer is published, the offer may be adjusted. In this case, the relevant purchase price shall be determined based on the corresponding stock exchange price during the last three trading days before the announcement of the adjustment and must not be more than 10% higher or lower than that amount.

The volume of a public purchase offer may be limited. If, in the case of a public purchase offer, the volume of the tendered shares exceeds the volume intended to be bought back, tender rights, if any, may be partially excluded so that shares may be acquired based on the proportions of tendered shares (percentages of tendered shares) rather than based on the proportions of the tendering shareholders' shareholdings in the Company (shareholding percentages). Tender rights, if any, may also be partially excluded such that priority is given to smaller lots of up to 100 shares offered per shareholder and such that the number of shares is rounded in accordance with commercial rounding principles in order to avoid fractions of shares.

If the acquisition is made by means of a public invitation made to all shareholders to submit sales offers, the Company will stipulate a purchase price range per share within which sales offers may be submitted. The Company's Management Board determines further details of the public invitation to all shareholders to submit offers for purchase.

The purchase price range may be adjusted if, during the submission period, the share price deviates significantly from the share price prevailing at the time of publication of the request to submit sales offers. The purchase price per share (excluding ancillary acquisition costs) to be paid by the Company and that the Company calculates on the basis of the received sales offers must not be more than 10% above or below the arithmetic mean of the closing auction prices of the Company's no-par value shares in the Frankfurt Stock Exchange's Xetra trading system (or an equivalent successor system) over the last three stock exchange trading days before the cutoff date described below. The cutoff date is the date on which the Company's Management Board makes its final and formal decision on the publication of the request to submit sales offers or the adjustment thereof.

The volume of offers that may be accepted may be limited. If, due to the limited volume, not all of several equal sales offers can be accepted, tender rights, if any, may be partially excluded so that shares may be acquired based on the percentages of tendered shares rather than based on the shareholding percentages. Tender rights, if any, may also be partially excluded such that priority is given to smaller lots of up to 100 shares tendered per shareholder and such that the number of shares is rounded in accordance with commercial rounding principles in order to avoid fractions of shares.

If the acquisition is made by granting tender rights to the shareholders, the rights may be allocated per share in the Company. In accordance with the ratio of the share capital of the company to the volume of shares to be repurchases by the company, a correspondingly fixed number of tender rights shall entitle the holder to sell one share in the Company to the Company. Tender rights may also be allocated in such a way that one tender right is allocated for a certain number of shares determined based on the ratio of the capital stock to the buyback volume. Fractions of tender rights will not be allocated; in this case, corresponding partial tender rights are excluded. The price or the limits of the offered purchase price range (in each case excluding ancillary acquisition costs) at which a share may be sold to the Company when a tender right is exercised will be determined in accordance with the same principle applicable to repurchases by means of a public invitation to all shareholders to submit offers, the relevant date being that of the publication of the repurchase offer with the granting of tender rights and adjusted, if necessary, whereby the relevant date is that of the announcement of the adjustment. The Company's Management Board, with the Supervisory Board's consent, will determine further details of the tender rights, in particular their conditions, term and, where appropriate, tradability.

The Management Board, subject to the Supervisory Board's consent, is authorized, in the event treasury shares are sold by means of an offer to all shareholders, to grant subscription rights to the shares to the holder of bonds with warrants and/or convertible bonds issued by the Company or any Group company in the amount to which they would be entitled after exercising their warrant or conversion rights or after fulfillment of their conversion obligations. The shareholders' subscription rights are excluded in this context.

In addition, the Management Board, subject to the Supervisory Board's consent, is authorized to sell treasury shares in a manner other than via the stock exchange or by means of an offer to all shareholders if the shares are sold for cash at a price that is not substantially below the stock exchange price of the Company's shares at the time of sale. The shareholders' subscription rights are excluded in this context. However, this authorization is subject to the condition that the shares sold with the exclusion of subscription rights pursuant to Article 5 of the SE Regulation in conjunction with Section 186 para. 3 sentence 4 of the German Stock Corporation Act must not exceed a total of 10% of the capital stock either at the time the authorization becomes effective or – if this is lower – at the time the authorization is exercised. Shares issued during the term of this authorization up to the disposal of treasury shares from authorized capital without subscription rights pursuant to Article 5 of the SE Regulation in conjunction with Section 186 para. 3 sentence 4 of the German Stock Corporation Act shall be counted towards this limit of 10%.

The Management Board, subject to the Supervisory Board's consent, is also authorized, in addition to a sale via the stock exchange or a use in another manner that complies with the principle of equal treatment of all shareholders, to use treasury shares for the following purposes:

- as (partial) consideration in connection with the acquisition of companies or interests in companies or parts of companies or in connection with business combinations;

- to float shares of the Company on foreign stock exchanges on which they were previously not admitted to trading. The price at which these shares are floated on foreign stock exchanges (excluding ancillary acquisition costs) must not be more than 5% below the arithmetic mean of the prices of the Company's no-par value shares in the closing auctions of the Frankfurt Stock Exchange's Xetra trading system (or an equivalent successor system) over the last three stock exchange trading days before the day of their flotation on the foreign stock exchange; or

- to grant shares of the Company to fulfill claims resulting from virtual stock option plans by current or former members of the Management Board and employees of the Company, and/or by current or former managing directors, members of the management board or similar, and employees of any company affiliated with the Company pursuant to Section 15 and the following of the German Stock Corporation Act (*Aktiengesetz*). Insofar as shares of the Company are to be transferred to members of the Company's Management Board, the decision on this falls on the Company's Supervisory Board.

Shareholders' statutory subscription rights with regard to these treasury shares will be excluded in accordance with Article 5 of the SE Regulation in conjunction with Sections 71 para. 1 no. 8 and 186 para. 3 and 4 of the German Stock Corporation Act to the extent that these shares are used pursuant to the above authorizations. Furthermore, the Managing Board, subject to the Supervisory Board's consent, is authorized to exclude shareholders' subscription rights for fractional shares if treasury shares are sold by means of an offer to all shareholders.

The foregoing authorizations to exclude subscription rights are, in the aggregate, limited to an amount of up to 10% of the share capital existing at the time this authorization becomes effective or, if this amount is lower, at the time the resolution to sell treasury shares is adopted. This maximum amount of 10% of the share capital includes the proportionate share capital attributable to shares that are issued during the term of this authorization in direct application or application *mutatis mutandis* of Article 5 of the SE Regulation in conjunction with Section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz*).

In addition, the Management Board, with the Supervisory Board's consent, is authorized to redeem treasury shares without the redemption and its implementation requiring a further resolution by the shareholders' meeting.

Pursuant to Article 5 of the SE Regulation in conjunction with Section 237 para. 3 no. 3 of the German Stock Corporation Act, the redemption may also be effected without a capital reduction in such a way that the redemption increases the proportion of the Company's share capital represented by the remaining no par value shares pursuant to Article 5 of the SE Regulation in conjunction with Section 8 para. 3 of the German Stock Corporation Act. In accordance with Article 5 of the SE Regulation in conjunction with Section 237 para. 3 no. 3 2nd half-sentence of the German Stock Corporation Act, the Management Board is authorized to amend the number of shares specified in the Amended Articles of Association accordingly. The redemption may also be implemented in combination with a capital reduction, in which case the Management Board is authorized to reduce the capital stock by the proportionate share of capital stock attributable to the redeemed shares. The Supervisory Board is authorized to amend the number of shares and the capital stock amount specified in the Amended Articles of Association.

The foregoing authorizations may be exercised once or several times, in their entirety or partially, individually or collectively. They also cover the use of treasury shares that have been acquired on the basis of previous authorizations to acquire treasury shares and treasury shares that have been acquired in accordance with Article 5 of the SE Regulation in conjunction with Section 71d sentence 5 of the German Stock Corporation Act, or (i) by any company controlled or majority-owned by the Company or (ii) by third parties acting for the account of the Company or of any company controlled or majority-owned by the Company.

18.6 General Provisions Governing Share Capital Increases and Decreases

Pursuant to Articles 5, 57 and 59 of the SE Regulation in conjunction with the German Stock Corporation Act (*Aktiengesetz*), a European company (*Societas Europaea*, SE) requires a resolution of the shareholders' meeting to increase its share capital and change its articles of association accordingly. The Amended Articles of Association provide that resolutions of the shareholders' meeting shall be adopted by a simple majority of the votes cast, unless a higher majority is required by mandatory law. Insofar as the law requires a capital majority in addition to a majority of the votes cast for resolutions of the Company's shareholders' meeting, a simple majority of the share capital represented shall be sufficient to the extent legally permissible. Accordingly, certain capital measures that do not mandatorily require a majority of at least three quarters of the share capital represented at the vote, such as capital increases with preemptive rights of the shareholders against contribution or capital increases from the Company's own funds, may be adopted by a simple majority.

Shareholders can also create authorized capital. In accordance with the Amended Articles of Association this requires a resolution adopted by a majority of the votes cast, as well as a majority of at least three quarters of the share capital represented at the vote authorizing the Supervisory Board to issue shares up to a certain amount over a maximum period of five years. The total amount of the authorized capital created by the shareholders' meeting must not exceed 50.0% of the share capital existing at the time the authorization is registered in the commercial register.

In addition, shareholders can create conditional capital, but only for the purposes of issuing (i) conversion or subscription rights to holders of convertible bonds, (ii) shares as consideration in a merger with another company, or (iii) subscription rights to employees or members of management of the Company or an affiliated company. In accordance with the Amended Articles of Association, this requires a resolution adopted by a majority of the votes cast, as well as a majority of at least three quarters of the share capital represented at the vote. The total amount of conditional capital must not exceed 10% of the share capital at the time the resolution is adopted in cases where it is created to issue shares to managers and employees, and must not exceed 50.0% in all other cases.

The shareholders' meeting may also resolve to decrease the share capital of the Company. In accordance with the Amended Articles of Association, resolutions to decrease share capital require a simple majority of the votes cast, as well as a majority of at least three quarters of the share capital represented at the vote.

18.7 General Provisions on Shareholders' Pre-Emptive Rights

According to Article 5 of the SE Regulation in conjunction with Section 186 of the German Stock Corporation Act (*Aktiengesetz*), every shareholder is generally entitled to subscription rights to any new shares issued in the context of a capital increase. The same applies to the issuance of convertible bonds, bonds with warrants, profit-sharing rights or income bonds. Such subscription rights are freely transferable and may generally be traded on German stock exchanges within a specified period prior to the expiration of such period. However, shareholders do not have the right to demand admission to trading for subscription rights.

The general shareholders' meeting may pass a resolution excluding subscription rights if at least 75.0% of the share capital represented adopts the resolution. To exclude subscription rights, the Management Board must also make a report available to the shareholders justifying the exclusion and demonstrating that the Company's interest in excluding the subscription rights outweighs the shareholders' interest in keeping them. The exclusion of subscription rights upon the issuance of new shares is permitted, in particular, if (i) the Company increases the share capital against cash contributions, (ii) the amount of the capital increase does not exceed 10.0% of the existing share capital, both at the time when the authorization takes effect and at the time when it is exercised, and (iii) the issue price of the new shares is not significantly lower than the stock exchange price of the Company's existing shares.

18.8 General Provisions Governing the Liquidation of the Company

Apart from liquidation as a result of insolvency proceedings, the Company may be liquidated by a resolution of the shareholders' meeting to dissolve the Company followed by a liquidation procedure. The resolution of the shareholders’ meeting requires a vote of 75.0% or more of the share capital represented at the vote at the time the resolution is adopted. Furthermore, the commencement of insolvency proceedings regarding the assets of the Company, the rejection of insolvency proceedings for insufficient assets to cover the costs of the proceedings, a cancellation of the Company for lack of funds or the imposition of a final decision of the registry court about a material defect in the Amended Articles of Association could lead to a dissolution of the Company. In the event of the Company's liquidation, Article 63 of the SE Regulation in conjunction with the German Stock Corporation Act (*Aktiengesetz*) provides that any assets remaining once all of the Company's liabilities have been settled shall be distributed amongst the Company’s shareholders in proportion to their shareholdings. Certain restrictions, in particular restrictions for the benefit of creditors, must be observed.

18.9 Squeeze-Out of Minority Shareholders

Under Article 9 para. 1 lit. (c) (ii) of the SE Regulation in conjunction with the rules of Sections 327a et seq. of the German Stock Corporation Act regarding the so-called "squeeze-out" of minority shareholders (so-called "squeeze-out under stock corporation law"), the general meeting of a stock corporation may resolve upon request by a shareholder who holds 95.0% of the share capital (majority shareholder) that the shares held by the remaining minority shareholders be transferred to the majority shareholder against payment of adequate cash compensation. The amount of the cash compensation to be granted to the minority shareholders must reflect the situation of the company at the time the resolution is adopted by the general meeting. For the purpose of calculating the compensation amount, the full enterprise value is relevant, which will generally be determined by applying the discounted future earnings method (*Ertragswertmethode*). The minority shareholders are entitled to file for valuation proceedings (*Spruchverfahren*), in the course of which the appropriateness (*Angemessenheit*) of the cash compensation is reviewed.

Pursuant to Section 62 para. 5 sentence 1 of the German Transformation Act (*Umwandlungsgesetz*), a majority shareholder holding at least 90.0% of a stock corporation's share capital can require the general shareholders' meeting to resolve that the minority shareholders must sell their shares to the majority shareholder against the payment of adequate compensation in cash, provided that (i) the majority shareholder is a stock corporation, a partnership limited by shares (*Kommanditgesellschaft auf Aktien*, *KGaA*), or a European company (*SE*) having its seat in Germany, and (ii) the squeeze-out is performed to facilitate a merger under the German Transformation Act between the majority shareholder and the stock corporation. The general shareholders' meeting approving the squeeze-out must take place within three months of the conclusion of the merger agreement. The procedure for the squeeze-out is essentially identical to the squeeze-out under stock corporation law described above, including the minority shareholders' right to have the appropriateness of the cash compensation reviewed.

Furthermore, pursuant to the provisions in Sections 39a and 39b of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) regarding the so-called "takeover law squeeze-out", a bidder who, following a takeover offer or a mandatory tender offer, holds at least 95.0% of the voting share capital of the target company may, within a period of three months following the expiration of the acceptance period, apply to the Regional Court (*Landgericht*) of Frankfurt am Main, Germany, for a court order to transfer to such bidder the remaining voting shares against payment of adequate compensation. No resolution of the general meeting is required. The consideration granted under the takeover offer or the mandatory tender offer is considered adequate compensation if the bidder, based on such offer, has acquired at least 90.0% of the share capital subject to the offer. Furthermore, following a takeover offer or a mandatory tender offer, the shareholders of the target company who did not accept such offer may accept the offer within three months after the expiration of the acceptance period (so-called "sell-out"), provided the bidder is entitled to file an application for the transfer of the remaining voting shares in accordance with Section 39a of the German Securities Acquisition and Takeover Act (Section 39c of the German Securities Acquisition and Takeover Act).

The provisions for a squeeze-out under stock corporation law cease to apply once an offeror has petitioned for a squeeze-out under takeover law, and only apply again when these proceedings have been definitively completed.

Pursuant to Article 9 para. 1 lit. c) (ii) of the SE Regulation in conjunction with Sections 319 et seq. of the German Stock Corporation Act (*Aktiengesetz*) regarding the integration (*Eingliederung*) of a subsidiary, the general meeting of a stock corporation may resolve the integration into another company, provided that the future principal company (*Hauptgesellschaft*) is a German stock corporation and holds at least 95.0% of the shares of the company to be integrated. The shareholders of the integrated company are entitled to adequate compensation, which is generally to be granted in the form of shares of the principal company. The amount of compensation is to be determined by the so-called merger value ratio (*Verschmelzungswertrelation*) between the companies, *i.e.*, the exchange ratio, which would have to be considered adequate in the event of a merger of the two companies.

18.10 Mandatory Takeover Bids

Pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), every person whose share of voting rights reaches or exceeds 30.0% of the voting shares of the Company (after admission of the Company's shares to trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*)) must publish this fact, including the percentage of its voting rights, within seven calendar days by publication on the Internet and through electronic media for disseminating financial information. Subsequently, and unless an exemption from this obligation has been granted by BaFin, such person must submit a mandatory public tender offer to all shareholders of the Company. The German Securities Acquisition and Takeover Act contains several rules that provide for an attribution and aggregation of voting rights in order to ensure that the shares are attributed to the person actually controlling the voting rights attached thereto. If a person fails to give notice of reaching or exceeding the 30.0% threshold or fails to submit a mandatory public tender offer, shareholder rights (including voting rights and, in certain cases, the right to collect dividends and liquidation proceeds) are suspended for the duration of non-compliance under certain circumstances. In addition, a fine may be imposed.

18.11 Disclosure Requirements for Holdings of Shares and Other Instruments

Once the Company's shares are admitted to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange, the Company and its shareholders shall be subject to the shareholding disclosure obligations under the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

Section 33 para. 1 of the German Securities Trading Act requires that anyone who acquires, sells or whose shareholding in any other way reaches, exceeds or falls below 3.0%, 5.0%, 10.0%, 15.0%, 20.0%, 25.0%, 30.0%, 50.0% or 75.0% of the voting rights in an issuer whose home country is Germany and whose shares are admitted to trading on an organized market must immediately, and no later than within four trading days of such occurrence, notify the issuer and at the same time BaFin. Subsequent notifications are required if such person (i) acquires additional shares of in any other way reaches or exceeds a higher threshold contemplated by the German Securities Trading Act, or (ii) sells or in any other way falls below the aforementioned thresholds. The notice period commences as soon as the person obligated to notify (*Meldepflichtiger*) knows, or, under the circumstances of the case should know, that his or her voting rights reach, exceed or fall below the abovementioned thresholds, and no later than two trading days after reaching, exceeding or falling below the threshold. Only in the case where the voting rights reach, exceed or fall below the thresholds as a result of an event affecting all voting rights, then the notice period may commence at a later time. The notification requirement is set off by the establishment of an obligation to transfer such ownership immediately (*ohne zeitliche Verzögerung*).

Notice must be given using a standard form annexed to the German Securities Trading Reporting and Insider List Regulation (*Wertpapierhandelsanzeige- und Insiderverzeichnisverordnung*). It must include the address of the individual or entity, the share of voting rights held and the date of reaching, exceeding or falling below the respective threshold, and must be filed electronically via BaFin's MVP portal, which then creates documents which must be sent to the Company via electronic means of communication. The Company must publish such notices immediately, but no later than within three trading days after their receipt, via media outlets or outlets where it can be assumed that the notice will be disseminated in the EU and the non-EU parties to the agreement on the EEA (so-called "*Medienbündel*"). The Company must also transmit the notice to BaFin and to the German Company Register (*Unternehmensregister*) for storage.

For purposes of the notification requirements, the German Securities Trading Act (*Wertpapierhandelsgesetz*) contains various rules that require the attribution (*Zurechnung*) of voting rights of certain persons associated with the shareholder or acting together with the shareholder. For example, shares held by a subsidiary (as defined in Section 35 of the German Securities Trading Act (*Wertpapierhandelsgesetz*)) are attributed to the parent company; similarly, shares held by a third company for the account of another company are attributed to the latter. Furthermore, any kind of cooperation among shareholders that is intended to effect a permanent and material change in the business strategy of the Company can result in an attribution of voting rights. This means that the cooperation does not necessarily have to concern the exercise of voting rights specifically; coordination in individual cases, however, will not trigger the attribution of voting rights.

Pursuant to Section 38 of the German Securities Trading Act (*Wertpapierhandelsgesetz*), similar obligations to notify the Company and BaFin for reaching, exceeding or falling below the abovementioned thresholds (other than the 3.0% threshold) apply to direct and indirect holders of certain instruments other than shares. This applies to instruments that grant upon maturity an unconditional right to acquire already issued voting shares of the Company, a discretionary right to acquire such shares, or instruments that refer to such shares and have a similar economic effect to the aforementioned instruments. Notifiable instruments include, inter alia, transferable securities, options, futures contracts, swaps, forward rate agreements and contracts for difference. The number of voting rights relevant for the notification requirement will generally be calculated by reference to the full nominal amount of shares underlying the instrument except where the instrument provides exclusively for a cash settlement. Details for such calculations are laid down in the Commission Delegated Regulation (EU) 2015/761 of December 17, 2014, supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to certain regulatory technical standards on major holdings.

There are certain exceptions to these notification requirements. For example, a company is exempt from notification obligations if its parent company has filed a group notification pursuant to Section 37 para. 1 of the German Securities Trading Act. If the company's parent company itself is a subsidiary, then the relevant company is exempt from notification obligations if its parent’s parent company has filed such group notification. Moreover, shares or instruments held by a credit institution or a credit securities services company with a registered seat in the European Union or in a member state of the EEA are not taken into account for determining the notification obligation or proportion of voting rights held, provided (i) the shares or instruments are held in such credit institution's or credit securities services company’s trading book, (ii) they amount to no more than 5% of the Company's voting rights, do not grant the right to acquire more than 5% of the voting rights, or do not have a similar economic effect and (iii) it is ensured that the voting rights pertaining to such shares or instruments are not exercised or otherwise utilized.

Notifiable holdings pursuant to Sections 33 and 38 of the German Securities Trading Act must be aggregated, leading to a notification obligation for total holdings above a 5.0% threshold pursuant to Section 39 of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

Furthermore, a person obliged to notify who reaches or exceeds the threshold of 10.0% of the voting rights, or a higher threshold, is obligated to notify the issuer within 20 trading days regarding the objective being pursued through the acquisition of voting rights, as well as regarding the source of the funds used for the purchase pursuant to Section 43 of the German Securities Trading Act (*Wertpapierhandelsgesetz*). Changes in those objectives must also be reported within 20 trading days. An issuer may stipulate in its articles of association that the aforementioned disclosure requirement does not apply. In calculating whether the 10%-threshold has been reached, the aforementioned attribution rules apply. The Company is required to publish any notification pursuant to Section 43 of the German Securities Trading Act without undue delay following the receipt of such notification, and in any event no later than within three trading days therefrom. Furthermore, the Company is required to publish any acts of non-compliance with notification obligations by a shareholder in the same manner.

In case that the disclosure requirements are not met, shareholder rights (including voting rights and, in certain cases, the right to collect dividends and liquidation proceeds) are – subject to certain exceptions – suspended for the duration of non-compliance. If the failure to comply with the disclosure requirements specifically relates to the share of voting rights and is the result of a willful or grossly negligent conduct, the suspension period is extended by six months after the person obligated to notify files the required notification. In addition, a fine may be imposed if a required notification is not at all, incorrectly or incompletely made, or not made in the right manner or in a timely fashion. BaFin also has the right to publish decisions on sanctions and measures with regard to violations of the disclosure obligations and persons responsible for such violations.

18.12 Disclosure of Transactions of Persons Discharging Managerial Responsibilities

Pursuant to Article 19 of the Market Abuse Regulation, persons discharging managerial responsibilities within the meaning of Article 3 para. 1 no. 25 of the Market Abuse Regulation ("**Executives**") shall notify the Company and BaFin of every transaction conducted on their own account relating to shares or debt instruments of the Company or to derivatives or other financial instruments linked thereto (so-called "directors' dealings"). The same applies to persons closely associated with Executives who must notify the Company and BaFin if they enter into such transactions. Transactions that must be notified also include, among others, pledging or lending of financial instruments, transactions undertaken by any person professionally arranging or executing transactions on behalf of an Executive or a closely associated person, including where discretion is exercised, as well as transactions made under a life insurance policy. The notification requirement applies to any subsequent transaction once a total amount of € 20,000 has been reached within a calendar year. Notification shall be made promptly and no later than three business days after the date of the transaction.

For the purposes of the Market Abuse Regulation, Executive means a person within the Company who is a member of the administrative, management or supervisory body of the Company or a senior executive who is not such member but who has regular access to inside information relating directly or indirectly to the Company and who has power to take managerial decisions affecting the future developments and business prospects of the Company. A person closely associated with an Executive means certain family members, namely a spouse, a registered civil partner (*eingetragener Lebenspartner*), a dependent child as well as a relative who has shared the same household for at least one year on the date of the transaction concerned. A person closely associated also includes a legal person, trust or partnership, the managerial responsibilities of which are discharged by an Executive of the Company or by a family member of his or hers. Finally, the term includes a legal person, trust or partnership which is directly or indirectly controlled by an Executive of the Company (or by one of its family members) or which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.

The Company shall ensure that information of which it is notified is published within two business days after the receipt of the notification in a manner which enables fast access to this information on a non-discriminatory basis in accordance with ESMA's implementing technical standards. Furthermore, according to the German Securities Trading Act (*Wertpapierhandelsgesetz*), the Company shall without undue delay, but not before its publication, transmit the information to the German Company Register (*Unternehmensregister*) and notify BaFin. Non-compliance with the notification requirements may result in a fine.

During a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report which the Company is required to make public according to (i) the rules of the trading venue where the Company's shares are admitted to trading or (ii) national law, persons discharging managerial responsibilities are prohibited from conducting for their own account or for the account of a third party any transactions directly or indirectly relating to shares or debt instruments of the Company, or to derivatives or other financial instruments linked to such securities. According to BaFin's interpretative guidance, quarterly reports and quarterly statements for the first and third quarter of a fiscal year in accordance with Section 53 of the Listing Rules of the Frankfurt Stock Exchange (*Börsenordnung für die Frankfurter Wertpapierbörse*), do not trigger a closed period.

18.13 Post-Admission Disclosure Requirements

Following the Admission to Trading of the Company's shares, the Company will be subject to the legal disclosure requirements for European companies with registered seat in Germany and with shares listed on a public exchange. These disclosure requirements include, among others, periodic financial reporting and other required disclosures according to the German Securities Trading Act (*Wertpapierhandelsgesetz*) as well as disclosure requirements under the Market Abuse Regulation. The Company will also be obliged under the Listing Rules of the Frankfurt Stock Exchange (*Börsenordnung für die Frankfurter Wertpapierbörse*), as amended from time to time, to publish quarterly statements, as the Company's shares are listed on the Prime Standard sub-segment of the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

Pursuant to Article 17 of the Market Abuse Regulation, the Company shall inform the public as soon as possible of inside information (as defined below) which directly concerns the Company. In such case the Company shall also, prior to informing the public, inform BaFin and the management of the trading venues and facilities (*Geschäftsführungen der Handelsplätze*) where financial instruments of the Company have been admitted to trading or been included in such trading, and, after publication, without undue delay transmit the information to the German Company Register (*Unternehmensregister*).

Inside information comprises, among others, any information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

The Company may, on its own responsibility, delay disclosure of inside information if (i) immediate disclosure is likely to prejudice the legitimate interests of the Company, (ii) delay of disclosure is not likely to mislead the public and (iii) the Company is able to ensure that the inside information will remain confidential. In such case, the Company shall also inform BaFin that disclosure of the information was delayed and shall provide a written explanation of how the conditions set out in the preceding sentence were met, immediately after the information is disclosed to the public. Where disclosure of inside information has been delayed and the confidentiality of that inside information is no longer ensured, the Company shall disclose such inside information to the public as soon as possible.

18.14 EU Short Selling Regulation

Under Regulation (EU) No 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps (the "**EU Short Selling Regulation**"), short sales of shares (*i.e.*, sales of shares that the seller does not own, with the intention of acquiring shares of the same class at a later point in time in order to be able to deliver the shares to the buyer), are permitted only under certain conditions. Significant net short positions in shares must be reported to BaFin and, if a certain threshold is exceeded, they must also be publicly disclosed. The reporting and publication obligations are set forth in detail in the German Regulation on Net-Short Positions (*Netto-Leerverkaufspositionsverordnung*) of December 17, 2012, as amended. Net short positions are calculated by netting the long and short positions held by a natural or legal person in the issued capital of the company concerned. The details are set forth in the EU Short Selling Regulation and the regulations adopted by the EU Commission implementing it. In certain situations, described in greater detail in the EU Short Selling Regulation, BaFin is permitted to restrict short selling and comparable transactions.

19 GOVERNING BODIES

19.1 Overview

The Company is a European company (*Societas Europaea, SE*) and has a two-tier management and control system. The Company's governing bodies are the Management Board, the Supervisory Board and the shareholders' meeting. The responsibilities and powers of these governing bodies are determined by the SE Regulation, the German Act on the SE-Implementation (*SE-Ausführungsgesetz,* "**SEAG**"), the German Stock Corporation Act (*Aktiengesetz*), the Amended Articles of Association (*Satzung*) and the internal rules of procedure (*Geschäftsordnungen*) of both the Management Board and the Supervisory Board, with the amendments as resolved on January 26, 2023 by the extraordinary shareholders' meeting of the Company, to become effective with registration of the Amended Articles of Association with the Commercial Register of the Local Court of Montabaur, Germany, expected to occur on February 1, 2023 (the "**Amended Rules of Procedure of the Management Board**" and the "**Amended Rules of Procedure of the Supervisory Board**"). The shareholders' meeting elects the members of the Supervisory Board, which in turn appoints the members of the Management Board.

The Management Board conducts the business of the Company in accordance with relevant applicable European and German laws, the Amended Articles of Association and its Amended Rules of Procedure of the Management Board. The Management Board represents the Company when dealing with third parties. The members of the Management Board are appointed by the Supervisory Board, and the Supervisory Board is also entitled to remove any members of the Management Board under certain circumstances. Simultaneous membership in the Supervisory Board and the Management Board is not permitted under the SE Regulation, as the Supervisory Board is obligated to supervise the management of the Company by the Management Board. However, in exceptional cases and for an interim period, a member of the Supervisory Board may take a vacant seat on the Management Board. During this period, such individual may not perform any duties pertaining to his position on the Supervisory Board. In addition, the duration of such stand-in arrangements may not exceed one year.

The Management Board must ensure that appropriate risk management and risk control mechanisms are established and maintained within the Company, its subsidiaries and affiliates. This is to ensure that developments endangering the existence of the Company can be identified at an early stage. The Management Board is also required to report any material issues in relation to business transactions and any material developments regarding the business to the Supervisory Board. It has to make such reports on a quarterly basis and must include issues pertaining to the turnover and developments within the Company, its subsidiaries and joint ventures. The Management Board is further required to report any planned business policies and other fundamental issues concerning corporate planning (including financial, investment and staff planning) to the Supervisory Board once a year; differences between the actual developments and previously reported goals, including the reasons for any deviations, must also be addressed. In the meeting of the Supervisory Board in which the annual financial statements are discussed, the Management Board must also report on the profitability of the Company, especially in relation to return on equity. As a general rule, the Management Board is required to report events which could have a material effect on the Company and transactions which could be of material importance, especially in relation to the Company's profitability or liquidity, and to do so in a timely manner. This is to ensure that the Supervisory Board is able to assess such transactions prior to any action being taken. The Management Board is required to report any other important events to the chairman of the Supervisory Board without undue delay; this includes events at an affiliated company of which the Management Board has become aware and which could potentially have a material impact on the Company. Moreover, any member of the Supervisory Board may at any time demand a report to the Supervisory Board about the affairs of the Company.

Pursuant to Article 40 of the SE Regulation in conjunction with Section 111 of the German Stock Corporation Act, the Supervisory Board advises and oversees the Management Board' management of the Company but is itself generally not entitled to manage or represent the Company.

The Supervisory Board of the Company shall designate the types of transactions that require its approval. In addition, the Supervisory Board may on an *ad-hoc* basis require that certain types of transactions are subject to its approval. Matters subject to such prior approval of the Supervisory Board of the Company (by simple majority of the votes cast) pursuant to the Amended Articles of Association currently include:

- significant changes in business policy, in particular the adoption of new and discontinuation of existing major lines of business, products and services, as well as the conclusion, amendment and termination of contracts of strategic importance;

- the establishment, acquisition, sale, disposal or other transfer or encumbrance of shareholdings, companies or businesses;

- the sale, disposal, leasing or any other transfer (including pursuant to the German Reorganization Act) of the enterprise as a whole or in substantial parts; the conclusion of inter-company agreements within the meaning of Sections 291 *et seq*. of the German Stock Corporation Act;

- the acquisition, sale or encumbrance of real estate and rights equivalent to real estate together with the associated obligations; and

- the adoption of the budget for a fiscal year including the individual plans (*e.g.*, investment plan, finance plan).

In line with the two-tier governance system of the Company, particularly the Supervisory Board's competence to request on an *ad-hoc* basis that certain types of transactions are subject to its approval, the Amended Rules of Procedure of the Management Board set forth a more detailed catalogue of additional measures that require approval by the Supervisory Board, *inter alia* with respect to material investments and material capital expenditures, material financing and related party transactions.

The members of the Management Board and the Supervisory Board owe fiduciary duties to the Company, *i.e*., a duty of loyalty, a duty of legality and a duty of care. The members of these corporate bodies must perform their duties taking into account a broad range of interests, in particular those of the Company, its shareholders, employees, and creditors. The shareholders' right to equal treatment and equal access to information must also be taken into account. If members of the Management Board or the Supervisory Board breach their duties, they may be liable individually, or jointly and severally with other members of the Management Board or the Supervisory Board, as the case may be, to the Company for compensatory damages.

Under German law, a shareholder generally cannot take direct action against a member of the management board or the supervisory board of a German stock corporation with its registered office in Germany if the shareholder suspects that such member or members have violated their duties towards the company. Consequently, under German law, generally only the Company has the right to pursue claims for damages against a member of the Management Board or the Supervisory Board. The Management Board represents the Company in relation to claims brought against members of the Supervisory Board and, in turn, the Supervisory Board represents the Company in relation to claims brought against members of the Management Board. Pursuant to a decision by the German Federal Court of Justice (*Bundesgerichtshof*), the Supervisory Board is required to pursue damages claims that are likely to be successful against members of the Management Board, unless significant interests of the Company either take precedence over or are of equal importance to any such claim.

If the governing body authorized to represent the Company decides against pursuing a claim, claims for damages can be pursued by the shareholders following a resolution (by a simple majority of the votes cast) of the shareholders’ meeting. The shareholders’ meeting can also appoint a special representative (*besonderer Vertreter)* to pursue such claims. Based on the resolution of the shareholders' meeting to claim damages, shareholders with a combined shareholding of 10% or more of the entire share capital or holders of shares with an aggregate nominal value of € 1 million may also apply to the competent court for the appointment of a special representative, such decision being subject to the court's discretion.

Furthermore, the shareholders' meeting can, by a simple majority resolution, appoint a special auditor (*Sonderprüfer*) to review any measures taken by the Company, in particular in relation to its management. If the shareholders' meeting rejects a motion to appoint a special auditor, the court must appoint a special auditor at the request of shareholders who hold shares representing at least 1% of the share capital or shares with an aggregate nominal value of at least € 100,000 if the facts justify the suspicion of irregularities or that gross violations of the law or the articles of association of the Company have been committed. If the shareholders' meeting appoints a special auditor, the court must appoint a different special auditor at the request of shareholders who hold shares representing at least 1% of the share capital or shares with an aggregate nominal value of at least € 100,000 if this is deemed necessary with respect to the person who has been appointed as special auditor. Shareholders and shareholder associations can use the shareholder forum of the German Federal Gazette (*Bundesanzeiger*), which is available through the German Company Register's (*Unternehmensregister*) website, to call upon other shareholders to jointly, or through third-party representation, request a special audit, appoint a special auditor, demand that a shareholders' meeting is convened, or exercise their voting rights in a shareholders' meeting. If there is evidence leading to the strong suspicion that the Company has incurred damages through irregularities or gross violations of the law or the articles of association of the Company, shareholders whose shareholding constitute at least 1% of the share capital or who hold shares with an aggregate nominal value of at least € 100,000 may request with a court to be allowed to bring a claim for damages of the Company in their own name but on behalf of the Company against members of governing bodies, subject to certain procedural requirements. Such claims, however, become inadmissible if the Company itself files a claim for damages.

The Company may only waive or settle claims for damages against members of the Management Board or the Supervisory Board three years after the claim has arisen and only if (a) the shareholders resolve to do so in a shareholders' meeting by a simple majority resolution and (b) a quorum of the shareholders, together holding shares which represent at least 10% of the share capital, does not object to this in the minutes of the meeting.

Under German law, individual shareholders and any other persons are prohibited from intentionally using their influence within the Company to cause a member of the Management Board or the Supervisory Board to engage in conduct that could be damaging to the Company. A shareholder controlling the Company may not use its influence to persuade the Company to act against the Company's interests unless there is a domination agreement (*Beherrschungsvertrag*) between such shareholder and the Company in place and the influence exerted is within the limits of certain statutory mandatory provisions or any damages are compensated. Anyone intentionally exercising influence to cause a member of the Management Board or the Supervisory Board, an authorized signatory (*Prokurist*), or a general representative (*Handlungsbevollmächtigter*) to act to the detriment of the Company or its shareholders is required to compensate the Company and its shareholders for any damages resulting from such behavior. In addition, in this context, the members of the Management Board and the Supervisory Board are jointly and severally liable if their actions or omissions amount to a violation of their duty of care.

19.2 Management Board

19.2.1 Overview

The Management Board consists of one or more members with the Supervisory Board determining their number. The Supervisory Board appoints members of the Management Board for a maximum term of 6 years. A reappointment is permissible. The Supervisory Board may appoint a member of the Management Board to act as chief executive officer (CEO).

The Supervisory Board may revoke the appointment of a member of the Management Board prior to the expiration of the member's term for good cause (*wichtiger Grund*), such as a gross breach of fiduciary duty, or if the shareholders' meeting passes a vote of no-confidence with respect to such member, unless the no-confidence vote was clearly unreasonable.

The Supervisory Board is also responsible for entering into, amending and terminating service agreements with members of the Management Board and, in general, for representing the Company in and out of court *vis-à-vis* the members of the Management Board.

19.2.2 Current Members of the Management Board

The following table lists, for the current members of the Management Board – Achim Weiss, who acts as Chief Executive Officer (CEO) and Britta Schmidt, who acts as Chief Financial Officer (CFO) –, their year of birth, the date on which they were first appointed to the Management Board of the Company, their term of appointment and their current internal responsibilities:

Name	Year of Birth	Member since	Appointed until	Responsibilities
Achim Weiss	1971	October 2018	February 8, 2026[1)]	Chairman of the Management Board and Chief Executive Officer (CEO)
Britta Schmidt	1974	November 2022	February 8, 2026[2)]	Chief Financial Officer (CFO)

1) Subject to the successful implementation of the Offering and the occurrence of the First Day of Trading on February 8, 2023. Current appointment would end on July 31, 2025 if no Offering is implemented and the Company's shares are not admitted to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange.

2) Subject to the successful implementation of the Offering and the occurrence of the First Day of Trading on February 8, 2023. Current appointment would end on July 31, 2023 if no Offering is implemented and the Company's shares are not admitted to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange.

The termination dates of the service agreements for each member of the Management Board correspond with their respective terms in office.

19.2.2.1 Achim Weiss – Brief Biography

Achim Weiss was born in 1971 in Spaichingen, Germany. Mr. Weiss is an internationally experienced executive manager with more than 20 years of experience in the Internet industry. As CEO of IONOS, he is responsible for the Group's overall strategy and product development.

Achim Weiss is an expert in the field of massive scalable Internet infrastructures. In 1995, he co-founded Schlund+Partner, a German web hosting developer based in Karlsruhe, Germany, which merged with 1&1 Internet AG (now IONOS SE) in 2007 and for which he continued to work until 2007. From 1998 to 2008, he was Chief Technology Officer at 1&1 Internet AG, where he developed, among others, the first web hosting platform for the fast-growing mass market and was responsible for the construction of three data centers in Germany and the United States that host nearly 100,000 servers. Achim Weiss was also responsible for building 1&1's German DSL and VoIP infrastructure from scratch and developed a nationwide content delivery network ("**CDN**") for maxdome – one of Germany's first "video on demand" services. From 2000 to 2002, Mr. Weiss served as a member of the management board of GMX AG, one of the largest email platforms in Europe, and from 2002 to 2008, he was managing director of GMX GmbH.

In 2010, Achim Weiss founded ProfitBricks in Berlin, Germany, the first German company that focused on cloud infrastructure (IaaS), and served as a managing director of ProfitBricks until 2019. Following the merger of ProfitBricks into 1&1 IONOS SE (now IONOS SE) in 2019, Mr. Weiss returned to 1&1's management board, and became a member of the management board of 1&1 Internet SE (now IONOS SE) in November 2017. Mr. Weiss was appointed as a member of the Management Board of the Company, with effect as of October 2018.

In the last five years, Mr. Weiss has held the following positions as a member of a management/administrative or supervisory/advisory body in companies or as a partner in partnerships outside the IONOS Group:

- Member of the supervisory board of OpenXchange (November 2020-October 2022)
- Managing director of NaroFab Immobilien Management GmbH (September 2014-today)
- Member of the supervisory board of Fonpit AG (May 2009-June 2019)
- Managing director of Quadrupa GmbH (an asset-building company wholly owned by Mr. Weiss, with no operational business, based in Berlin, Germany) (January 2023-today).

19.2.2.2 Britta Schmidt – Brief Biography

Britta Schmidt was born in 1974 in Hilden, Germany. She has a degree in business administration (*Betriebswirtschaft*) from the Academy for Administration and Business (*Verwaltungs- und Wirtschaftsakademie*) in Düsseldorf, Germany, obtained in 2003. In 2021, Ms. Schmidt completed the Executive Programs for Prospective CFOs and for Mergers and Acquisitions, both at the University of Chicago, Booth School of Business Executive Education.

Prior to her graduation, Ms. Schmidt worked as assistant of the Head of Sales and Marketing and in sales back-office functions at YKK Stocko Fasteners GmbH, Wuppertal, Germany (1996-1998), as sales assistant at Safechem GmbH, Düsseldorf, Germany (1998-1999), as assistant of the Head of Sales Germany at Siemens Electromechanical Components GmbH & Co. KG/Tyco Electronics AMP GmbH, Düsseldorf, Germany (1999-2000) and later at Siemens Telekommunikations Vertrieb GmbH & Co. KG, Düsseldorf, where she worked in commercial sales operations, also after her graduation (2000-2004). Thereafter, Ms. Schmidt worked from 2004 to 2010 at Siemens Enterprise Communications GmbH & Co. KG (today Unify, a part of Atos SE), based in Düsseldorf, Germany – first as team leader for commercial sales operations (2004-2007), then as Financial Controller within the global customer support operations (2007-2010), and from June 2010 to September 2010 as Commercial Head of Global Customer Support. In October 2010, she started at the Scout24 Group, where she held several positions over the next years: as Manager for Controlling at Scout24 Holding GmbH (October 2010 to June 2012), Head of Strategic Controlling (July 2012 to March 2014) and then Head of Corporate Controlling (April 2014 to June 2015) at the same company. Later, she was Vice President for Investor Relations & Treasury (July 2015 to August 2017) and then Vice President for Investor Relations & Controlling (September 2017 to January 2020) at Scout24 AG. During her time at the Scout24 Group, Ms. Schmidt was part of the team that successfully launched the IPO of Scout24. From January 2020 to September 2020, Britta Schmidt was Chief

Financial Officer at AutoScout24 GmbH (she was employed at that company until April 2021), before joining IONOS Holding SE in July 2021 as Chief Financial Officer.

On November 9, 2022, Ms. Schmidt was appointed Chief Financial Officer (CFO) of the Company. She is also a member of the Management Board (and the Chief Financial Officer) of other Group companies, such as IONOS Holding SE, IONOS SE and STRATO AG.

In the last five years, Ms. Schmidt has held the following positions as a member of a management/administrative or supervisory/advisory body in companies or as a partner in partnerships outside the IONOS Group:

- Managing director (*Geschäftsführerin*) at AutoScout 24 GmbH (April 2020-September 2020; service agreement in effect until April 2021; Chief Financial Officer from January 2020 until September 2020)
- Managing director (*Geschäftsführerin*) of Speedster HoldCo 4 GmbH (April 2020-September 2020)
- Managing director (*Geschäftsführerin*) of Speedster HoldCo 3 GmbH (April 2020-September 2020)
- Managing director (*Geschäftsführerin*) of Speedster HoldCo 2 GmbH (April 2020-September 2020)
- Managing director (*Geschäftsführerin*) of Speedster HoldCo 1 GmbH (April 2020-September 2020)
- Managing director (*Geschäftsführerin*) of Speedster BidCo GmbH (April 2020-September 2020)

19.2.3 Contact

The members of the Management Board can be contacted at the Company's business address.

19.2.4 Compensation, Other Benefits, Management Incentive Program

Pursuant to Section 87a para. 2 of the German Stock Corporation Act (*Aktiengesetz*), the supervisory board of a listed German stock corporation determines the remuneration for the members of the executive board in accordance with the remuneration system for the members of the management board as presented to the general meeting of the company. Such remuneration system is prepared and resolved upon by the supervisory board and presented to the listed German stock corporation’s general meeting, which resolves pursuant to Section 120a of the German Stock Corporation Act (*Aktiengesetz*) on the approval of the remuneration system presented by the supervisory board whenever there is a significant change in the remuneration system, but at least every four years. The Supervisory Board is responsible for determining the compensation of the Management Board.

19.2.4.1 Pre-IPO Compensation System

19.2.4.1.1 Overview

Prior to the admission of the Company's shares to trading, the Company is not required to maintain a remuneration system according to Section 87a para. 1 of the German Stock Corporation Act (*Aktiengesetz*). Presently, the performance-oriented compensation of the members of the Management Board contains a fixed and a variable component (bonus), comprising a short-term and a long-term incentive. For the fixed compensation and the bonus, a target income is determined, which is reviewed regularly. The last review took place in fiscal year 2020.

The fixed remuneration component is paid monthly as a salary. The size of the bonus depends on reaching certain fixed targets agreed at the beginning of the fiscal year. These targets are based mainly on revenue and earnings figures but comprise also performance targets (such as reaching a certain net promoter score).

The target attainment corridor is between 0% and 150%. The bonus calculation is limited at 150% of the agreed target. There is no minimum guaranteed bonus. Payment is made after the consolidated financial statements of the IONOS Group have been adopted by the Supervisory Board.

There are no retirement benefits payable by the Company to members of the Management Board. Termination benefits amounted to € 0.9 million in fiscal year 2021.

19.2.4.1.2 Management Incentive Program I

In the second half of 2017, the MIP I was established with a view to strengthening the long-term alignment of the interests of the management and key employees with those of its shareholders. The Management Board members at that time as well as members of the management board of certain subsidiaries were entitled to participate in the MIP I. Each participant was allocated an individually contracted number of MIP I units, which entitle the participant to an incentive benefit (the "**Incentive Benefit**") upon occurrence of a certain trigger event. The Incentive Benefit of each individual MIP I participant is calculated based on the value increase of the Group and the number of individually allocated MIP I units adjusted for certain dilutive events. The individual Incentive Benefits may be settled in equity or cash. Upon the First Day of Trading (expected to take place on February 8, 2023), all MIP I units will vest. This includes additional MIP I units as granted to Mr. Weiss, the CEO of the Company, on October 1, 2022.

The MIP I will be adjusted with effect as of the First Day of Trading (see "*19.2.4.3.7 MIP I Rollover*").

19.2.4.2 Total Remuneration in Fiscal Year 2021 and Remuneration in Fiscal Year 2022

For fiscal year 2021, the Company has not disclosed the individual compensation for each member of the Management Board since this was not mandatory for the Company at that time. Following the Admission to Trading and for future fiscal years, the Company intends to disclose the compensation of the members of the Management Board on an individual basis. For fiscal year 2021, the compensation of the then members of the Management Board of the Company (Hüseyin Dogan and Achim Weiss) and of the management boards of IONOS SE (Hüseyin Dogan, Dr. Martin Endress, Anne Claudia Frese, Hans-Henning Kettler, Arthur Mai, Britta Schmidt (as of August 27, 2021), Matthias Steinberg (resigned as of July 19, 2021) and Achim Weiss) and IONOS Holding SE (Hüseyin Dogan, Dr. Martin Endress, Anne Claudia Frese, Hans-Henning Kettler, Arthur Mai, Britta Schmidt (as of July 12, 2021), Matthias Steinberg (resigned as of July 11, 2021) and Achim Weiss) for fiscal year 2021, in the aggregate, included € 3.0 million of fixed remuneration and € 1.9 million in variable remuneration, not including share-based payments.

The non-cash share-based payment expense for the management board members in connection with the LTIP (see "*13.12.4.1 Share-Based Compensation: Long-Term Incentive Plan*") recognized in the Audited Consolidated Financial Statements 2021 amounted to € 8.8 million. The related remuneration within the meaning of IAS 24 (including current cost of share-based payments) amounted to € 14.6 million in fiscal year 2021.

In fiscal years 2021, 2020 and 2019, rights to share-based compensation in the form of LTIP were granted to the members of the Management Board. In this connection, 75,000 MIP I units with a fair value of € 4.8 million as of the issue date were issued to Management Board members in fiscal year 2021.

The total remuneration of the then members of the Management Board within the meaning of Section 314 para. 1 no. 6 a) and b) of the German Commercial Code (HGB), *i.e.*, including the fair values of the share-based payments granted in 2021 but excluding current cost of share-based payments in 2021, amounted to € 10.6 million in fiscal year 2021.

For fiscal year 2022, the total remuneration due to the current members of the Management Board (Mr. Weiss and Ms. Schmidt) within the meaning of Section 314 para. 1 no. 6 a) and b) of the German Commercial Code (HGB), *i.e.*, including the fair values of the share-based payments granted in 2022 but excluding current cost of share-based payments in 2022, amounted to € 0.7 million for Mr. Weiss and € 0.4 million for Ms. Schmidt, respectively. These amounts include all amounts due to Mr. Weiss and Ms. Schmidt for fiscal year 2022 as compensation and benefits in kind for services in all capacities to the Company and any of its subsidiaries.

19.2.4.3 New Remuneration System (post-IPO)

On January 26, 2023, the Supervisory Board resolved on the new remuneration system for the members of the Management Board. The new remuneration system providing for the post-IPO compensation shall apply from the First Day of Trading and it is intended to present it to the 2023 annual general meeting of the Company for approval.

The post-IPO compensation is set forth in the new service agreements as well as separate LTI agreements on the long-term variable remuneration between the members of the Management Board and the Company, which shall apply as of the First Day of Trading. The post-IPO compensation in particular aims at supporting the long-term and sustainable development of the Company and an alignment with the interests of the shareholders, considering the regulatory requirements under the German Stock Corporation Act (*Aktiengesetz*) and, with some exceptions, the recommendations of the German Corporate Governance Code (see "*19.6 Corporate Governance and Compliance*") that are relevant for listed companies as well as the standards and practices typically expected/required by investors and proxy advisors regarding the compensation of management board members. The post-IPO compensation of the CEO of the Company, Mr. Weiss, is subject to special provisions under the new remuneration system. This is also reflective of the fact that Mr. Weiss (co-)founded Schlund+Partner and ProfitBricks, which form now part of IONOS (see "*19.2.2.1 Achim Weiss – Brief Biography*").

The post-IPO compensation will consist of fixed as well as variable compensation components. The fixed compensation components will comprise the annual base salary and fringe benefits. The variable compensation components will include a Short-Term Incentive and a Long-Term Incentive.

The fixed annual base salary will be paid in cash in twelve equal installments as a monthly salary. The fringe benefits include, for example, a company car for business and private use (or, alternatively, a monthly car allowance) and contributions to certain insurances.

For Mr. Weiss, the CEO of the Company, the annual target remuneration comprising the fixed compensation (but excluding fringe benefits) as well as the Short-Term Incentive, however, excluding the Long-Term Incentive, is € 1,000,000. For the Long-Term Incentive of Mr. Weiss, no annual target remuneration has been set (see "*19.2.4.3.2 Long-Term Incentive*" below, also in relation to the applicable caps).

For Ms. Schmidt, the CFO of the Company, the annual target remuneration comprising the fixed compensation (but excluding fringe benefits) as well as the variable compensation components, based on the assumption that the share price is doubled over a period of five years, is € 1,750,000 (including variable compensation components of 71.43%). The fair value of the annual target remuneration could potentially be significantly lower than the foregoing amount.

In addition, the Company maintains a D&O insurance for the Management Board members.

19.2.4.3.1 Short-Term Incentive

The Short-Term Incentive ("**STI**") is designed as a target bonus with a one-year performance period corresponding to the fiscal year. It aims to incentivize the achievement of important strategic financial as well as non-financial performance targets through revenue and EBITDA targets, performance KPI targets (such as NPS), individual targets and ESG targets. The targets will be measured against a target value set by the Supervisory Board before or at the beginning of each fiscal year. The Supervisory Board ensures that especially the financial targets are set uniformly for all Management Board members.

The target achievement of each of the financial targets can range between 0% and 150%. The performance curve will be linear and range from a threshold of 90% at the minimum value of each performance target to 150% at the maximum value of each performance target. In case the actual value of the relevant performance target is below the minimum value, the target achievement will be 0%. In case the actual value of the performance target is above the maximum value, the target achievement will be capped at 150%. The total target achievement is determined on the basis of the individual target achievements with their respective weightings, but the Supervisory Board may also decide that the achievement of certain individual targets may only be considered as a modifying factor. The final payout amount is then calculated by multiplying the individual target amount of the Management Board member with the total target achievement. The final payout amount will be paid out in cash and is capped at 150% of the individual target amount.

19.2.4.3.2 Long-Term Incentive

The Long-Term Incentive ("**LTI**") will be designed as a one-off stock appreciation rights plan ("**SARP**") with a plan term of six years. The SARP will be established on the First Day of Trading of the Company's shares on the Frankfurt Stock Exchange. The number of stock appreciation rights ("**SARs**") granted to the current members of the Management Board will be determined after the First Day of Trading and shall be dependent to the total number of Company shares existing on the First Day of Trading and the Offer Price. The entitlement to a certain amount of SARs may be impacted negatively (but not positively) if certain ESG targets have not been achieved; such ESG targets shall be agreed by the Supervisory Board and the CEO of the Company on an annual basis for the next three years (or, if an agreement cannot be reached, by the Supervisory Board unilaterally) and shall apply for all plan participants.

33.33% of the SARs vest on the third anniversary of the First Day of Trading. 33.33% of the SARs will vest annually thereafter (thus the last 33.34% of the SARs will vest on the fifth anniversary of the First Day of Trading).

SARs already vested may be exercised at the earliest in the first exercise window after a waiting period of three years following the First Day of Trading. The last exercise of SARs is possible during the last regular exercise window immediately preceding the end of the six-year plan term of the SARP. In the period between the first and the last possible exercise window, there will be two exercise windows per year, the first after the Company's annual shareholders' meeting and the second after the publication of the Company's results for the nine-month period ending on September 30.

Within these exercise windows, the SARs can be exercised on the condition that the share price has reached or exceeded the relevant share price hurdle. In the event of exercise in the fourth year following the First Day of Trading, a share price increase of at least 10% on the Offer Price is required. If exercised in the fifth year following the First Day of Trading, this share price hurdle increases to 15% and thereafter to 20%.

The value of one SAR will be calculated as the difference between the Offer Price and the share price at exercise. Exercised SARs can be settled, at the sole discretion of the Company, either in shares or cash. SARs that are not exercised until the end of the last exercise window lapse in full without compensation. While the value of the shares to be transferred or the final payout amount is capped at 150% of the grant value for the members of the Management Board in general, for Mr. Weiss, the CEO of the Company, the cap corresponds to an increase of the value of the Company of 100% (measured on the basis of the share price development) or (if lower) € 80 million. If the service agreement is extended until at least the end of the plan term of the SARP and not prematurely terminated, such cap will be increased to a value growth of 150%.

In case the Management Board member's service agreement is terminated before the end of the plan term, the SARs vested until that point in time can be exercised by the respective Management Board member at the latest in the first exercise window following his/her termination. All SARs that have not fully vested until the point of termination or have not been exercised in the latest possible exercise window, lapse without compensation.

In case Mr. Weiss, the CEO of the Company, decides to leave the Company after the regular end of his three-year service agreement, all SARs vest based on the value growth as at the date of the exit and can be exercised during the regular exercise windows after the end of his service agreement. All SARs may also vest in case of a change of control, in which case Mr. Weiss is permitted to terminate his service agreement within a period of six months after the respective event, subject to a twelve-month notice period. For this purpose, a change of control occurs should one or more persons (if acting in concert) acquire more than 30% of the voting rights in the Company and at that time no other shareholder or (if acting concert) shareholders holds at least 30% of the voting rights in the Company.

19.2.4.3.3 Maximum compensation

All fixed and variable components are subject to the maximum compensation pursuant to Section 87a para 1 no. 1 of the German Stock Corporation Act (*Aktiengesetz*). The maximum compensation limits the Total Compensation (base salary, STI, LTI and expenses for fringe benefits) of the Management Board members. These maximum compensation limits are as follows: € 7,000,000.00 for the chairman of the Management Board and € 3,500,000.00 for other members of the Management Board. Should the compensation exceed the applicable maximum amount determined by the Supervisory Board, a part of the LTI (as the last compensation element due for payment) is forfeited without refund or replacement if and to the extent that the Total Compensation for the respective fiscal year exceeds the maximum compensation. The compensation limit does not apply to Mr. Weiss, the CEO of the Company, whose LTI component is capped at significantly higher amounts as described in more detail above (see "*19.2.4.3.2 Long-Term Incentive*"). The exception from the general applicable maximum compensation limits is also reflective of the fact that Mr. Weiss (co-)founded Schlund+Partner and ProfitBricks, which form now part of IONOS.

19.2.4.3.4 Malus and Clawback Clauses

The service agreements of the Management Board members include market standard *malus* and clawback clauses for both the STI and the LTI. Under such clauses, the Supervisory Board may reduce unpaid variable compensation in part or in full (*malus*) and reclaim part or all of the gross amount of any variable compensation already paid out (clawback) in certain cases. These cases comprise material breaches of duty (compliance *malus*/clawback) and a payout due to an incorrect consolidated financial statement (performance clawback).

19.2.4.3.5 Severance Payments

In the event of a termination of the service agreement prior to the original end of the term of the respective service agreement, any agreed payments to the respective Management Board member, including fringe benefits, shall compensate no more than the remaining term of the service agreement, but shall in any case not exceed the amount of two times the annual compensation (severance cap). However, this will not affect the vesting of stock appreciation rights of Mr. Weiss under the SARP as set forth above (see "*19.2.4.3.2 Long-Term Incentive*"). If the Company terminates for good cause within the meaning of Section 626 of the German Civil Code, no severance payment will be made.

19.2.4.3.6 Share Ownership Guidelines

The service agreements of the Management Board members include share ownership guidelines ("**SOGs**"). The SOGs require the members of the Management Board to acquire a certain number of shares of the Company and hold these shares until the end of their Board membership. While the CEO is required to invest an amount equal to 200%, any other member of the Management Board is required to invest an amount equal to 100% of the respective gross base salary into shares of the Company. The build-up period to invest the required amount is four years. The build-up commitment shall be exclusively made from financial resources (or from the delivery of shares of the Company) that have been granted to the Management Board members (i) in fulfillment of an IPO award agreement concluded with the Company in connection with the MIP I rollover (see "*19.2.4.3.7 MIP I Rollover: New Long-Term Investment Program*") below and/or (ii) from the SARP. The purpose of the SOGs is to further strengthen the alignment between the shareholders' and the Management Board members' interests.

19.2.4.3.7 MIP I Rollover: New Long-Term Investment Program

In the context of the Offering, the MIP I and the trigger events will be adjusted. The payment claim resulting from the MIP I will be linked to three new trigger events. The first new trigger event is defined as the First Day of Trading (expected to take place on February 8, 2023). With the first trigger event, one-third of the payment claim resulting from the MIP I will become due. Assuming that the Offer Price is set at the mid-point of the Price Range, such one-third of the payment claim triggered by the First Day of Trading would amount to € 5.1 million in relation to Mr. Weiss, the CEO of the Company, and Ms. Schmidt, the CFO of the Company would not be entitled to any payment.

A payment requires that the service agreement is effective and not terminated at the time the trigger event occurs. The payment can be made, at the sole discretion of the Company, either in cash or shares. The Company expects to make the payment triggered by the First Day of Trading in cash.

The participants of the MIP I, in particular the CEO of the Company, Mr. Weiss, will continue to participate significantly in the Company's share price performance beyond the completion of the Offering, as the portion of the payment claim under the MIP I that has not been paid out with effect as of the First Day of Trading (*i.e.*, the remaining two-thirds of the total payment claim) is divided by the Offer Price and transferred into virtual restricted stock units to which the participant will be entitled upon occurrence of a second and third trigger event. The second trigger event is defined as the day following an 18-month period after the First Day of Trading. The third trigger event is defined as the day following a 24-month period after the First Day of Trading. With respect to each of the second and third trigger event, one-half of the virtual restricted stock units (which equals one-third of the total payment claim resulting from the MIP I) will become due, respectively, provided that the service agreement with the respective participant has not been terminated at the time the respective trigger event occurs. The virtual restricted stock units for the second and third trigger events can be settled, at the sole discretion of the Company, either in cash or shares.

Regarding the grant of virtual restricted stock units of October 1, 2022 to Mr. Weiss, the CEO of the Company, his MIP I units will be transferred into virtual restricted stock units becoming due upon the occurrence of the second and third trigger events only.

In addition, three different leaver cases are defined for the payment claims resulting from the MIP I: "good leaver", "intermediate leaver" and "bad leaver". In case of permanent invalidity or death, the respective Management Board Member qualifies as a "good leaver". In this case, the unpaid restricted stock units are immediately paid out, at the sole discretion of the Company, either in cash or shares. The termination of the service agreement/appointment by the Company without good cause or due to reasons not caused by the Management Board member (*e.g.*, end of the contract term, termination of service agreement by mutual agreement or reaching the pension age) qualifies as an "intermediate leaver". In this case, the unpaid restricted stock units are settled on a pro-rated basis at the regular plan terms. In case of a termination of the service agreement/appointment by the Company for good cause or a self-initiated termination of the service agreement/appointment by the Management Board member without good cause, the respective Management Board member classifies as a "bad leaver". In this case all unpaid restricted stock units forfeit without compensation.

19.2.5 Shareholdings of the Members of the Management Board in the Company

As of the date of the Prospectus, the members of the Management Board hold the following direct and indirect interests in the Company (except for the MIP I units to be rolled over and their respective participations in the Long-Term Incentive program, which may be settled in cash or shares in the Company at the option of the Company, as described in more detail above): Achim Weiss is indirectly invested in the Company via United Internet AG and via WP XII Venture Holdings II SCSp, both of which are shareholders of the Company. As of the date of the Prospectus, Mr. Weiss holds 525,000 shares in United Internet AG (corresponding to approximately 0.27% in United Internet AG, and approximately 0.20% in the Company from a pass-through perspective). In addition, his pass-through participation in the Company via WP XII Venture Holdings II SCSp amounts to approximately 0.52%. In the aggregate, from a pass-through perspective, Mr. Weiss' economic interest in the Company is below 1.00%. Britta Schmidt does not hold any further direct or indirect interest in the Company.

19.2.6 Term and Termination of Service Agreements, Commitments in Connection with Termination of Management Board Membership

The termination dates of the service agreements for each individual member of the Management Board correspond with their respective terms in office. In case of reappointment or extension of the term in office, the service agreements shall be prolonged for the period for which the reappointment or extension of the term in office is resolved. If the appointment as a member of the Management Board is revoked, the respective service agreement shall terminate as well. If, however, the revocation is based on good cause within the meaning of Section 84 (3) of the German Stock Corporation Act (*Aktiengesetz*), which does not constitute at the same time good cause within the meaning of Section 626 of the German Civil Code (*Bürgerliches Gesetzbuch*) for termination without notice of the relevant service agreement, such service agreement shall terminate after expiration of a twelve-month period to the end of a month or – whichever occurs earlier – at the end of the day until which the member of the Management Board has been appointed. In case of a change of control, Mr. Weiss is permitted to terminate his service agreement within a period of six months after the respective event, subject to a twelve-month notice period. For this purpose, a change of control occurs should one or more persons (if acting in concert) acquire more than 30% of the voting rights in the Company and at that time no other shareholder or (if acting concert) shareholders holds at least 30% of the voting rights in the Company. In case of such termination after a change of control, all of Mr. Weiss's SARs vest.

The service agreements of the members of the Management Board contemplate a post-contractual non-compete undertaking for a period of twelve months following the termination of the service agreement (which undertaking shall not apply to shareholdings in corporations publicly traded and listed on the stock exchange, provided such shareholdings do not exceed 3% of the stated capital of such listed corporation, or if the member of the Management Board, when resigning, has already reached regular retirement age of the statutory pension insurance). During the period of the non-compete undertaking, the Company shall pay to such former Management Board member, a monthly waiting allowance (*Karenzentschädigung*) equal to 100% of the monthly instalments of the fixed salary. Any amounts which the former Management Board member earns during the period for which such waiting allowance is paid shall be credited against such allowance. The Company may at any time unilaterally release the former Management Board member from the non-compete undertaking. In such case, the obligation to pay a waiting allowance as well as the Management Board member's obligations under the non-compete undertaking shall cease six months after such release.

Except as set forth above under "*19.2.4.3 New Remuneration System (post-IPO)*" and except for the abovementioned waiting allowance, no additional benefits have been pledged to any member of the Management Board in the event of termination of their service.

Beyond the service agreements and the LTI agreements of the members of the Management Board, there are no further service or employment agreements between the Company, its subsidiaries and the respective members of the Management Board under which any member of the Management Board is eligible for benefits from the Company or its subsidiaries in the event of the termination of his service.

19.3 Supervisory Board

19.3.1 Overview

In accordance with Article 9 para. 1 lit. c) (i) and 40 para. 3 of the SE Regulation in conjunction with Sections 95 and 96 of the German Stock Corporation Act (*Aktiengesetz*) and the Amended Articles of Association, the Supervisory Board consists of six members. All of the members are appointed by the Company's shareholders' meeting and represent the shareholders. Pursuant to Article 9 para 1 lit. c) (ii) of the SE Regulation in conjunction with Section 100 para. 5 of the German Stock Corporation Act, the members of the Supervisory Board as a whole shall be familiar with the industry in which the Company conducts its business.

According to the Amended Articles of Association, unless the shareholders' meeting has set a shorter term of office, the term of office of each Supervisory Board member expires at the end of the general shareholders' meeting ratifying the activities of the Supervisory Board for the fourth fiscal year following the commencement of the member's term of office, not including the fiscal year in which the term commences; in any event, members may only be appointed for a maximum of six years. The shareholders' meeting may determine a shorter term of office when appointing a Supervisory Board member. Members may be re-elected.

Substitute members may be elected to replace any Supervisory Board members appointed by the shareholders' meeting who leave office before the end of their term in an order determined at the time of the election. A person may be appointed as a substitute member for several Supervisory Board members. If a member of the Supervisory Board who leaves office before the end of his or her term is replaced by a newly-appointed Supervisory Board member, then such successor shall serve for the duration of the leaving member's term. However, if the leaving member is replaced by a substitute member, then the term of the substitute member shall serve until the end of the next shareholders' meeting in which a new Supervisory Board member in lieu of the leaving member is appointed, and at the latest until the end of the leaving member's term.

The members and substitute members of the Supervisory Board may resign from office at any time, even without good cause, by a written declaration addressed to the Management Board and the Chairman of the Supervisory Board, whereby a period of four weeks must be observed.

The Supervisory Board elects a chairperson and a deputy chairperson from amongst its members.

19.3.2 Current Members of the Supervisory Board

The following table shows the names of the members of the Supervisory Board of the Company, together with the positions each of the members of the Supervisory Board holds or has held as a member of a management, administrative or supervisory body in companies or as a partner in partnerships outside the IONOS Group in the last five years:

Name	**Year of Birth**	**Member since**	**Appointed until**	**Further positions as a member of a management, administrative or supervisory body in companies or as a partner in partnerships in the last five years outside the IONOS Group**
Ralph Dommermuth (Chairperson).......	1963	January 2023	2028*	*Present:* • Chairman of the Management Board of United Internet AG, Montabaur, Germany • Chairman of the Management Board of 1&1 AG, Montabaur, Germany • CEO of United Internet Investments Holding AG & Co. KG, Montabaur, Germany • Member of the Supervisory Board of 1&1 Telecommunications SE, Montabaur, Germany • Member of the Supervisory Board of 1&1 Mail & Media Applications SE, Montabaur, Germany • Chairman of the (optional) Advisory Board (*Beirat*) of 1&1 Versatel GmbH, Düsseldorf, Germany • Director (*Geschäftsführer*) of A 1 Marketing, Kommunikation und neue Medien GmbH, Montabaur, Germany • Managing Director (*Geschäftsführer*) of Ralph Dommermuth Verwaltungs GmbH • Managing Director (*Geschäftsführer*) of Ralph Dommermuth GmbH • Managing Director (*Geschäftsführer*) of RD Holding-Verwaltungs GmbH • Managing Director (*Geschäftsführer*) of Ralph Dommermuth Immobilien GmbH • Managing Director (*Geschäftsführer*) of Ralph

Name	Year of Birth	Member since	Appointed until	Further positions as a member of a management, administrative or supervisory body in companies or as a partner in partnerships in the last five years outside the IONOS Group
				Dommermuth Beteiligungen GmbH *Past:* • Member of the Supervisory Board of Tele Columbus AG, Berlin, Germany (June 2021 – February 2022) • Chairman of the Supervisory Board of 1&1 Mobilfunk GmbH, Düsseldorf, Germany (January 2020 – November 2021) • Member of the Supervisory Board of 1&1 Mail & Media Applications SE (October 2020 – December 2020)
René Obermann (Deputy Chairperson)..	1963	January 2023	2028*	*Present:* • Managing Director of Warburg Pincus Deutschland GmbH, Berlin, Germany • Chairman of the Supervisory Board of Airbus SE, Leiden, the Netherlands • Member of the Advisory Board (Non-Executive Director) of Connect Bidco Ltd., London, United Kingdom *Past:* • Member of the Board of Allianz Deutschland AG, Munich, Germany (March 2017 – March 2020) • Member of the Supervisory Board of Inexio Beteiligungs GmbH & Co. KGaA, Saarlouis, Germany (March 2017 - November 2019) • Member of the Supervisory Board of Inexio Informationstechnologie und Telekommunikation KGaA, Saarlouis, Germany (March 2017) • Chairman of the Supervisory Board of Inexio Informationstechnologie und Telekommunikation KGaA, Saarlouis, Germany (January 2017 - March 2017) • Member of the Board of Telenor ASA, Fornebu, Norway (January 2018 – August 2019) • Member of the Supervisory Board of CompuGroup Management Medical SE, Koblenz, Germany (May 2015 - December 2017) • Member of the Advisory Board of Spotify Technology SA, Luxembourg, Luxembourg (September 2014 - July 2016) • Member of the Supervisory Board of E.ON SE, Essen, Germany (May 2011 - June 2016) • Member of the Supervisory Board of Thyssen Krupp AG, Duisburg and Essen, Germany (November 2013 - August 2018)
Dr. Claudia Borgas-Herold...................	1963	January 2023	2028*	*Present:* • Member of the Supervisory Board of 1&1 AG, Montabaur, Germany (since January 2018) • Managing Director of borgas advisory GmbH, Luzern, Switzerland *Past:* • Member of the Supervisory Board of United Internet AG, Montabaur, Germany (May 2020 – August 2022) • Member of the Supervisory Board of Tele Columbus AG, Berlin, Germany (May 2021 –

Name	Year of Birth	Member since	Appointed until	Further positions as a member of a management, administrative or supervisory body in companies or as a partner in partnerships in the last five years outside the IONOS Group
				March 2022) • Member of the Supervisory Board of 1&1 Telecommunication SE, Montabaur, Germany (January 2018 – September 2021) • Member of the Supervisory Board of Drillisch Online GmbH (formerly: Drillisch Online AG), Maintal, Germany (January 2018 – July 2018)
Martin Mildner......................................	1970	January 2023	2028*	*Present:* • Member of the Management Board and CFO of United Internet AG, Montabaur, Germany • Member of the Supervisory Board of 1&1 Telecommunication SE, Montabaur, Germany • Deputy Chairman of the Supervisory Board of 1&1 Media Applications SE, Montabaur, Germany • Member of the (optional) Advisory Board (*Beirat*) of 1&1 Versatel GmbH, Düsseldorf, Germany • Member of the (mandatory) Advisory Board (*Beirat*) of 1&1 Versatel Deutschland GmbH, Düsseldorf, Germany • Chief Financial Officer of United Internet Investments Holding AG & Co. KG, Montabaur, Germany • (Sole) Member of the Management Board and CEO of United Internet Corporate Holding SE, Montabaur, Germany • (Sole) Member of the Management Board and CEO of United Internet Service SE, Montabaur, Germany • Director (*Geschäftsführer*) of United Internet Corporate Services GmbH, Montabaur, Germany • (Sole) Member of the Management Board and CEO of United Internet Management Holding SE, Montabaur, Germany • (Sole) Member of the Management Board and CFO of CA BG AlphaRho AG, Vienna, Austria • Member of the Supervisory Board of AWIN AG, Berlin, Germany • Member of the Supervisory Board of Tele Columbus AG, Berlin, Germany *Past:* • Chairman of the Supervisory Board of 1&1 Media Applications SE, Montabaur, Germany (December 2020 – June 2021) • Member of the Supervisory Boards of SportScheck GmbH and Hermes Europe GmbH • Managing Director (*Geschäftsführer*) of several companies of the Otto Group • Member of the Advisory Boards of several companies of the Otto Group • Member of the Advisory Board of Project A Services GmbH & Co. KG • Member of the Advisory Board of About You Holding GmbH & Co. KG
Vanessa Stützle	1978	January 2023	2028*	*Present:* • CEO of Luqom GmbH, Berlin, Germany • Member of the Supervisory Board of Hornbach Holding AG & Co. KGaA, Neustadt, Germany,

Name	Year of Birth	Member since	Appointed until	Further positions as a member of a management, administrative or supervisory body in companies or as a partner in partnerships in the last five years outside the IONOS Group
				and Hornbach Management AG, Trifels, Germany *Past:* • Chief Digital Officer of Douglas GmbH, Düsseldorf, Germany (May 2020 – September 2022) • Member of the Management Board (*Geschäftsführerin*) of Douglas GmbH (May 2020 – August 2022) • Member of the Management Board (*Geschäftsführerin*) of Parfümerie Douglas GmbH (January 2018 – June 2022) • Member of the Supervisory Board of HORNBACH Baumarkt AG, Bornheim/Palatinate, Germany (July 2018 – July 2022)
Kurt Dobitsch..	1954	January 2023	2028*	*Present:* • Chairman of the Supervisory Board of 1&1 Mail & Media Applications SE, Montabaur, Germany • Chairman of the Supervisory Board of 1&1 AG, Maintal, Germany • Chairman of the Supervisory Board of Nemetschek SE, Munich, Germany • Member of the Supervisory Board of Bechtle AG, Gaildorf, Germany • Member of the Supervisory Board of Singhammer IT Consulting AG, Munich, Germany *Past:* • Chairman of the Supervisory Board of United Internet AG, Montabaur, Germany (May 1998 – May 2021) • Deputy chairman of the Supervisory Board of 1&1 Telecommunication SE, Montabaur, Germany (May 2015 – September 2020) • Deputy chairman of the Supervisory Board of United Internet Investments Holding AG & Co. KG, Montabaur, Germany (May 2015 – March 2017) • Member of the Supversiory Board of Drillisch Online GmbH, Maintal, Germany (January 2018 – July 2018) • Member of the Supervisory Board of Graphisoft SE, Budapest, Hungary (2010 – May 2021) • Member of the Supervisory Board of Vectorworks Inc., Columbia, United States (2007 – May 2021)

* The term of the members of the Supervisory Board shall expire on the date of the general shareholders' meeting that resolves on the ratification of the activities of the Supervisory Board for the fiscal year ending December 31, 2027.

In the Company's assessment, the following members of the Supervisory Board of the Company are to be considered independent from any controlling shareholder, the Company and the Management Board in accordance with the recommendations of the German Corporate Governance Code: René Obermann, Dr. Claudia Borgas-Herold, Vanessa Stützle and Kurt Dobitsch.

19.3.2.1 Ralph Dommermuth (Chairperson) – Brief Biography

Ralph Dommermuth was born in 1963 in Dernbach, Germany. Mr. Dommermuth laid the foundation for today's United Internet AG with the formation in 1988 of 1&1 Marketing GmbH. He originally offered systemized marketing services for smaller software suppliers. He later developed additional marketing services for major clients, such as IBM, Compaq and Deutsche Telekom. With the growing professionalization of the Internet, these marketing services for third parties were gradually reduced and the company offered its own Internet services. In 1998, Mr. Dommermuth, a qualified banker, led 1&1's listing on the stock exchange. It was the first IPO of an Internet service provider in Germany. In 2000, 1&1 became United Internet AG. The company expanded over the next years, including participations in companies such as GMX and Schlund+Partner AG. Ralph Dommermuth has been the Chairman of the Management Board of United Internet AG (and its predecessor companies) since 1988. From August 2014 to June 2015, he was also a member of the Supervisory Board of Rocket Internet SE (in which, at that time, United Internet AG held a participation. He is Chairman of the Management Board of United Internet AG (since February 1998) and 1&1 AG (since January 2018) and CEO of United Internet Investments Holding AG & Co. KG (since April 2018). Further, he is a member of the Supervisory Board of 1&1 Telecommunications SE (since September 2021) and of 1&1 Mail & Media Applications SE (since March 2021; he previously had been a member from October 2020 to December 2020). He is further Chairman of the (optional) Advisory Board (*Beirat*) of 1&1 Versatel GmbH (since September 2019) and Director (*Geschäftsführer*) of A 1 Marketing, Kommunikation und neue Medien GmbH (since August 2005). He was a member of the Supervisory Board of IONOS SE (March 2017 to September 2018), the Company (March 2017 to December 2017), STRATO AG (April 2017 to October 2018) and Tele Columbus AG, Berlin, Germany (June 2021 to February 2022), as well as Chairman of the Supervisory Board of 1&1 Mobilfunk GmbH, Düsseldorf, Germany (January 2020 to November 2021). Since October 2021, he is the Chairman of the Supervisory Board of IONOS Holding SE; he had previously been Deputy Chairman of that Supervisory Board from September 2018 to December 2020 and a member of that Supervisory Board from March 2021 to September 2021. Since January 2023, Mr. Dommermuth is a member (and the Chairman) of the Supervisory Board of the Company.

19.3.2.2 René Obermann (Deputy Chairperson) – Brief Biography

René Obermann was born in 1963 in Düsseldorf, Germany. Mr. Obermann began his career with a business traineeship at BMW AG in Munich, Germany. In 1986, he founded his own business, ABC Telekom, a company distributing telecommunication equipment and providing technical services. After the acquisition of ABC Telekom by Hutchison Whampoa in 1991, René Obermann became Managing Partner of the resulting company, Hutchison Mobilfunk GmbH. Between 1993 and 1998, he was CEO of that company, and then worked at Deutsche Telekom Group from 1998 until 2013. After running Deutsche Telekom's mobile division (T-Mobile International), he was appointed as CEO of Deutsche Telekom AG in November 2006, where he remained until December 2013. From 2007 to 2013, he also served as Vice President of the German Association for Information Technology, Telecommunications and New Media (BITKOM). In addition, Mr. Obermann worked as CEO of Ziggo B.V. in the Netherlands from 2014 until the merger with LibertyGlobal's cable operator UPC Nederland in November 2020. René Obermann joined Warburg Pincus London LLC as an investment partner in 2015 and is currently Co-Head of Europe and Managing Director of Warburg Pincus Deutschland GmbH. He is also Deputy Chairman of the Supervisory Board of the Company. Since September 2018 he is a member of the Supervisory Board of IONOS Holding SE (including as Chairman of the Supervisory Board from September 2018 until September 2021, and as Deputy Chairman since December 2021); Mr. Obermann has notified IONOS Holding SE that he will resign as member of the Supervisory Board of IONOS Holding SE with effect after the end of the First Day of Trading, and IONOS Holding SE has confirmed that it accepts such resignation. In addition, Mr. Obermann is a Member of the Advisory Board (Non-Executive Director) of Connect Bidco Ltd., London, United Kingdom, the holding company of Inmarsat, a satellite network provider (since December 2019), and Chairman of the Supervisory Board of Airbus SE since (since April 2020; he has been a member of the Board since April 2018). Further, he served as a member of different boards of various companies: as Chairman of the Supervisory Board of IONOS SE (March 2017 to September 2018), STRATO AG (April 2017 to October 2018) and Inexio Informationstechnologie und Telekommunikation KGaA (January to March 2017); he served as a Member of the Supervisory Board of Allianz Deutschland AG (March 2017 to March 2020), Inexio Beteiligungs GmbH & Co. KG (March 2017 to November 2019), Telenor SA (January 2018 to August 2019), CompuGroup Medical SE (May 2015 to December 2017), E.ON SE (May 2011 to June 2016) and ThyssenKrupp AG (November 2013 to August 2018); also, he was a member of the Editorial Board (*Herausgeberrat*) of the German newspaper "Die Zeit" (2017 to 2019) and a member of the Advisory Board of Spotify Technology SA (September 2014 to July 2016).

19.3.2.3 Dr. Claudia Borgas-Herold – Brief Biography

Dr. Claudia Borgas-Herold was born in 1963 in Germany. After completing her studies in Business Administration at the University of St. Gallen, Switzerland, in 1987, and obtaining her PhD title at the same university in 1991, Dr. Borgas-Herold began her professional career at Booz & Co. GmbH, Munich, Germany (formerly Booz Allen Hamilton), where she was a principal (1991-2000) and partner/vice president (2000-2008). As an expert on the transformation of large corporations, Dr. Claudia Borgas-Herold supported several companies in their transformation strategy: from 2008 to 2018, she worked at Borealis AG, Vienna, Austria, as Head of CEO Office and, from 2016 to 2018, as Head of Circular Economy Solutions. In addition, since 2008 she is Managing Director of borgas advisory GmbH, Luzern, Switzerland. From 2018 to 2021, she acted as Head of CEO Office at Marquard & Bahls AG, Hamburg, Germany. From December 2017 to September 2021 she was a member of the Supervisory Board of 1&1 Telecommunication SE. Moreover, from May 2020 to August 2022 she was a member of the Supervisory Board of United Internet AG. Since 2018, she is a member of the Supervisory Board of 1&1 AG. In addition, from May 2021 until April 2022, Dr. Borgas-Herold was a member of the Supervisory Board of Tele Columbus AG, Berlin, Germany. Since September 2022, she is a member of the Supervisory Board of IONOS Holding SE. Furthermore, since August 2022, Dr. Borgas-Herold is a member of the Supervisory Board of IONOS SE, and she is a member of the Supervisory Board of the Company since January 2023.

19.3.2.4 Martin Mildner – Brief Biography

Martin Mildner was born in 1970 in Germany. In 1995, he completed his studies of Law at the Albert-Ludwigs-Universität Freiburg in Breisgau and in 2001 he obtained, in addition, his qualification as tax consultant (*Steuerberater*). Martin Mildner has extensive experience in the areas of Corporate Transactions, Compliance Management and Corporate and Tax Law. He began his professional career as Legal Manager at KPMG in Germany (1997-2004), before becoming an equity partner at the law firm Heuking Kühn Lüer Wojtek in 2004. From 2007 to 2020, he worked at the Otto Group, where he was Group General Counsel and Group Vice President M&A and played an active role in the strategic realignment of the company portfolio. Furthermore, Martin Mildner was a member of several Supervisory Boards as well as Advisory Boards of companies of the Otto Group, such as OTTO GmbH & Co. KG, SportScheck GmbH (Supervisory Board member), Hermes Europe GmbH (Supervisory Board member) or Project A Services GmbH & Co. KG. He is also a member of the Supervisory Board of IONOS Holding SE since October 2020. Further, he is a member of the Supervisory Board of 1&1 Telecommunication SE (since September 2021), AWIN AG (since March 2021) and Tele Columbus AG (since June 2021), Deputy Chairman of the Supervisory Board of 1&1 Mail & Media Applications SE (since June 2021, Chairman from December 2020 to June 2021) and a member of the (optional) Advisory Board (*Beirat*) of 1&1 Versatel GmbH (since October 2020) and the (mandatory) Advisory Board (*Beirat*) of 1&1 Versatel Deutschland GmbH (since March 2022). He is also a member of the Management Board and CFO of United Internet AG (since October 2020), CFO of United Internet Investments Holding AG & Co. KG (since October 2020), (sole) member of the Management Board and CEO of United Internet Corporate Holding SE (since October 2020), United Internet Service SE (since October 2020) and United Internet Management Holding SE (since October 2020). Additionally, he is a Director (*Geschäftsführer*) of United Internet Corporate Services GmbH (since October 2020) and (sole) member of the Management Board and CFO of CA BG AlphaRho AG (since October 2020). Since January 2023, he is a member of the Supervisory Board of the Company.

19.3.2.5 Vanessa Stützle – Brief Biography

Vanessa Stützle was born in 1978 in Germany. Ms. Stützle completed her studies in Business Administration at the University of Cologne, Germany. She began her professional career in 2003, as consultant for SBK GmbH. From 2005 to 2011 she was Head of E-Commerce Marketing & Sales at Esprit Europe GmbH, before switching to s.Oliver Bernd Freier GmbH & Co. KG, where she was, first, Head of E-Commerce and CRM (2011-2014) and later Chief Digital Officer (2014-2017). In January 2018, she became Executive Vice President and Customer Relationship Manager with responsibility for E-Commerce/Omni-Channel of Parfümerie Douglas GmbH (a position she held until April 2020), and from May 2020 until September 2022, she was Chief Digital Officer and a member of the management of Douglas GmbH, with responsibility for E-Commerce and Douglas' partner program, Omni-Channel, CRM, retail media sales, performance marketing and data strategy. As such, she has been a member of the management board (*Geschäftsführerin*) of Douglas GmbH (formerly called Kirk Beauty Two GmbH) from May 2020 to August 2022 and of Parfümerie Douglas GmbH from January 2018 to June 2022. From 2018 to 2022, Ms. Stützle was a member of the Supervisory Board of HORNBACH Baumarkt AG. Since September 2021, she is a member of the Supervisory Board of IONOS Holding SE. Since September 2022, Ms. Stützle is CEO of Luqom GmbH, Berlin, Germany, an online specialist for lighting and smart home products. In addition, since July 2022, she is a member of the Supervisory Board of HORNBACH Holding AG & Co. KGaA and Hornbach Management AG. Since January 2023, Ms. Stützle is a member of the Supervisory Board of the Company.

19.3.2.6 Kurt Dobitsch – Brief Biography

Kurt Dobitsch was born in 1954 in Austria. After completing his studies in electrical engineering and obtaining his Dipl.-Ing (FH), he started his professional career as a sales engineer at Texas Instruments Corporation in 1973, where he stayed until 1977. From 1977 to 1981, he was a sales manager at Intel Corporation, before taking a role as sales director at NEC Corporation until 1988. He served as a managing director for Access Computer GmbH from 1988 to 1989 and as Vice President Europe of Compaq Computer Corporation from 1989 to 1997.

He was chairman of the Supervisory Board of United Internet AG (May 1998 to May 2021), Deputy Chairman of the Supervisory Board of United Internet Investments Holding AG & Co. KG (May 2015 to March 2017), of 1&1 Telecommunication SE (May 2015 to September 2020) and of IONOS SE (June 2015 to March 2017), as well as a member of the Supervisory Board of Drillisch Online GmbH (January 2018 to July 2018), Graphisoft SE (2010 to May 2021) and Vectorworks Inc. (2007 to May 2021). He continues to be Chairman of the Supervisory Board of 1&1 AG (formerly called 1&1 Drillisch AG, since July 2021; he has been a member since October 2017), 1&1 Mail & Media Applications SE (since June 2021; he has been a member since December 2017) and Nemetschek SE (since 2000), as well as a member of the Supervisory Board of IONOS Holding SE (since March 2019), Bechtle AG (since 2000) and Singhammer IT Consulting AG (since 2021).

19.3.3 Contact

The members of the Supervisory Board can be contacted under the Company's address.

19.3.4 Committees

Pursuant to the Amended Articles of Association, the Supervisory Board may establish committees and may further delegate to such committees the authority to make decisions on behalf of the Supervisory Board to the extent legally permissible. The Supervisory Board has, in accordance with its rules of procedure, established (and the Amended Rules of Procedure of the Supervisory Board also contemplate) an audit and risk committee (the "**Audit and Risk Committee**", *Prüfungs- und Risikoausschuss*). Pursuant to its current rules of procedure and the Amended Rules of Procedure of the Supervisory Board, the Supervisory Board may establish additional committees. As of the date of the Prospectus, the Company does not have a remuneration committee. The tasks that such a remuneration committee would have are performed by the Supervisory Board as a whole.

The Audit and Risk Committee consists of three members. As of the date of the Prospectus, the Audit and Risk Committee consists of Kurt Dobitsch (chairperson), Martin Mildner and Dr. Claudia Borgas-Herold. The Audit and Risk Committee deals in particular with issues relating to accounting and risk management. Its key tasks include monitoring (i) the accounting process, (ii) the effectiveness of the internal control system, the risk management system, and the internal audit system, and (ii) the audit (including of the sustainability report). The Audit and Risk Committee's duties also include monitoring the Company’s resilience and efficiency.

19.3.5 Compensation

19.3.5.1 Compensation System

On January 26, 2023 the shareholders' meeting of the Company resolved upon the compensation of the members of the Supervisory Board which becomes effective on the First Day of Trading. The compensation of the members of the Supervisory Board is in line with market practice and consists of a fixed annual compensation for each member of the Supervisory Board, an attendance fee and an additional committee compensation in case of a chair or membership in a committee.

19.3.5.1.1 Fixed Annual Compensation

The Members of the Supervisory Board receive a fixed annual compensation in the amount of € 45,000.00. The fixed annual compensation for the chairperson of the Supervisory Board is € 55,000.00 and for the vice chairperson of the Supervisory Board € 50,000.00. Supervisory Board members, chairpersons or vice chairpersons who have been members, chairpersons or vice chairpersons of the Supervisory Board for only part of a fiscal year receive compensation calculated *pro rata temporis* for each month (rounded up to the nearest month) of their membership.

19.3.5.1.2 Attendance Fee

Every member of the Supervisory Board also receives an attendance fee of € 1,000.00 for every Supervisory Board meeting held in person. Insofar as Supervisory Board meetings do not take place in person, but are held virtually (in particular, if a meeting takes place only by telephone or only by video conference), members of the Supervisory Board do not receive any attendance fee if the meeting did not last longer than one hour; half of the attendance fee if the meeting lasted longer than one hour, but not more than two hours; and the full attendance fee if the meeting lasted two hours or more. Members who do not personally attend in-person meetings of the Supervisory Board (such as participation by telephone or video conference) always receive only 25% of the attendance fee; participation solely in the form of submission of a voting message does not entitle Supervisory Board members to receive an attendance fee.

19.3.5.1.3 Committee Compensation

The chairperson of the Audit Committee receives an additional compensation in the amount of € 20,000.00 per full fiscal year. Members of the Audit Committee receive an additional compensation in the amount of € 15,000.00 per full fiscal year. Committee members or chairpersons who have been members or chairpersons of the Audit Committee for only part of a fiscal year receive compensation calculated *pro rata temporis* for each month (rounded up to the nearest month) of their membership.

19.3.5.1.4 Miscellaneous

The members of the Supervisory Board are entitled to reimbursement of their reasonable expenses incurred in connection with the exercise of their office. In particular, the Company must bear the costs incurred for necessary training and education of members of the Audit Committee. Expenses are reimbursed instantly. In addition, the members of the Supervisory Board will be reimbursed for any VAT accrued on compensation and expenses. The Company maintains a D&O insurance for the members of its Supervisory Board, for which the Company bears the costs incurred.

19.3.5.2 Remuneration in Fiscal Year 2021 and Fiscal Year 2022

The then members of the Supervisory Board of the Company (Max Fowinkel, Issam Abedin, Sebastian Heming (resigned as of September 17, 2021), Markus Kadelke, Lutz Laffers, Markus Langer and Lysander Ammann (since November 26, 2021) did not receive any remuneration in fiscal year 2021. Also in fiscal years 2020 and 2019 no remuneration was paid to the persons who were at the respective times members of the Supervisory Board of the Company.

For fiscal year 2022, the remuneration due to the current members of the Supervisory Board (Mr. Dommermuth, Mr. Obermann, Dr. Borgas-Herold, Mr. Mildner, Ms. Stützle and Mr. Dobitsch) for services in all capacities within any entity of the IONOS Group amounted, in the aggregate, to € 0.076 million (thereof: € 22,250 for Mr. Obermann, € 23,000 for each of Ms. Stützle and Mr. Dobitsch, € 7,666.67 for Dr. Borgas-Herold; Mr. Dommermuth and Mr. Mildner did not receive any remuneration for fiscal year 2022). These amounts include both fix and variable remuneration components (*i.e.*, attendance fees) and are expected to be paid out in fiscal year 2023 (for fiscal year 2022). The current members of the Supervisory Board received no in-kind benefits for fiscal year 2022.

19.3.6 Shareholdings of Supervisory Board Members in the Company

As of the date of the Prospectus, Mr. Dommermuth, the Chairman of the Company's Supervisory Board, holds approximately 51.03% of the shares in United Internet AG, namely 49.28% via the entity Ralph Dommermuth GmbH, Montabaur, Germany, 1.03% via RD Holding GmbH & Co. KG, and 0.72% via the entity Ralph Dommermuth GmbH, Montabaur, Germany; in turn, United Internet AG holds 75.1% of the shares in the Company. From a pass-through perspective, Mr. Dommermuth indirectly holds an economic interest of approximately 38.32% in the Company.

As of the date of the Prospectus, Mr. Obermann is indirectly invested in the Company via co-investments and carried interest participations in private equity funds managed by Warburg Pincus LLC, a New York limited liability company, which are indirect shareholders of the Company. From a pass-through perspective, Mr. Obermann has an indirect interest in the Company of approximately 0.03%.

As of the date of the Prospectus, no other member of the Supervisory Board holds – directly or indirectly – any shares or share options in the Company.

19.4 Certain Information on the Members of the Management Board and the Supervisory Board, Conflict of Interest

During the last five years, no current member of the Management Board or Supervisory Board has been convicted in relation to fraudulent offenses, or subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer. Mr. Achim Weiss, the Chairman of the Management Board of the Company, was a member of the supervisory board of Fonpit AG, Berlin, Germany, from May 2009 to June 2019. After Mr. Weiss had left Fonpit AG, insolvency proceedings relating to Fonpit AG were opened in August 2019 and the company was liquidated. Except for this, during the last five years, no current members of the

Management Board or Supervisory Board has been associated with any bankruptcies, receiverships or liquidations.

At the date of the Prospectus, no family relationships exist among the members of the Management Board and the members of the Supervisory Board, neither among themselves or in relation to the members of the respective other body.

As of the date of the Prospectus, Mr. Dommermuth indirectly holds approximately 51.03% of the shares in United Internet AG, which holds 75.1% of the shares in the Company, including via investment vehicles such as Ralph Dommermuth Verwaltungs GmbH, Ralph Dommermuth GmbH, RD Holding-Verwaltungs GmbH, Ralph Dommermuth Immobilien GmbH and Ralph Dommermuth Beteiligungen GmbH, in which he is the managing director (see "*19.3.6 Shareholdings of Supervisory Board Members in the Company*"). Mr. Obermann is indirectly invested in the Company via co-investments and carried interest participations in private equity funds managed by Warburg Pincus LLC, a New York limited liability company, which are indirect shareholders of the Company. From a pass-through perspective, Mr. Obermann has an indirect interest in the Company of approximately 0.031%. In addition, Achim Weiss is indirectly invested in the Company via United Internet AG and via WP XII Venture Holdings II SCSp, and has, in the aggregate, from a pass-through perspective, an economic interest in the Company below 1.00%. Accordingly, these persons may have a potential conflict of interest due to their participation in the shareholders of the Company while at the same time having a role in the governing bodies of the Company. They also have an interest in the success of the Offering on the best possible terms due to such participation. Except as described above, prior to completion of the Offering, the members of the Management Board and the Supervisory Board hold no other participation in the Company.

In addition, some parts of the variable remuneration paid to Mr. Mildner (also in relation to other tasks for the United Internet Group) were and are linked to the success of the United Internet Group. These persons may therefore have an economic interest in promoting the affairs of the United Internet Group. Furthermore, both members of the Management Board, the CEO of the Company, Mr. Weiss, and the CFO of the Company, Ms. Schmidt, have received units as participants of a management incentive program of the Company (see "*19.2.4.1.2 Management Incentive Program I*" and "*19.2.4.3.7 MIP I Rollover: New Long-Term Investment Program*"). To the extent the members of the Management Board or the Supervisory Board indirectly participate in the results of the Company, they may, separately from their positions in the respective governing body, have financial interests as a result of their participations, which constitutes a potential conflict of interest.

As of the date of the Prospectus, certain members of the Supervisory Board of the Company are members of the governing bodies of, or have certain relationships with, United Internet AG and certain other (indirect) shareholders of the Company or affiliates of such (indirect) shareholders. Specifically, Ralph Dommermuth, who is the Chairman of the Company's Supervisory Board, is also the CEO of the management boards of United Internet AG and 1&1 AG, a subsidiary (78.32%) of United Internet AG; René Obermann, who is the Deputy Chairman of the Company's Supervisory Board, is managing director of Warburg Pincus Deutschland GmbH, a company affiliated with WP XII Venture Holdings II SCSp (which holds 24.9% of the Company's shares as of the date of the Prospectus); Dr. Claudia Borgas-Herold, a member of the Company's Supervisory Board, is a member of the supervisory board of 1&1 AG; Martin Mildner, also a member of the Company's Supervisory Board, is a member of the Management Board and CFO of United Internet AG, a member of the supervisory board of Tele Columbus AG (an indirect subsidiary of United Internet AG (pass-through interest of approximately 37.9%) and chairman of the supervisory board of 1&1 Mail & Media Applications SE. In addition, Mr. Dommermuth and Dr. Borgas-Herold were members of the supervisory board of Tele Columbus AG until February 9, 2022 and March 21, 2022, respectively.

Since the interests of United Internet AG and the Company will not necessarily always coincide or be aligned, the aforementioned dual mandates and other relationships of the Group's Supervisory Board members with United Internet AG or any of its subsidiaries not belonging to the IONOS Group may in the future result in conflicts of interest for these persons.

Except as described above, there are no actual or potential conflicts of interest between any duties of the members of the Management Board and the Supervisory Board to the Company and their private interests and/or other duties.

None of the members of the Management Board or the Supervisory Board has entered into a service agreement with a company of the Group that provides for benefits upon termination of employment or office.

19.5 Shareholders' Meeting

Pursuant to the Amended Articles of Association, the general shareholders' meeting of the Company shall be held either at the registered seat of the Company or at a German city in which a stock exchange is located. Each of the Company's shares confers one vote at the Company's general meetings.

A shareholders' meeting is generally convened by the Management Board. Furthermore, the Supervisory Board may also convene a shareholders' meeting and must do so if it is in the interest of the Company. In addition, shareholders whose aggregate shareholdings make up 5% of the Company's share capital may request that a shareholders' meeting be held. Shareholders or shareholder associations may solicit other shareholders to make such a request, jointly or by proxy, in the shareholders' forum of the German Federal Gazette (*Bundesanzeiger*), which is also accessible via the website of the German Company Register (*Unternehmensregister*). If, following a request made by shareholders whose shareholdings collectively make up 5% of the share capital, a shareholders' meeting of the Company is not held in due time, the competent local court (*Amtsgericht*) may authorize the shareholders who have requested it or their representatives to convene a shareholders' meeting of the Company. The general shareholders' meeting takes place within six months of the end of the fiscal year.

Pursuant to the Amended Articles of Association, all shareholders who are registered in the share register and who have registered, in writing, to attend the meeting, either with the Company or at one of the addresses stated for this purpose in the invitation. The attendance registration must be received at the latest on the third day prior to the shareholders' meeting. The details of the registration will be published in the Federal Gazette together with the convening notice.

Voting rights may be exercised by proxy. The granting of a proxy, its revocation and the evidence of authority to be provided to the Company must be in text form, unless the convening notice provides for a less strict form. Section 135 of the German Stock Corporation Act (*Aktiengesetz*) remains unaffected.

The Management Board may allow the shareholders to participate in the shareholders' meeting without being present at the venue and to exercise all or some of their rights in whole or in part by means of electronic communication. In addition, the Management Board may allow shareholders to cast their votes in writing without attending the meeting, either in writing or by means of electronic communication (postal ballot). In such cases, the Management Board shall also determine the further procedural details, which it shall announce when convening the shareholders' meeting.

Pursuant to the Amended Articles of Association, the Management Board is authorized to permit the full or partial video and audio transmission of the shareholders' meeting in a form to be further determined by the Management Board.

The Management Board is authorized to determine that the shareholders' meeting shall be held without the physical presence of the shareholders or their proxies at the location of the shareholders' meeting until January 26, 2028 in accordance with statutory provisions (virtual shareholders' meeting).

The shareholders' meeting is chaired by the chairperson of the Supervisory Board or by another member of the Supervisory Board authorized by the chairperson of the Supervisory Board or, if the chairperson of the Supervisory Board is not present and no authorization has been given (or if the appointee is not present), by a Supervisory Board member nominated by the Supervisory Board members present.

Pursuant to the Amended Articles of Association, resolutions of the shareholders' meeting are generally adopted by the simple majority of the votes cast (*einfacher Mehrheit der Stimmen*), unless otherwise required by mandatory stipulations. Insofar as the law requires a capital majority in addition to a majority of the votes cast for resolutions of the Company's shareholders' meeting, a simple majority of the share capital represented shall be sufficient to the extent legally permissible.

According to Articles 5, 57 and 59 of the SE Regulation and Section 51 of the SEAG in conjunction with the current version of the German Stock Corporation Act, resolutions of fundamental importance (*grundlegende Bedeutung*) require both a majority of votes cast and a majority of at least 75% of the registered share capital represented when the resolution is adopted. Such resolutions of fundamental importance include, among others:

- contracts within the meaning of section 179a of the of the German Stock Corporation Act (transfer of the entire assets of the company) and management actions of special significance that require the approval of the general meeting in compliance with legal precedents;

- amendments to the corporate purpose of the Company;
- capital increases without subscription rights;
- the creation of conditional or authorized capital;
- ordinary or simplified capital reductions;
- the liquidation of the Company;
- the continuation of the liquidated company after the resolution on liquidation or expiry of the time period;
- the approval to conclude, amend or terminate affiliation agreements (*Unternehmensverträge*); and
- measures within the meaning of the German Transformation Act (*Umwandlungsgesetz*).

Once the respective shares have been acquired in compliance with the applicable legal provisions, and subject to ongoing compliance with such applicable legal provisions, including, for example, merger control and foreign investment regulations, neither EU nor German law, nor the Amended Articles of Association, limit the right of foreign shareholders or shareholders not domiciled in Germany to hold shares or exercise the voting rights associated therewith.

19.6 Corporate Governance and Compliance

The German Corporate Governance Code (*Deutscher Corporate Governance Kodex*) (the "**Code**") in its most recent version of April 28, 2022, as published in the German Federal Gazette (*Bundesanzeiger*) on June 27, 2022, provides recommendations and suggestions for the management and supervision of German listed companies. It is based on internationally and nationally recognized standards of good and responsible corporate management. The Code contains principles, recommendations ("shall provisions") (*Empfehlungen*) and suggestions ("should provisions") (*Anregungen*) that are intended to ensure that the company is managed in its best interests. The Code aims to promote confidence in the management and supervision of German listed companies by investors, customers, employees, and the general public. The matters addressed by the Code include the shareholders' meeting, the management board and the supervisory board, transparency and accounting, as well as auditing of financial statements. German stock corporation law only requires the management board and the supervisory board of a listed company to state annually that the recommendations in the Code have been complied with, or to explain which recommendations have not been complied with and are not being applied and the reasons behind non-compliance. It is possible to deviate from the suggestions contained in the Code without disclosure. The declaration of conformity must be permanently publicly available on the Company's website.

Prior to the Admission to Trading (*Zulassung*) of the Company's shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the Company is not subject to the obligation to render a declaration as to compliance with the Code.

As of the date of the Prospectus, the Company complies, and following the Admission to Trading (*Zulassung*) of the Company's shares on the Frankfurt Stock Exchange intends to comply, with all recommendations of the Code, apart from the following:

- Item D.4: According to the Code's recommendation, the supervisory board of a listed company shall form a nomination committee, composed exclusively of shareholder representatives, which names suitable candidates to the supervisory board for its proposals to the general meeting. The Supervisory Board does not form any other committees in addition to the Audit and Risk Committee, but performs all other tasks as a whole. The Supervisory Board considers this to be appropriate, as efficient plenary discussions and an intensive exchange of opinions are possible even with a six-member Supervisory Board. Accordingly, the Supervisory Board sees no need to establish a nomination committee.
- Item G.2: According to the Code's recommendation, the supervisory board shall establish the specific target total remuneration for each management board member on the basis of the remuneration system, which shall be appropriate to the corresponding management board member's tasks and performance as well as to the enterprise's overall situation and performance, and shall not exceed the usual level of remuneration without specific reasons. With respect to Achim Weiss, an annual target has only been set for

his fixed compensation (but excluding fringe benefits) as well as for the Short-Term Incentive. For the Long-Term Incentive of Mr. Weiss, no annual target remuneration has been set. This arrangement is reflective of the fact that Mr. Weiss (co-)founded Schlund+Partner and ProfitBricks, which form now part of IONOS (see "*19.2.2.1 Achim Weiss – Brief Biography*").

- Item G.10: According to the Code's recommendation, taking the respective tax burden into consideration, variable remuneration components of management board members shall be invested predominantly in company shares by the respective management board member, or shall be granted as share-based remuneration. Granted long-term variable remuneration components shall be accessible to management board members only after a period of four years. At the Company, share-based remuneration is awarded in the form of a Stock Appreciation Rights ("**SARs**") Program as a long-term remuneration program for the Management Board members. The term of this program totals six years. Within this period of six years, a Management Board member can redeem a portion (33%) of the vested SARs at certain points in time — at the earliest, however, after three years. This means that a Management Board member can obtain a part of the long-term variable remuneration after only three years. After five years, full exercising of all SARs is possible for the first time. The Supervisory Board is of the opinion that this system of long-term remuneration has proven its value and sees no reason to postpone any further the possibility of obtaining remuneration earned under the program. The Supervisory Board believes that the link to the Company's share price and its option to grant its own shares to satisfy the claims under the program secure reasonable participation of Management Board members in the risks and opportunities of the Company. Since the program has been designed with a term of six years and the awarded SARs are vested in tranches over this term and at the earliest after three years, the Supervisory Board is of the opinion that the program achieves an optimal commitment effect and incentive control in the interest of the Company and does not require any changes.

- Item G.12: According to the Code's recommendation, if the contract of a management board member is terminated, the disbursement of any remaining variable remuneration components which are attributable to the period until contract termination shall be based on the originally agreed targets and comparison parameters, and on the due dates or holding periods stipulated in the contract. With respect to the Company, in case of a decision by Achim Weiss to not extend his service agreement after the original term of three years or upon the excise of his right to terminate his service agreement after a change of control, all of his SARs vest and the value of the SAR entitlement as well as the number of shares that serve as the basis for the calculation of the settlement will be determined. The final settlement itself will not occur before the original due date. This arrangement is reflective of the fact that Mr. Weiss (co-)founded Schlund+Partner and ProfitBricks, which form now part of IONOS (see "*19.2.2.1 Achim Weiss – Brief Biography*").

- Item G.14: According to the Code's recommendation, change of control clauses that commit to benefits in the case of early termination of a management board member’s contract due to a change of control should not be agreed upon. With respect to the Company, Achim Weiss has been granted a special termination right (subject to the condition precedent that the shares of the Company are admitted to trading on the Frankfurt Stock Exchange, which condition will be deemed to be fulfilled upon the First Day of Trading) in case of a change of control, which would result in an accelerated vesting as described above. This arrangement is reflective of the fact that Mr. Weiss (co-)founded Schlund+Partner and ProfitBricks, which form now part of IONOS (see "*19.2.2.1 Achim Weiss – Brief Biography*").

20 TAXATION OF SHAREHOLDERS IN GERMANY

The tax laws of any jurisdiction with authority to impose taxes on the Company's shareholders and the tax laws of the Company's country of incorporation (i.e., Germany) may have an impact on the income received from the shares.

The following section presents a number of key German taxation principles which generally are or can be relevant to the acquisition, holding or transfer of shares both by a shareholder (an individual, a partnership or corporation) that has a tax domicile in Germany (that is, whose place of residence, habitual abode, registered office or place of management is in Germany) and by a shareholder without a tax domicile in Germany. The information is not exhaustive and does not constitute a definitive explanation of all possible aspects of taxation that could be relevant for shareholders. The information is based on the tax laws in force in Germany as of the date of the Prospectus (and their interpretation by administrative directives and courts) as well as typical provisions of double taxation treaties that Germany has concluded with other countries. Tax law can change – sometimes retrospectively. Moreover, it cannot be ruled out that the German tax authorities or courts may consider an alternative interpretation or application to be correct that differs from the one described in this section.

This section cannot serve as a substitute for tailored tax advice to individual shareholders. Shareholders are therefore advised to consult their tax advisers regarding the tax implications of the acquisition, holding or transfer of shares and regarding the procedures to be followed to achieve a possible reimbursement of German withholding tax (Kapitalertragsteuer). Only such advisers are in a position to take the specific tax-relevant circumstances of individual shareholders into due account.

20.1 Income Tax Implications of the Holding, Sale and Transfer of Shares

In terms of the taxation of shareholders of the Company, a distinction must be made between taxation in connection with the holding of shares ("*20.2 Taxation of Dividends*") and taxation in connection with the sale of shares ("*20.3 Taxation of Capital Gains*") and taxation in connection with the gratuitous transfer of shares ("*20.5 Inheritance and Gift Tax*").

20.2 Taxation of Dividends

20.2.1 Withholding Tax

As a general rule, dividends distributed to the shareholder are subject to a withholding tax of 25.0% and a solidarity surcharge of 5.5% thereon (*i.e.*, 26.375% in total plus church tax, if applicable). This, however, will not apply if and to the extent that dividend payments are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 Körperschaftsteuergesetz*, "**KStG**"); in this case no withholding tax will be withheld. However, these payments will reduce the acquisition costs of the shares and may, consequently, result in or increase a taxable gain upon the disposal of the shares (see below at "*20.3 Taxation of Capital Gains*"). The assessment basis for the withholding tax is the dividend approved by the general shareholders' meeting.

If shares – as it is the case with the shares in the Company – are admitted for collective custody (*Sammelverwahrung*) by a central securities depository (*Wertpapiersammelbank*) pursuant to Section 5 German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such central securities depository for collective custody in Germany, the withholding tax is withheld and passed on for the account of the shareholders (i) by the domestic credit or financial services institution (*inländisches Kredit- oder Finanzdienstleistungsinstitut*) (including domestic branches of such foreign enterprises), by the domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or by the domestic securities trading bank which keeps or administers the shares and disburses or credits the dividends to the shareholder or disburses the dividends to a foreign agent, (ii) by the central securities depository to which the shares were entrusted for collective custody if the dividends are disbursed to a foreign agent by such central securities depository or (iii) by the Company itself if and to the extent shares held in collective custody by the central securities depository are treated as so-called "*abgesetzte Bestände*" (stock being held separately) (hereinafter in all cases (i) through (iii), the "**Dividend Paying Agent**"). Aside from the case of stock being held separately, the Company does not assume any responsibility for the withholding of the withholding tax.

In general, the withholding tax must be withheld without regard as to whether and to what extent the dividend is exempt from (corporate) income tax at the level of the shareholder and whether the shareholder is domiciled in Germany or in a foreign country.

However, withholding tax on dividends distributed to a company resident in another EU Member State within the meaning of Article 2 of the Council Directive 2011/96/EU of November 30, 2011, as amended ("**Parent-Subsidiary Directive**"), may be refunded upon application and subject to further conditions. This also applies to dividends distributed to a permanent establishment of such a parent company in another EU Member State or to a parent company that is subject to unlimited tax liability in Germany, provided that the participation in the Company is actually part of such permanent establishment's business assets. Further requirements for the refund of withholding tax under the Parent-Subsidiary Directive are that the shareholder has directly held at least 10.0% of the Company's registered share capital continuously for one year and that a respective application is filed with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*, *Hauptdienstsitz Bonn-Beuel*, An der Küppe 1, D-53225 Bonn, Germany). If, in the case of a holding of at least 10.0% of the Company's registered share capital, shares held in collective custody by the German central securities depository Clearstream Banking AG are treated as so-called "*abgesetzte Bestände*" (stock being held separately), the German tax authorities will not object when the main paying agent (*Hauptzahlstelle*) of the Company upon presentation of a valid exemption certificate (*Freistellungsbescheinigung*) and of a proof that this stock has been held separately, disburses the dividend without deducting withholding tax. An exemption certificate can be granted upon application (using official application forms) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) (at the above address).

With respect to distributions made to shareholders not tax resident in Germany, the withholding tax may be at least partially refunded in accordance with an applicable double taxation treaty Germany has entered into with the respective shareholder's country of residence if the shares neither form part of the assets of a permanent establishment or a fixed place of business in Germany, nor form part of business assets for which a permanent representative in Germany has been appointed. The withholding tax refund is generally granted by the German Federal Central Tax Office (at the above address) upon application in such a manner that the difference between the total amount withheld, including the solidarity surcharge, and the reduced withholding tax actually owed under the relevant double taxation treaty (generally between 5.0% and 15.0%) is refunded by the German Federal Central Tax Office.

Applying for a full or partial refund of withholding tax pursuant to a relief provided by the Parent-Subsidiary Directive or an applicable double taxation treaty is not required if the Federal Central Tax Office has, upon application on the officially prescribed form, issued an exemption certificate (*Freistellungsbescheinigung*) which documents that the prerequisites for the full exemption from withholding tax or the application of the reduced withholding tax rates have been met. Dividends covered by the exemption certificate of the shareholder are then either fully exempt from withholding tax or only subject to the reduced withholding tax rates as stipulated in the exemption certificate.

Forms for the application of a refund of or the exemption from the withholding tax are available at the German Federal Central Tax Office (at the above address or online at https://www.bzst.de).

If dividends are distributed to corporations subject to non-resident taxation in Germany, *i.e.*, corporations with no registered office or place of management in Germany and if the shares neither belong to the assets of a permanent establishment or fixed place of business in Germany nor are part of business assets for which a permanent representative in Germany has been appointed, two-fifths of the tax withheld at the source can generally be refunded even if not all of the prerequisites for an exemption or refund under the Parent-Subsidiary Directive or an applicable double taxation treaty are fulfilled. The relevant application forms are available at the German Federal Central Tax Office (at the above address).

The aforementioned possibilities for an exemption from or a refund of withholding tax depend on certain other conditions being met (particularly, in case of foreign corporations, the fulfillment of tight "substance requirements" – *Substanzerfordernisse*).

Pursuant to special rules, the aforementioned withholding tax reliefs as well as the credit of withholding tax described in the section "*20.2.2 Taxation of Dividends of Shareholders with a Tax Residence in Germany*" below for shares held as non-business and as business assets will only be granted if the shareholder (i) has been the economic owner of the shares for a continuous period of at least 45 days during the period starting 45 days prior to the date when the dividend becomes due and ending 45 days after such date (the "**Minimum Holding Period**" (*Mindesthaltedauer*)), (ii) has been exposed (if taking into account claims of the shareholder from transactions reducing the risk of changes of the market value of the shares and corresponding claims of related parties of the shareholder) to at least 70.0% of the risk resulting from a decrease-in-value of the shares continuously during the Minimum Holding Period (the minimum change-in-value risk (*Mindestwertänderungsrisiko*)) and (iii) is not obliged to forward (*vergüten*) these dividends, directly or indirectly, in total or predominantly to another person.

In the event that a shareholder tax resident in Germany does not meet the aforementioned three requirements, three fifths of the withholding tax levied on the dividends (*i.e.*, 15.0% of the dividends) is not creditable, but may, upon application, be deducted when determining the shareholder's taxable income in an assessment procedure. Shareholders who do not meet the requirements but who have, nevertheless, not suffered a withholding tax deduction on the dividends (for example, due to the presentation of a non-assessment certificate) or have already obtained a refund of the taxes withheld, are obliged to notify their competent tax office thereof and to make the payment of an amount corresponding to 15.0% of the relevant dividends. The special rule on the restriction of withholding tax credit does not apply to a shareholder if either (i) his or her amount of dividend income on shares (including shares of the Company) and certain profit participation rights (*Genussrechte*) does not exceed an amount of € 20,000 in a given tax assessment period or if (ii) he or she has been, upon actual receipt of the dividend, the economic owner of the shares for a continuous period of at least one year, whereby shares of the shareholder acquired first are deemed to be sold first (first in – first out).

In the event that a shareholder not tax resident in Germany does not meet the aforementioned three requirements, a refund of the withholding tax pursuant to a double taxation treaty is not available. This restriction only applies if (i) the applicable double taxation treaty provides for a tax reduction leading to an applicable tax rate of less than 15.0%, (ii) the shareholder is not a corporation that directly holds at least a participation of 10.0% of the equity capital of the Company and is subject to tax on its income and profits in its state of residence without being exempt and (iii) the shareholder has not been, upon actual receipt of the dividend, the economic owner of the shares for a continuous period of at least one year, whereby shares of the shareholder acquired first are deemed to be sold first (first in – first out).

The Dividend Paying Agent which keeps or administrates the shares and pays or credits the capital income is required to create so-called "pots for offsetting losses" (*Verlustverrechnungstöpfe*) to allow for negative capital income to be set off against current and future positive capital income. A set off of negative capital income at one Dividend Paying Agent against positive capital income at another Dividend Paying Agent is only possible in the course of the income tax assessment at the level of the respective shareholder. In such case the relevant shareholder has to apply for a certificate confirming the amount of losses not offset with the Dividend Paying Agent where the pot for offsetting losses exists. The application is irrevocable and must reach the Dividend Paying Agent until December 15 of the respective year, as otherwise the losses will be carried forward by the respective Dividend Paying Agent to the following year.

Withholding tax will not be withheld by a Dividend Paying Agent if the shareholder provides such Dividend Paying Agent with an application for exemption (*Freistellungsauftrag*) to the extent such shareholder's capital income does not exceed the annual lump-sum deduction (*Sparer-Pauschbetrag*) of € 1,000 (€ 2,000 for married couples and registered partners jointly assessed) as outlined on the application for exemption. Furthermore, no withholding tax will be levied if the shareholder provides the Dividend Paying Agent with a non-assessment certificate (*Nichtveranlagungsbescheinigung*) to be applied for with the competent tax office.

20.2.2 Taxation of Dividends of Shareholders with a Tax Residence in Germany

This section applies to shareholders with a tax residence in Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

20.2.2.1 Shares Held as Non-Business Assets

Dividends distributed to shareholders who are tax residence in Germany and who hold their shares as non-business (*i.e.*, private) assets form part of their taxable capital investment income, which is subject to a special uniform income tax rate of 25.0% plus solidarity surcharge of 5.5% thereon (*i.e.*, 26.375% in total plus church tax, if applicable). The income tax owed for this dividend income is generally satisfied by the withholding tax withheld by the Dividend Paying Agent (flat-rate withholding tax (*Abgeltungsteuer*)). Income-related expenses cannot be deducted from the shareholder's capital investment income (including dividends), except for an annual lump-sum deduction (*Sparer-Pauschbetrag*) of € 1,000 (€ 2,000 for married couples and registered partners jointly assessed).

However, such shareholders may request that their capital investment income (including dividends) paid by the Company) will be – together with their other taxable income – be assessed in accordance with the general rules at the individual's progressive income tax rate (instead of the uniform tax rate for capital investment income) if this results in a lower tax burden. In this case, income-related expenses cannot be deducted from the capital investment income, except for the aforementioned annual lump-sum deduction. If the withholding tax deduction does not satisfy (*abgelten*) the tax liability of the shareholder, the withholding tax will generally be credited against the income tax so computed and any excess amount will be refunded, provided that the credit and refund is not excluded under the special rule on the restriction of crediting or refunding withholding tax (see above "*20.2.1 Withholding Tax*") are fulfilled.

Exceptions from the flat-rate withholding tax also apply upon application for shareholders who have a shareholding of at least 25.0% in the Company and for shareholders who have a shareholding of at least 1.0% in the Company and are able to entrepreneurially influence the business activities of the Company through a professional work for the Company. In this situation, the tax treatment described below at "*20.2.2.2.2 Sole Proprietors*") applies.

For taxpayers, subject to church tax, such tax will be withheld by way of an automated procedure and remitted to the religious community levying the tax. Church tax withheld at source may not be deducted as a special expense (*Sonderausgabe*) in the course of the tax assessment, but the Dividend Paying Agent may reduce the standard withholding tax rate (including the solidarity surcharge of 26.375%) by the church tax to be withheld on the dividends. Where shareholders have lodged a timely written objection with the German Federal Central Tax Office (*Bundeszentralamt für Steuern* (at the above address)) (so-called "blocking notice" – *Sperrvermerk*) as regards the automated retrieval of data on their religious affiliation, church tax will not be automatically deducted. In this case, a shareholder subject to church tax is obliged to declare the dividends in his or her income tax return. The church tax on the dividends is then levied by way of a tax assessment.

As an exemption, dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) and are paid to shareholders who are tax resident in Germany and hold their shares as non-business (*i.e.*, private) assets, do – contrary to the above – not form part of the shareholder's taxable income but reduce the acquisition costs for the underlying shares. This results in a higher capital gain in the event of the shares' disposal (see below at "*20.3 Taxation of Capital Gains*"). However, this will not apply if (i) the shareholder or, in the event of a gratuitous transfer, its legal predecessor, or, if the shares have been gratuitously transferred several times in succession, one of his or her legal predecessors at any point during the five years preceding the (deemed, as the case may be,) disposal directly or indirectly held at least 1.0% of the share capital of the Company (a "**Qualified Holding**") and (ii) the dividend payment funded from the Company's contribution account for tax purposes exceeds the actual acquisition costs of the shares. In such a case of a Qualified Holding, a dividend payment funded from the Company's contribution account for tax purposes is deemed a sale of the shares and is taxable as a capital gain if and to the extent the dividend payment funded from the Company's contribution account for tax purposes exceeds the acquisition costs of the shares. In this case the taxation corresponds with the description in the section "*20.3.1.1 Shares Held as Non-Business Assets*" made with regard to shareholders maintaining a Qualified Holding.

20.2.2.2 Shares Held as Business Assets

The withholding tax (including the solidarity surcharge and church tax, if applicable) that is levied on dividends from shares that are held as business assets by shareholders who are tax resident in Germany does not satisfy such shareholder's tax liability, but will generally be credited against the shareholder's income or corporate income tax liability (including the solidarity surcharge and church tax, if applicable) or refunded in the amount of any excess, provided that the credit or refund is not excluded under the special rule on the restriction of crediting or refunding withholding tax (see above "*20.2.1 Withholding Tax*") . Apart from that, the taxation depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship).

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) and are paid to shareholders with a tax domicile in Germany whose shares are held as business assets, are generally fully tax-exempt in the hands of such shareholder but reduce the acquisition costs for the underlying shares. To the extent the dividend payments funded from the Company's contribution account for tax purposes exceed the actual acquisition costs of the shares, a taxable capital gain occurs. The taxation of such gain corresponds with the description in the section "*20.3.1.2 Shares Held as Business Assets*" made with regard to shareholders whose shares are held as business assets.

20.2.2.2.1 Corporations

If the shareholder is a corporation with a tax domicile in Germany, the dividends are in general effectively 95.0% exempt from corporate income tax and the solidarity surcharge. 5.0% of the dividends are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge) at a total tax rate of 15.825%. Business expenses actually incurred in direct relation to the dividends may be deducted. However, dividends are not exempt from corporate income tax (including solidarity surcharge thereon), if the shareholder only holds a direct participation of less than 10.0% in the Company's registered share capital at the beginning of the calendar year ("**Portfolio Participation**" – *Streubesitzbeteiligung*). Participations of at least

10.0% acquired during a calendar year are deemed to have been acquired at the beginning of the calendar year. Participations which a shareholder holds through a partnership (including those that are co-entrepreneurships (*Mitunternehmerschaften*)) that is not an Opting Partnership (as defined below) are attributable to the shareholder only on a *pro rata* basis at the ratio of the interest share of the shareholder in the assets of the relevant partnership.

Dividends (after deducting business expenses economically related to the dividends) are subject to trade tax in the full amount, unless the shareholder held at least 15.0% of the Company's registered share capital at the beginning of the relevant tax assessment period. In the latter case, the dividends are not subject to trade tax; however, trade tax is levied on the amount considered to be a non-deductible business expense (amounting to 5.0% of the dividend). Trade tax depends on the municipal trade tax multiplier applied by the relevant municipal authority.

Special rules apply to dividends received by companies active in the financial and insurance sectors, as well as pension funds (see below "*20.4 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

20.2.2.2.2 Sole Proprietors

If the shares are held as business assets by a sole proprietor who is tax resident in Germany, only 60.0% of the dividends are subject to a progressive income tax (plus the solidarity surcharge) at a total tax rate of up to approximately 47.5%, known as the partial income method (*Teileinkünfteverfahren*). The partial income method does not apply with respect to church tax (if applicable). Only 60.0% of the business expenses economically related to the dividends are tax-deductible. If the shares belong to a domestic permanent establishment in Germany of a business operation of the shareholder, the dividend income (after deducting business expenses economically related thereto) is not only subject to income tax but is also fully subject to trade tax, unless the shareholder held at least 15.0% of the Company's registered share capital at the beginning of the relevant tax assessment period. In this latter case, the net amount of dividends, *i.e.*, after deducting directly related expenses, is exempt from trade tax. As a rule, trade tax can be credited against the shareholder's personal income tax, either in full or in part, by means of a lump-sum tax credit method, depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

20.2.2.2.3 Partnerships

If the shareholder is a partnership with a tax domicile in Germany, the income or corporate income tax, as the case may be, and the solidarity surcharge are not levied at the level of the partnership but at the level of the respective partner. The taxation for every partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends contained in the profit share of the shareholder will be taxed in accordance with the principles applicable for corporations (see "*20.2.2.2.1 Corporations*" above). If the partner is an individual, the taxation is in line with the principles described for sole proprietors (see "*20.2.2.2.2 Sole Proprietors*" above). Upon application and subject to further conditions, an individual as a partner can have his personal income tax rate lowered for earnings not withdrawn from the partnership. In addition, the dividends are generally subject to trade tax in the full amount at the level of a commercial or deemed commercial partnership if the shares are attributed to a German permanent establishment of the partnership. If a partner of the partnership is an individual, the portion of the trade tax paid by the partnership pertaining to his profit share will generally be credited, either in full or in part, against his personal income tax by means of a lump-sum method – depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer. If the partnership held at least 15.0% of the Company's registered share capital at the beginning of the relevant tax assessment period, the dividends (after deduction of business expenses economically related thereto) should generally not be subject to trade tax. In this case, trade tax should, however, be levied on 5.0% of the dividends to the extent they are attributable to the profit share of a corporate partner to whom at least 10.0% of the shares in the Company are attributable on a look-through basis, since this portion of the dividends should be deemed to be non-deductible business expenses. The remaining portion of the dividend income attributable to partners other than such specific corporate partners (which includes individual partners and should, according to a literal reading of the law, also include corporate partners to whom, on a look-through basis, only Portfolio Participations are attributable) should not be subject to trade tax. Due to a lack of case law and administrative guidance, the exact application of the rules for the taxation of dividends from Portfolio Participations (see "*20.2.2.2.1 Corporations*" above) is, however, unclear. Shareholders are strongly recommended to consult their tax advisers.

With effect from any fiscal year beginning after December 31, 2021, partnerships may elect to be treated as a corporation for purposes of German income taxation. If the shareholder is a partnership that has validly exercised such option right ("**Opting Partnership**"), the dividends are subject to corporate income tax and trade tax generally according to the same rules that apply to corporations (see "*20.2.2.2.1 Corporations*" above).

20.2.3 Taxation of Dividends of Shareholders with a Non-German Tax Domicile

Shareholders who are not tax resident in Germany, whose shares are attributable to a German permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed, are liable for tax in Germany on their dividend income. In this respect the provisions outlined above for shareholders with a tax domicile in Germany whose shares are held as business assets apply accordingly (see "*20.2.2.2 Shares Held as Business Assets*"). The withholding tax (including the solidarity surcharge) withheld and passed on will generally be credited against the income or corporate income tax liability or refunded in the amount of any excess if the requirements of the special rule on the restriction of withholding tax credit (see above "*20.2.1 Withholding Tax*") are fulfilled.

In all other cases, any tax liability in Germany for dividends received by shareholders resident outside of Germany will be discharged through the withholding of the withholding tax by the Dividend Paying Agent. A refund or exemption is granted only as discussed under "*20.2.1 Withholding Tax*" above.

Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) are generally not subject to German taxation.

20.3 Taxation of Capital Gains

20.3.1 Taxation of Capital Gains of Shareholders with a Tax Residence in Germany

This section applies to shareholders with a tax residence in Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

20.3.1.1 Shares Held as Non-Business Assets

Gains on the disposal of shares acquired after December 31, 2008 by shareholders who are tax resident in Germany and hold such shares as non-business (*i.e.*, private) assets are generally – regardless of the holding period – subject to a uniform tax rate on capital investment income in Germany (25.0% plus the solidarity surcharge of 5.5% thereon, *i.e.*, 26.375% in total plus any church tax, if applicable).

The taxable capital gain is equal to the difference between (a) the proceeds of the disposal and (b) the acquisition costs of the shares plus the expenses related directly and materially to the disposal. Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) reduce the original acquisition costs; if dividend payments that are funded from the Company's contribution account for tax purposes exceed the acquisition costs, negative acquisition costs – which can increase a capital gain – can arise in case of shareholders, whose shares are held as non-business assets and do not qualify as a Qualified Holding.

Only an annual lump-sum deduction of € 1,000 (€ 2,000 for married couples and registered partners jointly assessed) may be deducted from the entire capital investments income. It is generally not possible to deduct income-related expenses in connection with capital gains, except for the expenses directly related in substance to the disposal which can be deducted when calculating the capital gains. Losses from the disposal of shares may only be offset against profits from capital investments arising from the disposal of the Company's shares or other shares in stock corporations during the same assessment period or in future assessment periods. Such losses cannot be offset against other income from capital assets. However, recently the German Federal Tax Court expressed its view that such limitation on the offsetting of losses from the disposal of shares is unconstitutional and therefore has referred such legal question to the German Federal Constitutional Court (decision dated 4 June 2021 (VIII R 11/18)). It therefore remains to be seen if such legal regulations will still be applicable in the future.

Furthermore, in case of a derecognition or transfer of worthless shares, the utilization of such loss is further restricted, such loss can only be offset against capital investment income up to the amount of € 20,000 per calendar year. Losses in excess of € 20,000 will be carried forward and offset against capital investment income per subsequent year only up to an amount of € 20,000.

If the shares are held in custody or administered by a domestic credit or financial services institution, domestic securities trading company or a domestic securities trading bank, including domestic branches of foreign credit institutions or financial service institutions, or if such an office executes the disposal of the shares and pays out or credits the capital gains (each a "**Domestic Paying Agent**"), the tax on the capital gains will generally be satisfied by the Domestic Paying Agent withholding the withholding tax on investment income in the amount of 26.375% (including the solidarity surcharge) on the capital gain and transferring it to the tax authority for the account of the seller. If the shares were held in custody or administered by the respective Domestic Paying Agent continuously after acquisition, the amount of tax withheld is generally based on the difference between the proceeds from the sale, after deducting expenses directly related to the sale, and the amount paid to acquire the shares. However, the withholding tax rate of 25.0% plus the 5.5% solidarity surcharge thereon and any church tax (if applicable), will be applied to 30.0% of the gross sales proceeds if the shares were not administered by the same custodian bank since acquisition and the original cost of the shares cannot be verified or such verification is not admissible. In this case, the shareholder is entitled to, and in case the actual gain is higher than 30.0% of the gross proceeds must, verify the original costs of the shares in his or her annual income tax return.

The church tax deduction for capital gains is performed by way of standardized tax withholding procedure by the Domestic Paying Agent withholding such tax. The principles outlined above for church tax on dividend income (see "*20.2.2.1 Shares Held as Non-Business Assets*" above) apply accordingly.

The shareholder can apply for his or her total capital investment income, together with his other taxable income, to be subject to a progressive income tax rate as opposed to the uniform tax rate on investment income, if this results in a lower tax liability. In this case, the withholding tax is credited against the progressive income tax and any resulting excess amount will be refunded. Limitations on offsetting losses are applicable. Further, income-related expenses are non-deductible, except for the annual lump-sum deduction.

Shareholders who are subject to German residents' taxation and hold their shares as non-business assets may realize capital gains without deduction of tax on capital investment income and solidarity surcharge if certain prerequisites are met, particularly if the shareholder has provided a non-assessment certificate (*Nichtveranlagungs-Bescheinigung*) or an exemption instruction (*Freistellungsauftrag*) and the exempt amount indicated therein has not yet been exhausted. If the withholding tax or, if applicable, the church tax on capital gains is not withheld by a Domestic Paying Agent, the shareholder is required to declare the capital gains in his or her income tax return. The income tax and any applicable church tax on the capital gains will then be collected by way of assessment.

In case of a Qualified Holding, the capital gain deriving from the disposal of the shares is not subject to the flat-rate withholding tax, but to the progressive income tax regime. In this case the partial income method applies to gains on the disposal of shares, which means that only 60.0% of the capital gains are subject to tax and only 60.0% of the losses on the disposal and expenses economically related thereto are tax deductible. Even though withholding tax is withheld by a Domestic Paying Agent in the case of a Qualified Holding, this does not satisfy the tax liability of the shareholder. Consequently, a shareholder must declare his or her capital gains in his or her income tax returns. The withholding tax (including the solidarity surcharge and church tax, if applicable) withheld and paid will generally be credited against the shareholder's income tax liability on his or her tax assessment (including the solidarity surcharge and any church tax if applicable) or refunded in the amount of any excess.

20.3.1.2 Shares Held as Business Assets

Gains from the sale of shares held as business assets of a shareholder with a tax residence in Germany are not subject to a uniform withholding tax. Withholding tax may only be withheld if the shares are kept with a Domestic Paying Agent. Subject to certain prerequisites, the tax on capital investment income withheld and remitted to the tax authorities will be imputed towards the shareholder's income tax liability and any excess amount paid will be refunded. Subject to certain requirements, however, the Domestic Paying Agent may refrain from deducting tax on capital investment income if (i) the shareholder is a corporation subject to German residents taxation, an association of individuals or an estate or (ii) the shares form part of the business assets of a business operation in Germany and the shareholder declares such to the Domestic Paying Agent in the officially prescribed form. Should the Domestic Paying Agent nonetheless have withheld tax on capital investment income, the tax withheld and remitted to the tax authorities (including solidarity surcharge, and church tax, if applicable) will generally be credited against the shareholder's personal income tax or corporate income tax liability and any excess amount paid will be refunded.

The taxation of the capital gains depends on whether the shareholder is a corporation, a sole proprietor or a partnership (co-entrepreneurship). Dividend payments that are funded from the Company's contribution account for tax purposes (*steuerliches Einlagekonto; § 27 KStG*) reduce the original acquisition costs. In the event of disposal, a higher taxable capital gain can arise therefrom. If the dividend payments exceed the shares' book value for tax purposes, a taxable capital gain can arise.

20.3.1.2.1 Corporations

If the shareholder is a corporation who is tax resident in Germany, the gains from the disposal of shares are, in general, effectively 95.0% exempt from corporate income tax (including the solidarity surcharge) and trade tax, regardless of the size of the participation and the holding period. 5.0% of the gains are treated as non-deductible business expenses and are therefore subject to corporate income tax (plus the solidarity surcharge) at a tax rate amounting to 15.825% and trade tax (depending on the municipal trade tax multiplier applied by the respective municipal authority). As a rule, losses on disposals and other profit reductions in connection with shares (for example, from a write-down) cannot be deducted as business expenses.

Special rules apply to capital gains realized by companies active in the financial and insurance sectors, as well as pension funds (see below "*20.4 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds*").

20.3.1.2.2 Sole Proprietors

If the shares are held as business assets by a sole proprietor who is tax resident in Germany, only 60.0% of the gains on the disposal of the shares are subject to a progressive income tax (plus the solidarity surcharge) at a total tax rate of up to approximately 47.5% (partial-income method). Only 60.0% of the losses on the disposal and expenses economically related thereto are tax deductible. The partial income method does not apply with respect to church tax (if applicable). If the shares belong to a German permanent establishment of a business operation of the sole proprietor, 60.0% of the gains of the disposal of the shares are, in addition, subject to trade tax.

Trade tax can be credited towards the shareholder's personal income tax, either in full or in part, by means of a lump-sum tax credit method – depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

19.3.1.2.3 Partnerships

If the shareholder is a partnership that is tax resident in Germany, the income or corporate income tax is not levied at the level of the partnership but at the level of the respective partners. The taxation depends on whether the partner is a corporation or an individual. If the partner is a corporation, the gains on the disposal of the shares as contained in the profit share of the partner will be taxed in accordance with the principles applicable for corporations (see "*20.3.1.2.1 Corporations*" above). For capital gains in the profit share of a partner that is an individual, the principles outlined above for sole proprietors apply accordingly (partial-income method, see above under "*20.3.1.2.2 Sole Proprietors*"). Upon application and subject to further conditions, an individual as a partner can obtain a reduction of his or her personal income tax rate for earnings not withdrawn from the partnership.

In addition, gains from the disposal of shares are subject to trade tax at the level of a commercial or deemed commercial partnership, if the shares are attributed to a domestic permanent establishment of a business operation of the partnership: Generally, 60.0% of the gain as far as the shares are attributable to the profit share of an individual as the partner of the partnership, and, currently, 5.0% as far as the shares are attributable to the profit share of a corporation as the partner of the partnership. Losses on disposals and other profit reductions in connection with the shares are currently not considered for the purposes of trade tax if they are attributable to the profit share of a corporation, and are taken into account at 60.0% in the context of general limitations if they are attributable to the profit share of an individual.

If the partner of the partnership is an individual, the portion of the trade tax paid by the partnership attributable to his or her profit share will generally be credited, either in full or in part, against his or her personal income tax by means of a lump-sum method – depending on the level of the municipal trade tax multiplier and certain individual tax-relevant circumstances of the taxpayer.

If the shareholder is an Opting Partnership, any gain from the disposal of shares is subject to corporate income tax and trade tax generally according to the same rules that apply to corporations (see "*20.3.1.2.1 Corporations*" above). If the Opting Partnership has, upon the election for the treatment as a corporation for German income tax purposes, applied for a tax-neutral roll-over of the book value of the shares, the disposal of the shares within a period of seven years after the election took effect will generally result in a retroactive taxation of the hidden reserves in the shares at that time.

20.3.2 Taxation of Capital Gains of Shareholders with a Non-German Tax Residence

Capital gains derived from the disposal of shares by shareholders who are not tax resident in Germany are only subject to German tax if such selling shareholder has a Qualified Holding in the Company or the shares belong to a domestic permanent establishment or fixed place of business or are part of business assets for which a permanent representative in Germany has been appointed.

Pursuant to a decision of the German Federal Fiscal Court (*Bundesfinanzhof*) dated May 31, 2017 (Federal Tax Gazette (*Bundessteuerblatt*), part II of 2018, p. 144), in case of a Qualified Holding, the capital gains from the disposal of shares is not subject to German taxation if the shareholder is a corporation which is not tax resident in Germany and neither maintains a permanent establishment nor has appointed a permanent representative in Germany.

If the shareholder is a private individual, only 60.0% of the gains from the disposal of the shares are subject to progressive income tax plus the solidarity surcharge thereon and church tax, if applicable. However, most double taxation treaties provide for a partial or full relief from German taxation and assign the right of taxation to the shareholder's country of residence. Where a Domestic Paying Agent is involved, withholding tax on capital gains is generally levied at a rate of 25.0% (plus 5.5% solidarity surcharge thereon, resulting in an aggregate withholding tax rate of 26.375%). However, if (i) the shares are not held through a permanent establishment or fixed place of business or as business assets for which a permanent representative is appointed in Germany and (ii) a Domestic Paying Agent is involved, then, pursuant to a tax decree issued by the German Federal Ministry of Finance (*Bundesministerium der Finanzen*) on January 18, 2016, the Domestic Paying Agent will in general not be required to withhold the tax on capital investment income (plus solidarity surcharge thereon). In the case of a Qualified Holding, the capital gains must be declared in a tax return and will be taxed via an assessment procedure if no exemption under a double taxation treaty or under domestic law applies.

With regard to gains or losses from the disposal of shares belonging to a domestic permanent establishment or fixed place of business, or which are part of business assets for which a permanent representative in Germany has been appointed, the above-mentioned provisions pertaining to shareholders who are tax resident in Germany and hold shares as business assets apply accordingly (see "*20.3.1.2 Shares Held as Business Assets*"). The Domestic Paying Agent can refrain from deducting the withholding tax if the shareholder declares to the Domestic Paying Agent on the officially prescribed form that the shares form part of domestic business assets and certain other requirements are met.

20.4 Special Treatment of Companies in the Financial and Insurance Sectors and Pension Funds

If credit institutions (*Kreditinstitute*) or financial services institutions (*Finanzdienstleistungsinstitute*) hold or sell shares that are allocable to their trading portfolio (*Handelsbestand*) pursuant to Section 340e para. 3 of the German Corporate Code (*Handelsgesetzbuch*), they will neither be able to benefit from the partial income method nor be entitled to the effective 95.0% exemption from corporate income tax plus the solidarity surcharge and any applicable trade tax. Thus, dividend income and capital gains are fully taxable. The same applies to shares acquired by financial institutions in the meaning of the German Banking Act (*Kreditwesengesetz*) held in the majority by credit institutions or financial services institutions and where the shares are to be allocated to the current assets (*Umlaufvermögen*) as of the date of acquisition. The preceding sentence applies accordingly for shares held in a permanent establishment in Germany by financial institutions, financial service institutions and financial institutions tax resident in another EU Member State or in other signatory states of the Treaty on the EEA. If the shareholding at the beginning of the relevant assessment period is 15.0% or higher, dividends may, subject to certain conditions, be effectively 100% exempted from trade tax. Likewise, the tax exemption described earlier afforded to corporations for dividend income and capital gains from the sale of shares does not apply to shares that qualify as a capital investment in the case of life insurance and health insurance companies, or those which are held by pension funds.

However, an exemption to the foregoing, and thus a 95.0% effective tax exemption, applies to dividends obtained by the aforementioned companies, to which the Parent-Subsidiary Directive applies. In addition, applicable double taxation treaties might provide further relief from German tax, subject to certain prerequisites, *e.g.*, substance requirements and holding periods, being met.

20.5 Inheritance and Gift Tax

The transfer of shares to another person by way of inheritance or gift is generally subject to German inheritance or gift tax if:

(i) the place of residence, habitual abode, place of management or registered office of the decedent, the donor, the heir, the donee or another acquirer is, at the time of the asset transfer, in Germany, or such person, as a German national, has prior to the transfer not spent more than generally five consecutive years outside of Germany without maintaining a place of residence in Germany;

(ii) the decedent's or donor's shares belonged to business assets for which there had been a permanent establishment in Germany or a permanent representative had been appointed; or

(iii) the decedent or the donor, at the time of the succession or gift, held a direct or indirect interest of at least 10.0% of the Company's share capital either alone or jointly with other related parties.

The small number of double taxation treaties in respect of inheritance and gift tax which Germany has concluded to date usually provide for German inheritance or gift tax only to be levied in the cases under (i) and, subject to certain restrictions, in the cases under (ii). Special provisions apply to certain German nationals living outside of Germany and to former German nationals.

20.6 Abolishment of Solidarity Surcharge

On December 13, 2019, the law regarding a significant reduction of the solidarity surcharge (*Gesetz zur Rückführung des Solidaritätszuschlags 1995*) came into force. Even though, this new law has no impact on the solidarity surcharge levied in addition to the withholding tax, it can affect the solidarity surcharge levied on the income tax liability which the withholding tax is credited against, as the case may be. According to this new law the threshold as of which solidarity surcharge is levied will be significantly increased to an individual income tax-threshold of € 16,956 (€ 33,912 for jointly assessed shareholders who are tax resident in Germany), so that the solidarity surcharge shall be abolished in full for approximately 90% of the German taxpayers and partly for a further 6.5% of German taxpayers. The new rules already apply since 2021. Shareholders are advised to monitor further future developments.

20.7 Other Taxes

No German capital transfer taxes, value-added-tax, stamp duties or similar taxes are currently levied on the purchase or disposal or other forms of transfer of the shares. However, an entrepreneur may opt to subject disposals of shares, which are in principle exempt from value-added-tax, to value-added-tax if the sale is made to another entrepreneur for the entrepreneur's business. Wealth tax is currently not levied in Germany.

On February 14, 2013, the EU Commission adopted a proposal for a Council Directive (the "**Draft Directive**") on a common financial transaction tax ("**FTT**") to be implemented in Austria, Belgium, France, Germany, Greece, Italy, Portugal, Spain, Slovakia, and Slovenia (the "**Participating Member States**"). Estonia has stated in 2015 that it will not participate in implementing the proposed FTT.

The Draft Directive has a very broad scope and could, if introduced, apply to certain dealings in the shares (including secondary market transactions) in certain circumstances. The Draft Directive focused on levying a FTT on financial transactions (as defined in the Draft Directive), including the purchase, sale and exchange of financial instruments. Under the Draft Directive, the rate of the FTT would not be lower than 0.1% (0.01% for derivatives), generally based on the amount of the paid or owed consideration or in case of derivatives, the notional amount referred to in the derivatives contract at the time of the financial transaction. The issuance and subscription of shares should, however, be exempt.

Since the date of the publication of the Draft Directive, discussions have taken place between the Participating Member States. It was envisaged to finalize the work on the legal framework for the FTT in the second half of the calendar year 2020. However, the legal framework for the FTT has not been finalized yet. The FTT is expected to be modelled on the existing French FTT legislation. Consequently, the FTT is expected to apply to the acquisition of shares in domestic companies with a market capitalization of more than € 1 billion and at a rate of 0.2%.

Nevertheless, the FTT remains subject to negotiation between the Participating Member States and was (and most probably will be) the subject of legal challenge. It may still be altered prior to its adoption. Moreover, once any directive has been adopted, it will need to be implemented into the respective domestic laws of the participating member states, and the domestic provisions implementing the directive might deviate from the directive itself. Finally, additional EU member states may decide to participate in or to dismiss the implementation.

Prospective holders of the shares of the Company are advised to monitor future developments closely and should consult their own tax advisers in relation to the consequences of the FTT.

20.8 Responsibility of the Company for the Withholding of Tax at Source

The Company does not assume any responsibility for the deduction of withholding tax (including the solidarity surcharge and, if applicable, the church tax thereon) at source.

21 FINANCIAL INFORMATION

The following English-language, consolidated financial statements (F-18 – F-94, F-95 – F-170 and F-171 – F-252) and unconsolidated financial statements (F-253 – F-262) are translations of the respective German-language audited consolidated financial statements and the respective German-language audited unconsolidated financial statements.

Unaudited Condensed Consolidated Interim Financial Statements of IONOS Group SE (formerly: IONOS TopCo SE) Prepared in Accordance with IFRS Applicable to Interim Financial Reporting (IAS 34) as of and for the Nine-Month Period Ended September 30, 2022

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**
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 €k	Reserves €k	Currency translation adjustment €k	Equity attributable to shareholders of the parent company €k	Non-controlling interests €k	Total equity €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**
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

Audited Consolidated Financial Statements of IONOS TopCo SE (now IONOS Group SE, formerly 1&1 IONOS TopCo SE) Prepared in Accordance with IFRS as of and for the Fiscal Year Ended December 31, 2021

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

ASSETS	Note	December 31, 2021	December 31, 2020
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**
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**

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	5		
non-controlling interests	6	1,068	625
shareholders of IONOS TopCo SE	7	70,449	91,859

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 €k	Reserves €k	Revaluation reserves €k	Currency translation adjustment €k	Equity attributable to shareholders of the parent company €k	Non-controlling interests €k	Total equity €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**

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
Changes in assets and liabilities, total		**12,831**	**-23,430**
Cash flow from operating activities		**200,547**	**166,625**
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**

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.

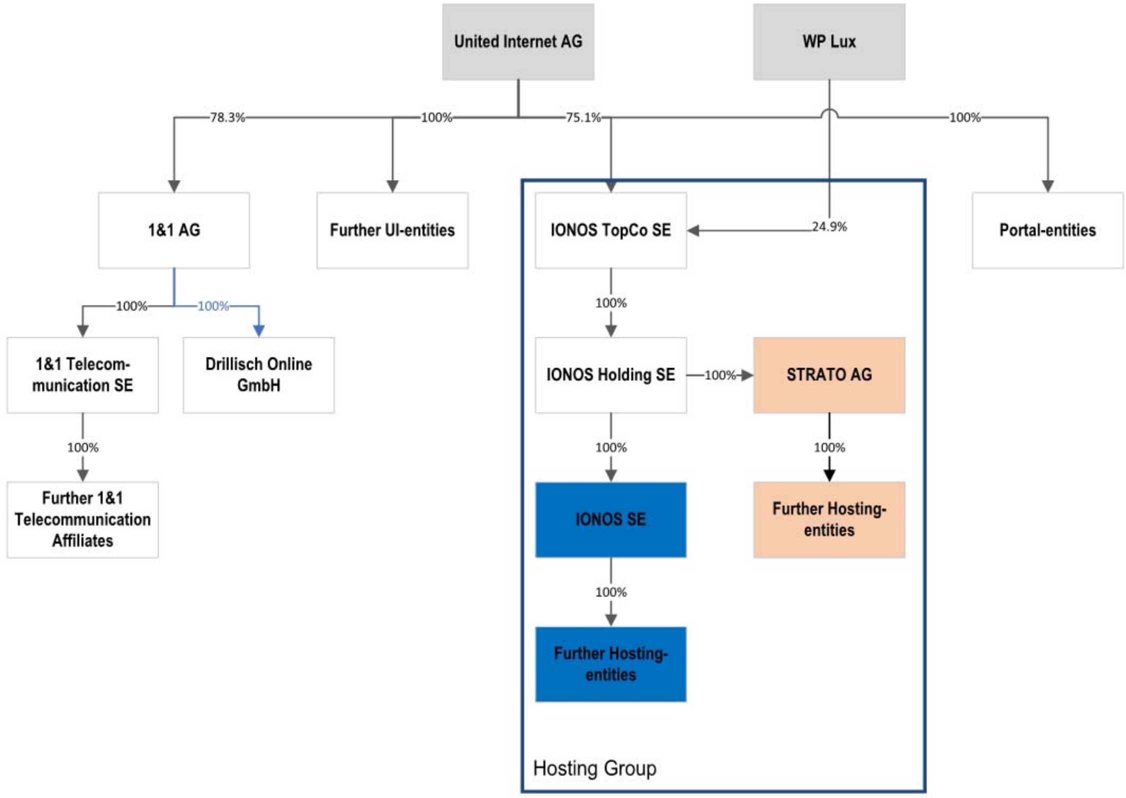
The reporting date is December 31, 2021. The fiscal year is the calendar year.

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").

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%)

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.

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 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.

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.

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.

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 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 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.

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.

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.

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 IFRSs

For the fiscal year beginning on January 1, 2021, 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 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 IFRSs mentioned above whose application is mandatory, the IASB has issued further IFRSs and IFRICs, some of which have already been endorsed by the EU endorsement but which will become effective at a later date. 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 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.

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 obligation 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.

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.

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.

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**

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.

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**

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.

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.

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.

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:

€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.

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.

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

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.

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%).

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.

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

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).

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

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

				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	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

€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.
- 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 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**

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	Sales/services to related parties 2021	Purchases/services from related parties 2020	Sales/services to related parties 2020
€k	€k	€k	€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.

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

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.

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

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.

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**

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 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.

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.

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**

The following English-language translation of the German-language independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers) refers to the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB ("Handelsgesetzbuch": German Commercial Code), as well as the group management report, prepared on the basis of German commercial law (HGB), of IONOS TopCo SE (now IONOS Group SE, formerly 1&1 IONOS TopCo SE), Montabaur, as of and for the fiscal year ended December 31, 2021 as a whole and not solely to the consolidated financial statements presented in this Prospectus on the preceding pages. The group management report is not part of this Prospectus.

Independent auditor's report

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

Opinions

We have audited the consolidated financial statements of IONOS TopCo SE (formerly 1&1 IONOS TopCo SE), Montabaur, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the fiscal year from January 1 to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of IONOS TopCo SE for the fiscal year from January 1 to December 31, 2021. We have not audited the content of the following disclosure as it is extraneous to management reports:

- The information contained in section 1.4 "Main focus areas for products and innovations" of the group management report

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

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2021 and of its financial performance for the fiscal year from January 1 to December 31, 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the aforementioned section 1.4 "Main focus areas for products and innovations" of the group management report.

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

Basis for the opinions

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

Other information

The executive directors are responsible for the other information. The other information comprises the aforementioned section 1.4 of the group management report, but not the group management report disclosures whose content is audited and not our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as

a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Eschborn/Frankfurt am Main, March 30, 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

Audited Consolidated Financial Statements of 1&1 IONOS TopCo SE (now IONOS Group SE) Prepared in Accordance with IFRS as of and for the Fiscal Year Ended December 31, 2020

1&1 IONOS TopCo SE, Montabaur
Consolidated statement of financial position as of December 31, 2020 in €k

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

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

	Note	2020 January - December	2019 January - December
Revenue from contracts with customers	5	944,373	886,963
Revenue from contracts with related parties	6	43,908	37,058
Cost of sales	7	-450,675	-417,232
Gross profit		**537,606**	**506,789**
Selling expenses	8	-238,977	-232,957
General and administrative expenses	9	-70,128	-72,596
Impairment losses on receivables and contract assets	10	-6,057	-9,255
Other operating expenses	11	-15,255	-9,964
Other operating income	11	22,178	39,615
Operating result		**229,367**	**221,632**
Finance costs	14	-113,297	-121,357
Finance income	15	1,625	1,328
Share of the profit or loss of associates accounted for using the equity method	25	265	231
Pre-tax result		**117,960**	**101,834**
Income taxes	16	-41,970	-47,586
Net income		**75,990**	**54,248**
thereof attributable to			
non-controlling interests	40	477	295
shareholders of 1&1 IONOS TopCo SE		75,513	53,953

Reconciliation to total comprehensive income

		2020	2019
Net income		**75,990**	**54,248**
Items that may be reclassified subsequently to profit or loss			
Currency translation adjustment – unrealized		-14,971	6,692
Items that are not reclassified subsequently to profit or loss			
Result from the revaluation of equity instruments measured at fair value through other comprehensive income		33,214	1,827
Tax effect		-1,749	-89
Other comprehensive income		**16,494**	**8,430**
Total comprehensive income		**92,484**	**62,678**
thereof attributable to			
non-controlling interests		625	314
shareholders of 1&1 IONOS TopCo SE		91,859	62,364

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

	Issued capital €k	Reserves €k	Revaluation reserves €k	Currency translation adjustment €k	Equity attributable to shareholders of the parent company €k	Non-controlling interests €k	Total equity €k
Note	38	1 / 39	39	39		40	
Balance as of January 1, 2019	**360**	**-522,331**	**40,177**	**-21,945**	**-503,739**	**2,215**	**-501,524**
Net income	0	53,953	0	0	53,953	295	54,248
Other comprehensive income	0	0	1,723	6,688	8,411	19	8,430
Total comprehensive income	**0**	**53,953**	**1,723**	**6,688**	**62,364**	**314**	**62,678**
Employee stock ownership program	0	11,840	0	0	11,840	8	11,848
Profit distributions	0	0	0	0	0	-285	-285
Other	0	-3,097	0	4	-3,093	0	-3,093
Balance as of December 31, 2019	**360**	**-459,635**	**41,900**	**-15,253**	**-432,628**	**2,252**	**-430,376**
Balance as of January 1, 2020	**360**	**-459,635**	**41,900**	**-15,253**	**-432,628**	**2,252**	**-430,376**
Net income	0	75,513	0	0	75,513	477	75,990
Other comprehensive income	0	0	31,305	-14,959	16,346	148	16,494
Total comprehensive income	**0**	**75,513**	**31,305**	**-14,959**	**91,859**	**625**	**92,484**
Employee stock ownership program	0	12,530	0	0	12,530	9	12,539
Profit distributions	0	-19	0	0	-19	-401	-420
Reclassification of revaluation reserves related to equity instruments measured at fair value through other comprehensive income	0	73,205	-73,205	0	0	0	0
Other	0	-319	0	-74	-393	0	-393
Balance as of December 31, 2020	**360**	**-298,725**	**0**	**-30,286**	**-328,651**	**2,485**	**-326,166**

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

	Note	2020 January - December	2019 January - December
Net income		75,990	54.248
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization of intangible assets and property, plant and equipment	12	79,011	78,868
Depreciation and amortization of assets resulting from company acquisitions	12	31,879	38,384
Write-ups(-)/impairment losses(+) on intangible assets and property, plant and equipment	12	0	-19,438
Employee expenses from share-based payment programs	37	9,469	7,424
Interest expense from the unwinding of the discount on lease liabilities	45	2,186	3,414
Share of the profit or loss of associates accounted for using the equity method	25	-265	-231
Distributed profits of associated companies	25	108	98
Other non-cash items from changes in deferred tax position	16	-16,133	-7,065
Income from the sale of intangible assets and property, plant and equipment	11	-178	-120
Other non-cash items		7,988	9,227
Operative cash flow		**190,055**	**164,809**
Change in assets and liabilities			
Change in receivables and other assets	18 / 23 / 26	-11,415	57,741
Change in inventories	21	22	27
Change in contract assets	20	-1,895	-2,158
Change in prepaid expenses	22	-102	1,943
Change in trade accounts payable	30	2,322	-1,629
Change in receivables from/liabilities to related parties	19 / 31 / 42	-3,099	2,994
Change in other provisions	35	-5,537	336
Change in income tax liabilities	16	-5,646	-51,004
Change in other liabilities	36	5,922	-5,031
Change in contract liabilities	34	-4,002	-999
Changes in assets and liabilities, total		**-23,430**	**2,220**
Cash flow from operating activities		**166,625**	**167,029**
Cash flow from investing activities			
Cash payments to acquire property, plant and equipment and intangibles	27 / 28	-66,790	-74,557
Cash receipts from sales of property, plant and equipment and intangibles		2,799	5,611
Cash payments to acquire assets as part of a business combination	4	-316	0
Cash receipts from the sale of other financial assets	26 / 39	77,637	210
Payments within the framework of cash pooling		23,384	-61,043
Payments related to other financial assets		-36	0
Cash flow from investing activities		**36,678**	**-129,779**
Cash flow from financing activities			
Dividend payments to non-controlling interests		-401	-285
Repayment of cash pool liabilities to related parties	46	0	-6,157
Cash proceeds from loans	32 / 46	4	517
Repayment of loans	46	-120,517	-20,002
Redemption of lease liabilities	45	-15,315	-18,120
Dividend payments to shareholders		-19	0
Cash flow from financing activities		**-136,248**	**-44,047**
Net decrease in cash and cash equivalents		67,055	-6,797
Cash and cash equivalents at beginning of fiscal year		39,823	46,312
Currency translation adjustments of cash and cash equivalents		-1,073	308
Cash and cash equivalents at end of fiscal year		**105,805**	**39,823**

1&1 IONOS TopCo SE, Montabaur

Notes to the consolidated financial statements for fiscal year 2020

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

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

As of December 31, 2020, United Internet AG held 66.67% of the shares in 1&1 IONOS TopCo SE. The remaining 33.33% of the shares in 1&1 IONOS TopCo SE are held by WP XII Venture Holdings S.à r.l., Luxembourg/Luxembourg ("WP Lux"). United Internet AG also holds a preferred share in 1&1 IONOS TopCo SE.

The consolidated financial statements of 1&1 IONOS TopCo SE were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the relevant supplementary requirements of section 315e (1) German Commercial Code (HGB) in conjunction with section 315e (3) sentence 2 German Commercial Code (HGB).

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

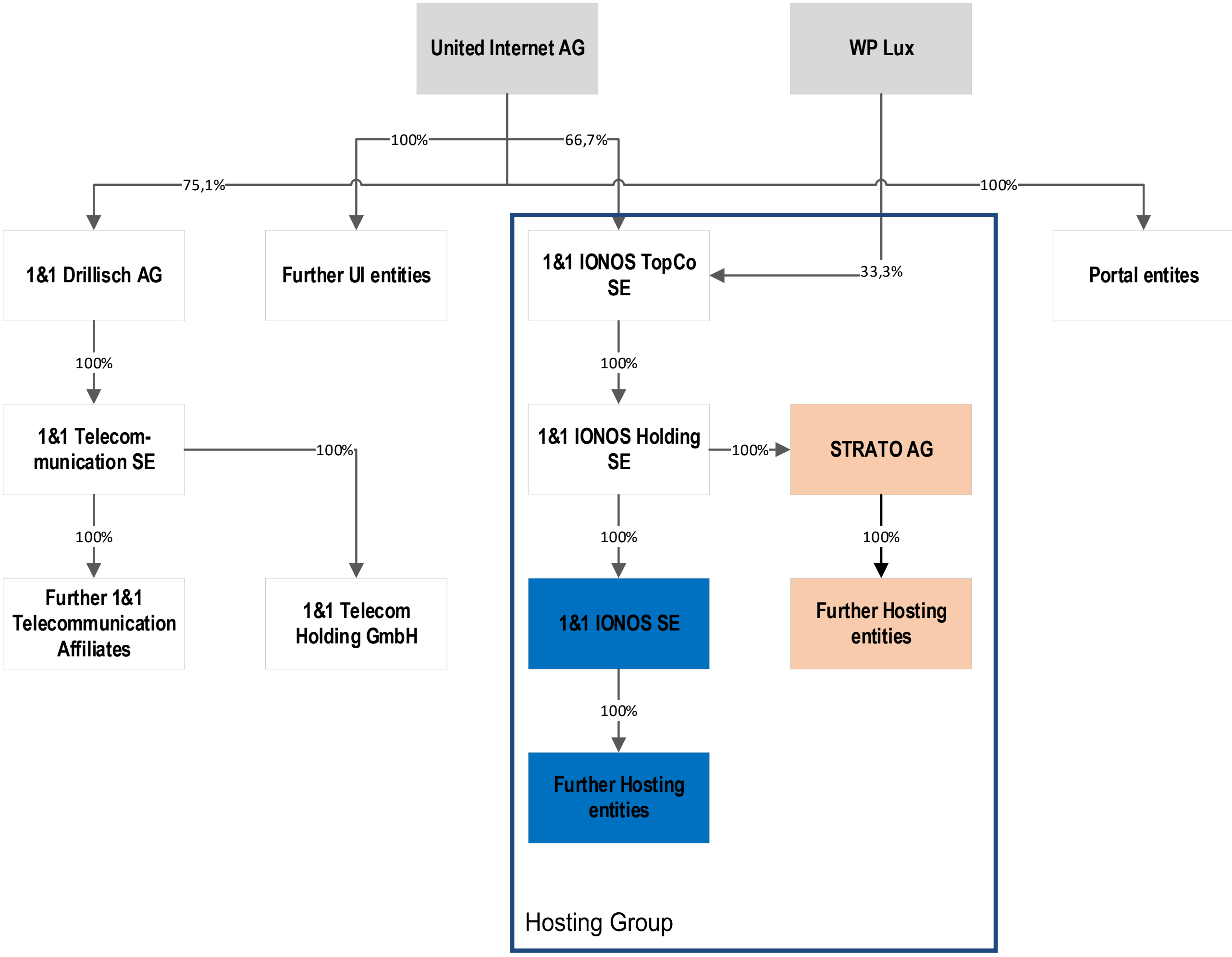
The reporting date is December 31, 2020. The fiscal year is the calendar year.

The consolidated financial statements were prepared by the Management Board of 1&1 IONOS TopCo SE on April 27, 2021 and subsequently submitted to the Supervisory Board. Theoretically, there may still be changes before the consolidated financial statements are approved by the Supervisory Board. However, the Management Board expects that the consolidated financial statements will be approved in the present version.

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

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

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



Basis of consolidation

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

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

Determination of the basis of consolidation

In addition to 1&1 IONOS TopCo SE, the following entities were included in the consolidated financial statements of 1&1 IONOS TopCo SE in fiscal year 2020 (for the most part, the same as in the prior year):

1&1 IONOS Holding SE, Montabaur (100.0%)

- STRATO AG, Berlin (100.0%)
  - Cronon GmbH, Berlin (100.0%)
  - STRATO Customer Service GmbH, Berlin (100.0%)
- 1&1 IONOS SE, Montabaur (100.0%)
  - 1&1 IONOS Datacenter SAS (formerly 1&1 Datacenter SAS), Niederlauterbach/France (100.0%)

- 1&1 Internet Development SRL, Bucharest/Romania (100.0%)
- 1&1 IONOS España S.L.U., Madrid/Spain (100.0%)
- 1&1 IONOS Inc., Chesterbrook, Pennsylvania/USA (100.0%)
    - A1 Media USA LLC, Chesterbrook, Pennsylvania/USA (100.0%)
    - 1&1 Cardgate LLC, Chesterbrook, Pennsylvania/USA (100.0%)
- 1&1 IONOS Ltd., Gloucester/UK (100.0%)
- 1&1 IONOS S.à r.l., Sarreguemines/France (100.0%)
- 1&1 IONOS Service GmbH, Montabaur (100.0%)
- 1&1 IONOS (Philippines) Inc., Cebu City/Philippines (100.0%)
- 1&1 IONOS UK Holdings Ltd., Gloucester/UK (100.0%)
    - Fasthosts Internet Ltd., Gloucester/UK (100.0%)
- Arsys Internet S.L.U., Logroño/Spain (100.0%)
    - Arsys Internet E.U.R.L., Perpignan/France (100.0%)
    - Tesys Internet S.L., Logroño/Spain (100.0%)
    - Nicline Internet S.L., Logroño/Spain (100.0%)
- InterNetX Holding GmbH, Regensburg (95.56%)
    - InterNetX GmbH, Regensburg (100.0%)
        - Schlund Technologies GmbH, Regensburg (100.0%)
        - PSI-USA Inc., Las Vegas, Nevada/USA (100.0%)
        - InterNetX Corp., Miami, Florida/USA (100.0%)
    - Sedo GmbH, Cologne (100.0%)
        - DomCollect International GmbH, Montabaur (100.0%)
        - Sedo.com LLC, Cambridge, Massachusetts/USA (100.0%)
- united-domains AG, Starnberg (100.0%)
    - united-domains Reselling GmbH, Starnberg (100.0%)
    - United Domains Inc., Cambridge, Massachusetts/USA (100.0%)
- Immobilienverwaltung AB GmbH, Montabaur (100.0%)
- Immobilienverwaltung NMH GmbH, Montabaur (100.0%)
- home.pl S.A., Szczecin/Poland (100.0%)
    - AZ.pl Sp. z o.o., Szczecin/Poland (100.0%)
    - HBS Cloud Sp. z o.o., Szczecin/Poland (100.0%)
    - premium.pl Sp. z o.o., Szczecin/Poland (75.0%)
        - DP EUROPE Sp. z o.o., Szczecin/Poland (100.0%)
        - DP POLAND Sp. z o.o., Szczecin/Poland (100.0%)
        - DP ASIA Sp. z o.o., Szczecin/Poland (100.0%)
- 1&1 IONOS Cloud Inc., Newark, Delaware/USA (100.0%)
- World4You Internet Services GmbH, Linz/Austria (100.0%)

Associated companies

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

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

Changes in the 1&1 IONOS TopCo Group

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

- Asci Consulting Gesellschaft für Management-Informationssysteme mbH, Berlin

The following companies were liquidated in fiscal year 2020:

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

Going concern

In its separate financial statements prepared in accordance with German commercial law as of December 31, 2020, 1&1 IONOS TopCo SE reports positive equity.

The consolidated equity (including amounts attributable to non-controlling interests) of the 1&1 IONOS TopCo Group is negative, at € -326,166k (prior year: € -430,376k). The negative equity of the 1&1 IONOS TopCo Group is primarily due to the group reorganization in fiscal year 2017:

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

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

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

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

2 Accounting policies and measurement principles

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

2.1 Significant accounting policies

Consolidation principles

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

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

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

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

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

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

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

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

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

Non-controlling interests represent the portion of the profit or loss for the period and net assets not attributable to the Group's shareholders. Non-controlling interests are presented separately in the consolidated statement of financial position. They are presented in the consolidated statement of financial position as part of equity, but separately from the equity attributable to the shareholders of United Internet AG. For acquisitions of non-controlling interests or disposals of controlling interests but without loss of control, the carrying amounts of controlling and non-controlling interests are adjusted to reflect the change in the respective shareholding. The amount by which consideration paid or received for the change in the shareholding exceeds the carrying amount of the non-controlling interest is recognized directly in equity as a transaction with the shareholders.

Revenue recognition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Where they concern effects on profit and loss, regular carrying amounts and valuations of investments in associated companies are presented in the financial result (see explanations on the financial result).

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

Foreign currency translation

The consolidated financial statements are presented in euros, the Company’s functional and presentation currency. Each company within the 1&1 IONOS TopCo Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities in a foreign currency are translated to the functional currency on every reporting date using the closing rate. All currency translation differences are recognized in profit or loss, with the exception of currency differences resulting from foreign currency loans, providing they are used as hedges of a net investment in a foreign operation. These are recognized directly in equity until the net investment is disposed of, at which time they are recognized in profit or loss. Deferred taxes arising from such currency differences are also recognized directly in equity. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the transaction date. Non-monetary items measured at fair value in a foreign currency are translated at the rate prevailing on the date the fair value was determined. All goodwill resulting from the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities resulting from the acquisition are recognized as assets and liabilities of the foreign operation and translated at the closing rate.

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

The exchange rates of major currencies developed as follows:

(in relation to € 1)	Closing rate		Average rate	
	Dec. 31, 2020	Dec. 31, 2019	2020	2019
US dollar	1.228	1.123	1.140	1.119
UK pound	0.900	0.850	0.889	0.877
Polish zloty	4.557	4.260	4.438	4.298

Property, plant and equipment

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

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

The residual values, useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted where necessary.

Property, plant, and equipment are depreciated over their expected economic useful life using the straight-line method.

The useful lives are summarized below:

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

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

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

Borrowing costs

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

Business combinations and goodwill

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

Goodwill arising from a business combination is initially measured at cost, being the excess of the acquisition cost of the operation over the fair value of the identifiable assets, liabilities, and contingent liabilities acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment at least annually or whenever there is any event or change in circumstances which indicate that the carrying amount might be impaired.

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

The need for impairment is determined by comparing the recoverable amount of the cash-generating units to which goodwill refers with their carrying amount. The recoverable amount of an asset or a cash-generating unit is the higher of fair value of the asset or cash-generating unit less costs of disposal and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. An appropriate valuation model is used to determine fair value less costs of disposal. This is based on discounted cash flow models, valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. An impairment loss relating to goodwill may not be reversed in the following reporting periods. The Group performs its annual impairment test for goodwill at the end of the reporting period.

Intangible assets

The Group has control over an asset if it is able to obtain the future economic benefits flowing from the underlying resource and can restrict the access of third parties to these benefits. Individually acquired intangible assets are carried at cost on initial recognition. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. With the exception of those development costs which can be capitalized, costs for internally generated intangible assets are recognized in profit or loss in the period in which they are incurred.

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

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

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

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

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

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

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

The useful lives are summarized below:

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

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

Investments in associated companies

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

Under the equity method, the investment in an associated company is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associated company. Any goodwill related to the associated company is included in the carrying amount of the investment. This goodwill is not amortized. The statement of comprehensive income loss reflects the Company's share of the results of operations of the associated company. Where there have been changes recognized directly in the equity of the associated company, the Company recognizes its share of any changes and discloses this, where applicable, in the statement of changes in equity. Gains and losses from transactions between the Company and the associated company are eliminated to the extent of the interest in the associated company.

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

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

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Company's investments in associated companies. If there is objective evidence that an impairment has occurred, an impairment test is carried out in the same way as for goodwill. Objective evidence exists, for example, if an associated company is experiencing significant financial difficulties, has committed breaches of contract, is highly likely to become insolvent, requires restructuring, or an active market for the net investment ceases to exist because of the financial difficulties of the associated company. A significant or prolonged decline in the fair value of an associated company below cost also constitutes objective evidence of impairment. A significant decline is assumed if the decrease in the fair value of an associated company at the end of the reporting period is more than 25% of cost. This does not apply if the facts and circumstances at that time clearly indicate that there is no impairment.

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

Contract assets

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

Contract liabilities

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

Costs to obtain a contract

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

Capitalized costs to obtain a contract are amortized over the estimated period of use. They are recognized in the statement of financial position as prepaid expenses. The amortization of costs to obtain a contract is presented in selling expenses.

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

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

Classification as current and non-current

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

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

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

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

Leases

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

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

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

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

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The Group determines the lease term as the non-cancelable basic term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Useful life in years
Land and buildings	1 to 15
Operating and office equipment	1 to 5

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

Lease liabilities

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

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

The incremental borrowing rate is used to measure right-of-use assets and lease liabilities. The incremental borrowing rate is determined on the basis of reference interest rates for a period of up to 15 years derived from risk-free interest rates for equivalent maturities, plus a credit risk premium and adjusted for a liquidity and country risk premium.

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

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

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

Financial instruments

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

Financial assets – initial recognition and measurement

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

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

Financial assets – subsequent measurement

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

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

Financial assets at amortized cost (debt instruments)

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

Financial assets – derecognition

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

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

Impairment of financial assets

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

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

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

The Group's operations focus on the retail segment. Default risks are thus taken into account by means of specific bad debt allowances and collectively assessed specific bad debt allowances. The specific bad debt allowances for overdue receivables are mainly based on the age structure of the receivables with different valuation allowances, which are mainly derived from the success rates of the collection agencies commissioned to collect overdue receivables. The age structure of receivables is shown in Note 18. All receivables that are more than 365 days overdue are written down individually by 100%. Fully impaired trade accounts receivable are derecognized 180 days after collection has been handed over to the collection agency, unless the agency has given a positive report or payment for an impaired receivable is unexpectedly received, or if the customer's inability to pay is known before or after handing over the receivable to the collection agencies.

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

- Significant judgments and accounting estimates (Note 3)
- Trade accounts receivable (Note 18)
- Contract assets (Note 20)
- Objectives and methods of financial risk management (Note 43)

Financial liabilities – initial recognition and measurement

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

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

Financial liabilities – subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities at amortized cost

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

Financial liabilities – derecognition

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

Offsetting of financial instruments

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

Inventories

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

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

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

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

Cash and cash equivalents

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

Cash and cash equivalents are measured at cost.

Pensions and other post-employment benefits

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

Provisions

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

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

Share-based payment

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

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

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

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

Finance income

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

Current and deferred taxes

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

Current taxes are measured at the amount at which a refund from the tax authorities or a payment to the tax authorities is expected. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

The liability method is used to recognize deferred taxes on all temporary differences existing on the reporting date between the carrying amount of an asset or a liability in the statement of financial position and the tax carrying amount.

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

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

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

2.3 Effects of new or amended IFRSs

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

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

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

2.4 Accounting standards already published but not yet mandatory

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

Standard		Mandatory for fiscal years beginning on or after	Endorsed by EU Commission
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform (Phase 2)	Jan. 1, 2021	yes
Amendments to IFRS 16	Covid-19-Related Rent Concessions extending beyond June 30, 2021	Apr. 1, 2021	no
IFRS 3	Amendment: Reference to the Conceptual Framework	Jan. 1, 2022	no
IAS 37	Amendment: Onerous Contracts – Cost of Fulfilling a Contract	Jan. 1, 2022	no
IAS 16	Amendment: Property, Plant and Equipment – Proceeds before Intended Use	Jan. 1, 2022	no
IAS 1	Amendment: Clarification as to the Criteria for the Classification of Liabilities as Current or Non-current	Jan. 1, 2023	no
IAS 1	Amendment: Guidance on disclosures of accounting policies in the financial statements	Jan. 1, 2023	no
IAS 8	Amendment: Distinction between changes in accounting policies and changes in accounting estimates	Jan. 1, 2023	no
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements 2018-2020	Jan. 1, 2022	no

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

3 Significant judgments and accounting estimates

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

Judgments, estimates and assumptions

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

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

Impact of the coronavirus pandemic

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

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

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

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

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

Revenue recognition

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

Cost to obtain a contract

The determination of estimated amortization periods for costs to obtain a contract is based on past experience and involves significant uncertainties, especially with regard to unforeseen developments concerning customers or technology. A change in the estimated amortization periods affect the timing of expense recognition. The carrying amount of capitalized costs to obtain a contract was € 10,257k as of December 31, 2020 (prior year: € 10,926k).

Measurement of non-listed equity instruments

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

Impairment of non-financial assets

Goodwill and other intangible assets with indefinite useful lives are tested for potential impairment at least once a year and whenever there is an indication of impairment. The recoverable amount of the relevant cash-generating unit to which the goodwill or intangible asset is assigned is determined either as the value in use or as the fair value less costs of disposal. The carrying amount of goodwill amounts to € 806,893k (prior year: € 813,942k). As of December 31, 2020, the carrying amount of intangible assets with indefinite useful lives amounts to € 50,244k (prior year: € 51,208k).

Estimating the value in use or the fair value less costs of disposal requires management to make an estimate of the future cash flows expected to be derived from the asset or cash-generating unit and apply an appropriate discount rate to determine the present value of those cash flows. For further information, including a sensitivity analysis of the key assumptions, see “Goodwill and impairment of goodwill and intangible assets with indefinite useful lives” in Note 29.

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

Share-based payment

The Group measures the cost of granting equity instruments to employees by reference to the fair value of these equity instruments at the date they were granted. In order to estimate fair value, an appropriate measurement approach must be determined for grants of equity instruments; this depends on the terms and conditions of the grant. Furthermore, appropriate inputs to be used in this valuation model, including the anticipated option term, volatility, exercise behavior and dividend yield, as well as corresponding assumptions must be determined. Any change in these assumptions may result in a material personnel expense in subsequent years.

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

Taxes

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

The amount of such provisions is based on various factors, such as experience of previous tax field audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies. As of December 31, 2020, the carrying amount of income tax liabilities was € 17,858k (prior year: € 18,723k), most of which was attributable to current income taxes for fiscal year 2020.

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

Trade accounts receivable and contract assets

Trade accounts receivable and contract assets are carried in the statement of financial position net of any bad debt allowances. Allowances for doubtful accounts are based on expected credit losses determined by means of regular reviews and assessments carried out in connection with credit monitoring. The related assumptions as to customer payment behavior and creditworthiness involve significant uncertainties. As of December 31, 2020, the carrying amount of trade accounts receivable totaled € 35,572k (prior year: € 33,491k). The carrying amount of contract assets was € 9,890k as of December 31, 2020 (prior year: € 7,995k).

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are measured at cost on initial recognition. Property, plant and equipment and intangible assets with finite useful lives are amortized straight-line over their assumed useful lives. The assumed useful lives are based on past experience and involve significant uncertainties, especially with regard to unforeseen technological developments. As of December 31, 2020, the carrying amount of property, plant and equipment and intangible assets with finite useful lives, excluding payments on account, is € 382,674k (prior year: € 394,206k).

Right-of-use assets and lease liabilities

A right-of-use asset is recognized for the duration of the lease in the amount of the present value of the future lease payments plus any initial direct costs, prepayments and asset retirement costs, less any incentives received; this asset is amortized over the term of the lease. At the same time, a lease liability is recognized in the amount of the future lease payments less the interest portion. Determining the term of leases, especially those with lease renewal and termination options, requires estimates of whether such options will be exercised. The incremental borrowing rate is used to measure right-of-use assets and lease liabilities. The incremental borrowing rate is determined on the basis of reference interest rates for a period of up to 15 years derived from risk-free interest rates for equivalent maturities, plus a credit risk premium.

Accounting for business combinations

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

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

Provisions

Provisions are recognized when the Group has an obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Such estimates involve significant uncertainties. As of December 31, 2020, the carrying amount of provisions was € 2,027k (prior year: € 7,564k).

4 Business combinations and equity investments

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

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

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

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

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

5 Revenue from contracts with customers

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

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

In fiscal year 2020, revenue from contracts with customers breaks down into product revenue from business with small and medium-sized companies, e.g., with domains, web hosting and the website builder, of € 635,446k (prior year: € 621,554k), professional hosting of € 130,092k (prior year: € 119,416k) and domain business under the InterNetX, Sedo, united-domains and home.pl brands of € 178,835k (prior year: € 145,993k).

Contract balances developed as follows in fiscal year 2020:

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

In fiscal year 2020, revenue of € 75,024k (prior year: € 75,691k) was recognized which was contained in contract liabilities at the beginning of the fiscal year.

The total transaction price of performance obligations still unsatisfied at the end of the reporting period amounted to € 3,958k as of December 31, 2020 (prior year: € 3,851k). The following table shows the time bands in which the transaction prices from unsatisfied or partially unsatisfied performance obligations as of the reporting date are expected to be recognized:

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

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

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

6 Revenue from contracts with related parties

Revenue from contracts with related parties, i.e., revenue with companies of the United Internet Group that are not part of the basis of consolidation of the 1&1 IONOS TopCo Group, come to € 43,908k (prior year: € 37,058k) and mainly stem from internal cost allocations. The entities of the 1&1 IONOS TopCo Group provide general development, sales, data center, administrative and product management services for Group companies not included in the basis of consolidation.

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

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

7 Cost of sales

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

8 Selling expenses

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

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

9 General and administrative expenses

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

10 Impairment losses on receivables and contract assets

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

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

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

11 Other operating expenses/income

Other operating expenses

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

Expenses from foreign currency translation mainly comprise losses from exchange rate changes between the date of origination and time of payment of foreign currency receivables and payables as well as losses from measurement as of the reporting date. Currency gains from these items are reported under other operating income. A net consideration of this item results in a net profit of € 4,077k (prior year: net loss of € 2,601k).

Other operating income

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

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

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

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

Furthermore, an impairment test for the STRATO brand gave rise to a write-up of € 19,438k in the prior year. In 2019, a strategic realignment saw a shift from a single brand to a dual brand strategy. Under the new strategy, the Group now intends to use the STRATO brand for an indefinite period.

12 Depreciation and amortization

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

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

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

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

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

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

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

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

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

13 Personnel expenses

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

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

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

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

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

With regard to company pension plans, the Group only has defined contribution plans. The Company pays contributions to the state pension fund as a result of statutory obligations. There are no other benefit obligations for the Company after payment of the contributions. The current contribution payments are recognized as an expense in the respective year. In fiscal year 2020, they totaled € 8,784k (prior year: € 7,846k).

14 Finance costs

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

Intercompany interest and similar expenses mainly relate to interest in connection with the vendor loan granted by United Internet AG and the profit and loss transfer agreements and cash pool transactions with companies of United Internet AG and Group entities that do not belong to the basis of consolidation of the 1&1 IONOS TopCo Group. For further information, please refer to Note 42.

The expenses from the subsequent measurement of a purchase price liability of € 5,547k (prior year: € 8,613k) stem from the subsequent measurement of the purchase price liability for the purchase of STRATO AG. For further information, please refer to Note 36.

The expenses from the subsequent measurement of the put option liabilities of € 2,441k (prior year: € 1,288k) stem from the subsequent measurement of the put option for the minority interests in InterNetX Holding GmbH. For further information, please refer to Note 36.

15 Finance income

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

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

Interest and similar income from related parties mainly concerns interest in connection with cash pool transactions with companies of United Internet AG and Group entities that do not belong to the basis of consolidation of the 1&1 IONOS TopCo Group. For further information, please refer to Note 42.

16 Income taxes

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

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

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

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

The effective trade tax rate depends on the municipalities in which the Company operates. The average trade tax rate in fiscal year 2020 for the tax group of 1&1 IONOS Holding SE amounted to approx. 14.64% (prior year: 14.8%).

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

In addition to taxes on the current result, income taxes include tax expenses not relating to the period of € 4,449k (prior year of € 5,722k).

Deferred tax assets are recognized for tax loss carryforwards and temporary differences if it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. In fiscal year 2020, a deferred tax expense from the utilization of deferred tax assets on tax loss carryforwards of € 2,043k was recorded (prior year: tax expense from utilization of € 569k and tax income from the recognition of deferred tax assets on tax loss carry forwards of € 42k).

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

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

The Group's interest carryforward, for which no deferred taxes were recognized, amounts to € 118,520k (prior year: € 128,026k).

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

Deferred taxes resulted from the following items:

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

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

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

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

The deferred tax liabilities on intangible assets of € 67,950k (prior year: € 71,690k) largely arose from the different treatment of intangible assets recognized in connection with acquisitions in the consolidated financial statements and the tax accounts. The net balance of deferred tax liabilities recognized in equity as of December 31, 2020 came to € 17,058k (prior year: € 22,146k).

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

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

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

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

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

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

The reconciliation item for the effect from the revaluation of taxes is due to differences in the tax rates of German and foreign Group entities compared with the rate anticipated for 1&1 IONOS TopCo SE. The reconciliation item for tax losses and non-deductible interest of the fiscal year for which no deferred taxes were recognized is due to the fact that no deferred tax assets were recognized on the part of the interest carryforward that was unlikely to be used according to the earnings forecast when the statement of financial position was prepared.

17 Cash and cash equivalents

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

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

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

18 Trade accounts receivable

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

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

The development of bad debt allowances can be seen below:

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

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

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

Overdue receivables are tested for impairment with specific bad debt allowances mainly calculated on the basis of the age structure of receivables. Please refer to Note 43. Collectively assessed specific bad debt allowances are charged on all overdue receivables not subject to a specific bad debt allowance.

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

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

19 Receivables from related parties

As of the reporting date, receivables from related parties amounted to € 40,701k (prior year: € 62,892k) and relate to Group entities of the United Internet Group that do not belong to the basis of consolidation of the 1&1 IONOS TopCo Group.

For information on transactions with related parties, please refer to Note 42.

20 Contract assets

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

21 Inventories

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

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

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

22 Prepaid expenses

Current prepaid expenses of € 16,090k (prior year: € 16,233k) consist mainly of costs to obtain a contract of € 6,600k (prior year: € 7,821k) and prepayments for wholesale fees, which are deferred and charged to the income statement on the basis of the underlying contractual period.

Non-current prepaid expenses of € 4,361k (prior year: € 4,116k) consist mainly of non-current prepaid costs to obtain a contract of € 3,657k (prior year: € 3,105k).

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

23 Other current assets

Other current financial assets

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

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

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

Other current non-financial assets

Other current non-financial assets totaling € 285k (prior year: € 908k) primarily relate to VAT receivables.

24 Income tax claims

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

25 Investments in associated companies

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

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

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

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

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

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

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

26 Other non-current financial assets

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

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

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

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

27 Property, plant and equipment

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

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

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

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

28 Intangible assets (without goodwill)

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

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

An alternative presentation of the development of intangible assets in fiscal year 2020 can be found in the exhibit to the notes to the consolidated financial statements (development of non-current assets). The carrying amounts of intangible assets with indefinite useful lives (trademarks) totaled € 50,244k (prior year: € 51,208k). Intangible assets with indefinite useful lives were tested for impairment on the level of the cash-generating units as of the reporting date.

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

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

The residual amortization period for the customer base from the acquisition of STRATO AG amounts to 1 to 10 years depending on the product groups (prior year: 1 to 11 years), with 8 years applicable to most product groups (prior year: 9 years). The residual amortization period for the customer base of the home.pl transaction amounts to 5 years (prior year: 6 years), for Arsys 2 years (prior year: 3 years) and for World4You 11 years (prior year: 12 years).

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

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

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

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

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

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

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

Goodwill as of December 31, 2020 is allocated to the cash-generating units as follows:

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

Scheduled impairment test on December 31, 2020

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

The cash flow forecasts are based on the Company’s budgets for fiscal year 2021. Due to the manageable consequences of the coronavirus pandemic in 2020, no significant effects were considered in the cash flow forecasts. These budget calculations were extrapolated by management for a period of up to nine years (prior year: up to nine years) on the basis of external market studies and internal assumptions. Following this period, management assumes an annual increase in cash flow of 0.0% to 0.8% (prior year: 0.1% to 0.9%) which corresponds to the long-term average growth of the sector in which the respective cash-generating unit operates.

The discount rates after tax used for cash flow forecasts are between 5.1% and 6.7% (prior year: between 4.9% and 6.4%).

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

	Reporting year	Total proportion of goodwill	Long-term growth rate	Discount rate after taxes
STRATO	2020	49.8%	0.01%	5.2%
	2019	49.3%	0.12%	5.0%
home.pl	2020	14.6%	0.48%	6.2%
	2019	15.0%	0.52%	5.8%
Arsys	2020	12.5%	0.77%	6.7%
	2019	12.4%	0.89%	6.4%
Fasthosts	2020	7.5%	0.29%	5.8%
	2019	7.9%	0.34%	5.5%
World4You	2020	6.4%	0.19%	5.6%
	2019	6.3%	0.30%	5.3%
united-domains	2020	4.5%	0.00%	5.2%
	2019	4.4%	0.10%	5.0%
1&1 Hosting	2020	3.5%	0.16%	5.5%
	2019	3.5%	0.26%	5.2%
InterNetX	2020	0.6%	0.00%	5.2%
	2019	0.6%	0.10%	4.9%
Sedo (domain marketing)	2020	0.6%	0.00%	5.1%
	2019	0.6%	0.10%	4.9%

The cash flow forecasts depend heavily on the estimation of future revenue. The management of the respective cash-generating unit expects a varied development of revenue within its planning horizon. Revenue figures in the detailed planning period of the cash-generating units are based on average annual revenue growth rates of between 2% and 9% (prior year: between 2% and 5%).

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

In the 1&1 IONOS TopCo Group, trademarks recognized amount to € 50,244k (prior year: € 51,208k). In the course of business combinations, the trademarks were valued at their fair values using appropriate valuation methods (generally the relief from royalty method) and tested for impairment on the reporting date.

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

Sensitivity of assumptions

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

In the course of analyzing sensitivity for cash-generating units to which goodwill or trademarks have been allocated, an increase in the discount rates (after taxes) of 1.0 percentage points and a decline in the long-term growth rate in perpetuity of 0.10 to 0.25 percentage points (unless a rate of 0% was already assumed) and a decline in the royalty rate of 0.25 to 1.0 percentage points was assumed. These assumptions would not result in any changes to the impairment test.

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

30 Trade accounts payable

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

31 Liabilities to related parties

Current and non-current liabilities to related parties amount to € 1,473,249k as of the reporting date (prior year: € 1,595,155k) and relate to Group entities of the United Internet Group that do not belong to the basis of consolidation of the 1&1 IONOS TopCo Group. They include three long-term loans from United Internet AG of € 1,040,000k (prior year: € 1,160,000k), € 350,000k and € 76,000k, which stem from the upward expansion of the Group (see Note 1) and the acquisition of the shares in STRATO AG and World4You Internet Service GmbH.

For information on transactions with related parties, please refer to Note 42.

32 Current liabilities due to banks

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

33 Income tax liabilities

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

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

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

34 Contract liabilities

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

35 Other provisions

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

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

Provisions for (share-based) compensation of € 5,097k as of December 31, 2019 were current provisions. Provisions for asset retirement obligations of € 1,520k (prior year: € 1,634k) are non-current provisions with terms of two to five years.

Litigation risks comprise various legal disputes involving different entities of the 1&1 IONOS TopCo Group, all of which are classified as non-current as of December 31, 2020 (prior year: € 158k current and € 521k non-current).

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

Compensation plan for home.pl

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

The share-based compensation plan granted the general managers the right to purchase shares in home.pl at a certain price and under certain conditions. The conditions related to the achievement of predefined performance targets, among other things. The stock options were exercised in the first quarter of fiscal year 2020 at the end of a vesting period of around three years. When the stock options were exercised, home.pl carried out a planned capital increase to fulfill its commitment under the plan. The shares to be purchased by general managers as part of the capital increase were then bought back by 1&1 IONOS SE.

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

A total of 606 stock options were issued when home.pl was acquired. As of the reporting date, no more obligations under the compensation plan were recognized (prior year: € 5,097k). They were measured using a Black-Scholes option pricing model.

36 Other liabilities

Other current financial liabilities

Other current financial liabilities are comprised as follows:

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

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

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

Other current non-financial liabilities

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

Other non-current financial liabilities

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

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

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

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

The subsequent measurement of the put option liability, which relates to the minority interests in InterNetX Holding, amounted to € 2,441k (prior year: € 1,288k).

37 Share-based payment – employee stock ownership programs

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

The LTIP is designed to align the long-term interests of the members of the Management Board and other key employees of the Hosting Group with the interests of the Company in order to raise the equity value of the Company (1&1 IONOS TopCo SE) and other companies of the Hosting Group.

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

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

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

2020:

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

2019:

Issued on	Jan. 1, 2019	Apr. 1, 2019	Jul. 1, 2019	Oct. 1, 2019
Number of MIP units granted	10,000	90,750	21,500	37,500
Strike price	€ 153.60	€ 156.20	€ 182.00	€ 161.50
Fair value at time of issue	€ 54.06	€ 62.60	€ 54.55	€ 81.24
Volatility	approx. 36%	approx. 38%	approx. 38%	approx. 38%
Maturity at time of issue	approx. 3 years	approx. 3 years	approx. 2 years	approx. 2 years
Dividend yield	0%	0%	0%	0%
Risk-free interest	0%	0%	0%	0%

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

Expense is recognized on a straight-line basis over a period of four years or until the anticipated occurrence of an event defined under the terms of the program if it is prior to the end of the four-year period. This assessment is reviewed on each reporting date. Based on current estimates, the total underlying period is approx. 1 to 4 years (prior year: 4 years).

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

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

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

	1&1 IONOS TopCo SE	
		Average strike price (€)
Outstanding as of December 31, 2018	**225,000**	**114.70**
Issued	159,750	143.20
expired/forfeited	-5,000	114.70
Outstanding as of December 31, 2019	**379,750**	**126.70**
Issued	56,600	206.73
expired/forfeited	-56,125	73.78
Outstanding as of December 31, 2020	**380,225**	**146.42**
Exercisable as of December 31, 2020	0	n/a
Exercisable as of December 31, 2019	0	n/a

38 Issued capital

The issued capital of the ultimate parent 1&1 IONOS TopCo SE stood at € 360k as of the reporting date December 31, 2020 (prior year: € 360k).

Issued capital comprises 360,001 shares including one preferred share. United Internet AG holds 240,001 of these shares including the preferred share. The remaining shares are held by WP Lux. Until February 15, 2020, the preferred share entitled United Internet AG to a profit share equal to any advantageous interest difference arising in the fiscal year whose net retained profit is available for appropriation. Such an advantageous interest difference will arise if 1&1 IONOS Holding SE, a direct subsidiary of 1&1 IONOS TopCo SE, repays the vendor loan granted by United Internet AG using a refinancing instrument with an effective interest rate of less than 6.75% p.a. The preferred dividend would be equal to the difference between the lower effective interest rate and the current interest of 6.75%. Since the vendor loan was not replaced by a refinancing instrument in the relevant period, the right to receive the profit share described above has expired.

39 Reserves

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

Revaluation reserves

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

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

Currency translation adjustment

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

40 Non-controlling interests

As of December 31, 2020, non-controlling interests largely relate to the shares held by unrelated shareholders in InterNetX Holding GmbH, Regensburg, (4.44% of the issued capital) and minority interests held in premium.pl Sp. z o.o., Szczecin/Poland (25.00% of the issued capital).

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

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

41 Additional disclosures on financial instruments

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

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

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

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

	Measurement category acc. to IFRS 9	From interest and dividends	At fair value	Net profits and losses from subsequent measurement: Currency translation	Allowance	Other	Net result
		€k	€k	€k	€k	€k	€k
Financial assets at amortized cost	ac	457		2,854	-6,054		-4,194
Financial assets at fair value							
- through other comprehensive income	fvoci	942					942
Financial liabilities at amortized cost ...	flac	-102,238		1,223		-2,441	-103,456
Financial liabilities measured at fair value							
- through profit or loss	fvtpl		-5,547				-5,547
		-100,839	-5,547	4,077	-6,054	-2,441	-112,255

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

	Measure-ment category acc. to IFRS 9	Carrying amount as of Dec. 31, 2019	Amortized cost	Fair value through other comprehen-sive income	Fair value through profit or loss	Measure-ment acc. to IFRS 16	Fair value as of Dec. 31, 2019
		€k	€k	€k	€k	€k	€k
Financial assets							
Cash and cash equivalents ..	ac	39,823	39,823				39,823
Trade accounts receivable ...	ac	33,491	33,491				33,491
Receivables from related parties.................................	ac	62,892	62,892				62,892
Other current financial assets	ac	11,491	11,491				11,491
Other non-current financial assets							
Equity investments...........	fvoci	44,622		44,622			44,622
Other................................	ac	1,899	1,899				1,899

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

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

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

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

- Cash and cash equivalents, trade accounts receivable, trade accounts payable, current assets and liabilities from/to related parties as well as other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The same applies to current liabilities due to banks.
- Due to the changed level of interest rates, liabilities from finance leases show minor differences between the carrying amount and the fair value.

- The fair value of the financial assets and liabilities is stated at the amount at which the instrument could be exchanged in a current transaction between willing parties, except in a forced or liquidation sale.
- Non-current fixed and variable-rate receivables/borrowings are evaluated by the 1&1 IONOS TopCo Group based on parameters such as interest rates, specific country risk factors and creditworthiness of the individual debtors. Based on this evaluation, allowances are recognized for expected losses on these receivables. As of December 31, 2020, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The fair value of other financial liabilities and fixed-rate non-current liabilities to related parties is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. Option pricing models are largely used to measure contingent purchase price liabilities.
- The fair value of unquoted financial assets and liabilities measured at fair value is estimated using appropriate valuation techniques.
- The financial assets measured at fair value in the prior year primarily related to the equity investment in Afilias Inc. The fair value of this equity investment was determined using the discounted cash flow (DCF) method. Estimating the fair value requires management to make an estimate of the future cash flows expected to be derived from the equity investment and apply an appropriate discount rate to determine the present value of those cash flows. Management's key assumptions for determining fair value include assumptions regarding revenue development, margin development, the discount rate and the growth rate. The following assumptions were used for the equity investment in Afilias Inc. as of December 31, 2019: average revenue growth 4.1%; perpetual annuity growth 0.1%; cost of equity 5.1%.

Fair value hierarchy

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

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

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

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

Assets and liabilities measured at fair value

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

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

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

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

The following table shows the main non-observable inputs for the fair value measurements categorized in Level 3 of the fair value hierarchy and a quantitative sensitivity analysis as of December 31, 2020:

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

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

42 Related party disclosures

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

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

Management Board and Supervisory Board

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

Management Board

In fiscal year 2020, the **Management Board** of 1&1 IONOS TopCo SE (as the ultimate parent) and the management boards of 1&1 IONOS Holding SE and 1&1 IONOS SE had the following members:

1&1 IONOS TopCo SE:

- Hüseyin Dogan
- Achim Weiss

1&1 IONOS Holding SE:

- Dr. Christian Böing (resigned as of September 8, 2020)

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

1&1 IONOS SE:

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

The Supervisory Board is responsible for determining the remuneration of Management Board members. The members of the Management Board are compensated according to performance. This compensation consists of a fixed and a variable element (bonus). A target remuneration figure is agreed for the fixed component and the bonus, which is regularly reviewed. The last review was made in fiscal year 2020. The fixed remuneration component is paid monthly as a salary. The size of the bonus depends on reaching certain fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on revenue and earnings figures.

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

The compensation of members of the Management Board of 1&1 IONOS TopCo SE and of the management boards of 1&1 IONOS SE and 1&1 IONOS Holding SE for fiscal year 2020 breaks down as follows according to fixed and variable compensation:

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

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

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

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

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

Supervisory Board

In fiscal year 2020, the Supervisory Board of 1&1 IONOS TopCo SE (as the ultimate parent) and the supervisory boards of 1&1 IONOS Holding SE and 1&1 IONOS SE had the following members:

1&1 IONOS TopCo SE:

- Max Fowinkel (chair)
- Issam Abedin (deputy chair)
- Sebastian Heming
- Markus Kadelke
- Lutz Laffers
- Markus Langer (since June 24, 2020)
- Mike Schmidt (resigned as of June 24, 2020)

1&1 IONOS Holding SE:

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

1&1 IONOS SE:

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

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

2020	Fixed	Attendance fee	Total
	€k	€k	€k
René Obermann	0	0	0
Ralph Dommermuth	0	0	0
Frank Krause	0	0	0
Max Fowinkel	0	0	0
Michael Scheeren	30	4	34
Markus Kadelke	0	0	0
Issam Abedin	0	0	0
Lutz Laffers	0	0	0
Kurt Dobitsch	30	4	34
Martin Mildner	0	0	0
Sebastian Heming	0	0	0
Markus Langer	0	0	0
Mike Schmidt	0	0	0
	60	**8**	**68**

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

Transactions with related parties

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

Current receivables from related parties are comprised as follows as of December 31, 2020 and December 31, 2019, respectively:

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

Receivables from related parties mainly comprise cash pool receivables and trade accounts receivable. 1&1 IONOS TopCo SE serves as an intermediate consolidation company for the cash pool arrangement in place with United Internet AG and its subsidiaries. Outstanding balances from cash pooling at the year-end are unsecured and interest-bearing and settlement generally occurs in cash. No guarantees have been provided for receivables from related parties. The Group did not record any impairment of receivables from related parties in fiscal years 2019 and 2020. An annual impairment test is performed, examining the financial position of the related party and the market in which the related party operates.

Current liabilities to related parties are comprised as follows as of December 31, 2020 and December 31, 2019, respectively:

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

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

1&1 IONOS Holding SE has non-current liabilities to related parties of € 1,466,000k (prior year: € 1,586,000k) that are owed to United Internet AG. As of December 31, 2020, non-current liabilities to related parties include a vendor loan of € 1,040,000k (prior year: € 1,160,000k) for the acquisition of the shares in 1&1 IONOS SE and a loan of € 350,000k for the acquisition of the shares in STRATO AG. Both loans bear interest at a rate of 6.75% p.a. and have a term until December 26, 2026. Both loans are unsecured. A non-current loan liability of € 76,000k to United Internet AG is also in place, which was issued for the acquisition of the shares in World4You Internet Service GmbH. The loan has a term until December 31, 2023 and bears interest at 5.0% p.a.

The following table presents the total amount of transactions entered into with related parties in fiscal years 2020 and 2019:

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

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

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

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

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

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

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

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

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

In fiscal year 2020, 1&1 IONOS TopCo SE had profit and loss transfer agreements, voluntary loss absorption arrangements, letters of comfort and domination agreements with the following companies that were not included in the Hosting Group's basis of consolidation:

- United Internet AG (letter of comfort from parent company)

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

- United Internet AG (letter of comfort from parent company)

Other disclosures on transactions with related parties

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

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

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

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

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

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

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

43 Objectives and methods of financial risk management

Principles of risk management

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

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

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

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

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

Liquidity risk

Liquidity risk refers to the risk that a company encounters difficulties in fulfilling the payment obligations resulting from its financial liabilities. As in the prior year, the liquidity risk of the Hosting Group largely relates to the risk that the entities belonging to the Group cannot meet their financial obligations.

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

The following table shows all contractually fixed payments for redemptions, repayments and interest for financial liabilities in the statement of financial position as of December 31, 2020 and 2019:

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

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

Market risk

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

Interest rate risk

Interest rate risk refers to the risk that fair values or future interest payments on current and future financial liabilities will fluctuate because of changes in market interest rates. As of December 31, 2020, the Group primarily had fixed-interest liabilities to related parties, which are not subject to any interest rate risk with an effect on income.

Currency risk

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

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

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

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

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

Credit and default risk

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

With regard to trade accounts receivable, the maximum credit risk is the gross amount recognized in the statement of financial position before bad debt allowances. In Note 18, trade accounts receivable which are not impaired as of the reporting date are categorized according to the time bands in which they become overdue.

The Hosting Group does not have any significant credit concentrations.

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

Capital management

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

44 Contingent liabilities and other obligations

As of December 31, 2020, the Company had the following other financial obligations:

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

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

Other financial obligations mainly contain service charges for building leases.

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

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

The Management Board has no knowledge of any other facts which could have a significant, adverse effect on the business activities, the financial situation or the operating result of the Company.

45 Leases

The 1&1 IONOS TopCo Group enters into leases solely as a lessee. The obligations mainly comprise obligations under building and vehicle leases.

Most leases have options to renew the contractual relationship. The terms of these renewal options are negotiable or identical with the current terms. The Company currently intends to exercise all material renewal options. The Company does not intend to exercise any material termination options.

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

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

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

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

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

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

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

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

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

46 Cash flow statement

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

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

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

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

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

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

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

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

47 Subsequent events

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

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

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

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

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

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

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

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

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

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

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

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

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

Apart from this, no further significant events having a substantial effect on the assets, liabilities, financial position and financial performance of the Company or the Group with consequences for their financial reporting occurred in the 1&1 IONOS TopCo Group after the reporting date of December 31, 2020.

48 Auditor’s fees

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

Montabaur, April 27, 2021

Achim Weiss Hüseyin Dogan

Development of intangible assets and property, plant and equipment 2020

	Acquisition and production cost							Accumulated amortization, depreciation and impairment					Carrying amounts	
	Dec. 31, 2019	Additions	Disposals	Reclassi-fications	Additions from acquisitions	Exchange rate differences	Dec. 31, 2020	Dec, 31, 2019	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. Other intangible assets.................	7,263	865	133	0	0	-344	7,651	2,695	317	104	-133	2,775	**4,876**	**4,568**
Total (I)....................	**1,352,426**	**4,159**	**3,864**	**0**	**313**	**-12,934**	**1,340,100**	**279,682**	**39,528**	**3,776**	**-3,187**	**312,247**	**1,027,853**	**1,072,744**
II. Property, plant and equipment														
1. Land and buildings.............	9,318	0	0	0	0	0	9,318	5,238	809	0	0	6,047	**3,271**	**4,080**
2. Operating and office equipment ..	408,785	56,584	31,598	119	3	-9,120	424,773	258,721	56,947	29,083	-6,959	279,626	**145,147**	**150,064**
3. Payments on account...............	1,637	5,523	16	-119	0	-9	7,016	0	0	0	0	0	**7,016**	**1,637**
4. Right-of-use assets.................	46,300	45,556	984	0	0	-635	90,237	12,899	13,606	474	-268	25,763	**64,474**	**33,401**
Total (II)...................	**466,040**	**107,663**	**32,598**	**0**	**3**	**-9,764**	**531,344**	**276,858**	**71,362**	**29,557**	**-7,227**	**311,436**	**219,908**	**189,182**
Sum total.................	**1,818,466**	**111,822**	**36,462**	**0**	**316**	**-22,698**	**1,871,444**	**556,540**	**110,890**	**33,333**	**-10,414**	**623,683**	**1,247,761**	**1,261,926**

Development of intangible assets and property, plant and equipment 2019

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

The following English-language translation of the German-language independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers) refers to the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB ("Handelsgesetzbuch": German Commercial Code), as well as the group management report, prepared on the basis of German commercial law (HGB), of 1&1 IONOS TopCo SE (now IONOS Group SE), Montabaur, as of and for the fiscal year ended December 31, 2020 as a whole and not solely to the consolidated financial statements presented in this Prospectus on the preceding pages. The group management report is not part of this Prospectus.

Independent auditor's report

To 1&1 IONOS TopCo SE

Opinions

We have audited the consolidated financial statements of 1&1 IONOS TopCo SE, Montabaur, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the fiscal year from January 1 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of 1&1 IONOS TopCo SE for the fiscal year from January 1 to December 31, 2020. We have not audited the content of the following disclosure as it is extraneous to management reports:

- The information contained in section 1.4 "Main focus areas for products and innovations" of the group management report

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

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at December 31, 2020 and of its financial performance for the fiscal year from January 1 to December 31, 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the aforementioned section 1.4 "Main focus areas for products and innovations" of the group management report.

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

Basis for the opinions

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

Other information

The executive directors are responsible for the other information. The other information comprises the aforementioned section 1.4 of the group management report, but not the group management report disclosures whose content is audited and not our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions.

We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Eschborn/Frankfurt am Main, April 29, 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

Audited Consolidated Financial Statements of 1&1 IONOS TopCo SE (now IONOS Group SE, formerly 1&1 Internet TopCo SE) Prepared in Accordance with IFRS as of and for the Fiscal Year Ended December 31, 2019

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

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

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

	Note	2019 January - December	2018 January - December
Revenue from contracts with customers	5.1	886,963	838,126
Revenue from contracts with related parties	5.2	37,058	38,758
Cost of sales	5.3	-417,232	-404,942
Gross profit		**506,789**	**471,942**
Selling expenses	5.4	-232,957	-195,596
General and administrative expenses	5.5	-72,596	-86,763
Impairment losses on receivables and contract assets	5.6	-9,255	-8,913
Other operating expenses	5.7	-9,964	-9,594
Other operating income	5.8	39,615	31,053
Operating result		**221,632**	**202,129**
Finance costs	5.11	-121,357	-108,967
Finance income	5.12	1,328	4,032
Share of the profit or loss of associates accounted for using the equity method	6.9	231	200
Pre-tax result		**101,834**	**97,394**
Income taxes	5.13	-47,586	-49,817
Net income		**54,248**	**47,577**
thereof attributable to			
non-controlling interests	6.25	295	400
shareholders of 1&1 IONOS TopCo SE		53,953	47,177

Reconciliation to total comprehensive income

		2019	2018
Net income		**54,248**	**47,577**
Items that may be reclassified subsequently to profit or loss			
Currency translation adjustment – unrealized		6,692	-1,927
Items that are not reclassified subsequently to profit or loss			
Result from the revaluation of equity instruments measured at fair value through other comprehensive income		1,827	76
Tax effect		-89	-4
Other comprehensive income		**8,430**	**-1,855**
Total comprehensive income		**62,678**	**45,722**
thereof attributable to			
non-controlling interests		314	415
shareholders of 1&1 IONOS TopCo SE		62,364	45,307

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

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

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

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

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

Notes to the consolidated financial statements for fiscal year 2019

Table of Contents

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

1.1 General information on the Company and the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

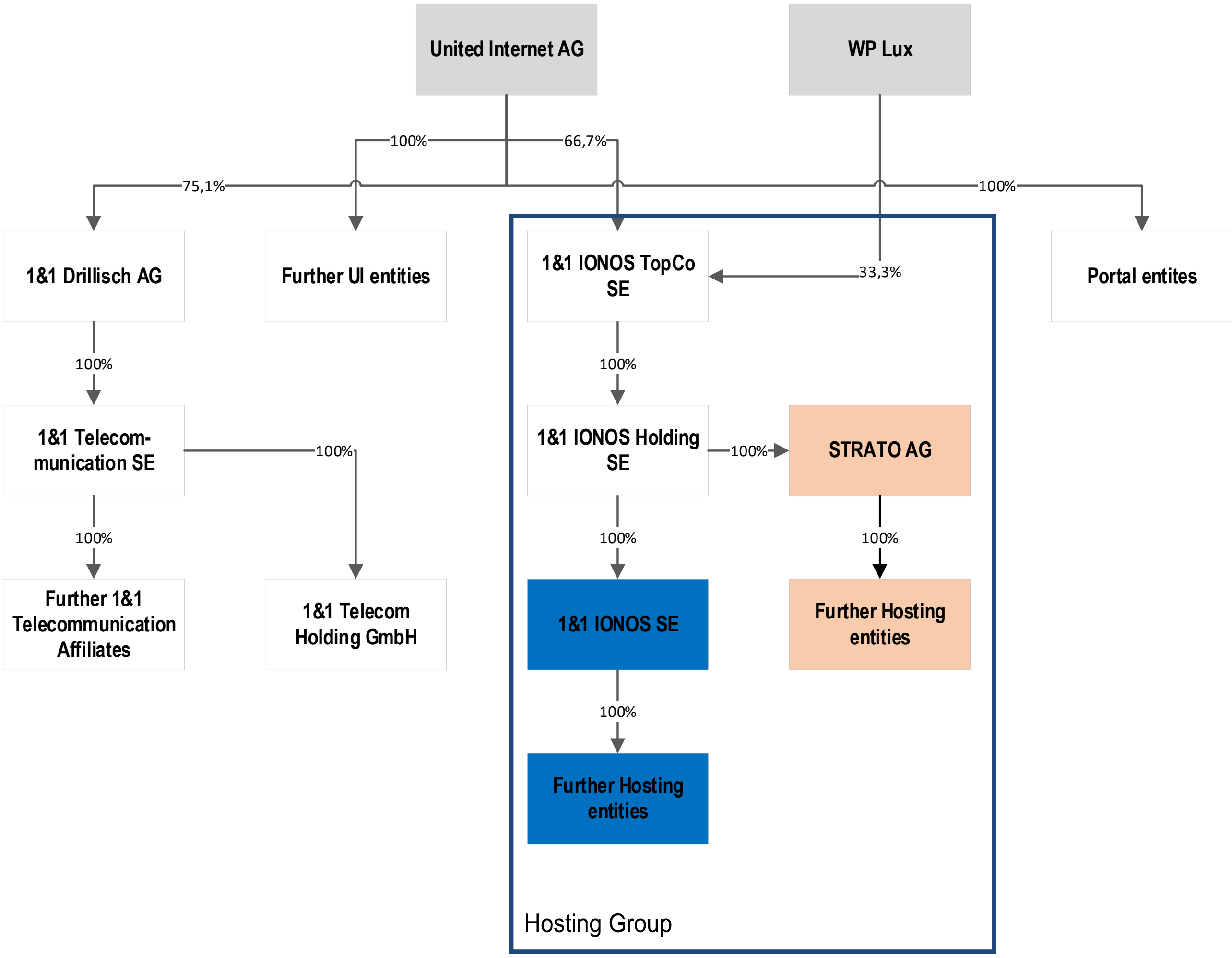
In connection with the entry of WarburgPincus as a shareholder of 1&1 IONOS TopCo SE, United Internet AG (option holder) and 1&1 IONOS TopCo SE (option writer) agreed on the following put option in relation to the preferred share in 1&1 IONOS Holding SE at the beginning of 2017:

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

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

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

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



1.3 Basis of consolidation

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

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

Determination of the basis of consolidation

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

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

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

1&1 IONOS Holding SE (formerly 1&1 IONOS Holding SE), Montabaur (100.0%)

- STRATO AG, Berlin (100.0%)
    - Cronon GmbH (formerly Cronon AG), Berlin (100.0%)
    - STRATO Customer Service GmbH (100.0%)
- 1&1 IONOS SE, Montabaur (100.0%)
    - 1&1 IONOS Datacenter SAS (formerly 1&1 Datacenter SAS), Niederlauterbach/France (100.0%)
    - 1&1 Internet Development SRL, Bucharest/Romania (100.0%)
    - 1&1 IONOS España S.L.U., Madrid/Spain (100.0%)
    - 1&1 IONOS Inc., Chesterbrook/USA (100.0%)
        - A1 Media USA LLC, Chesterbrook/USA (100.0%)
        - 1&1 Cardgate LLC, Chesterbrook/USA (100.0%)
    - 1&1 IONOS Ltd., Gloucester/UK (100.0%)
    - 1&1 IONOS S.A.R.L., Sarreguemines/France (100.0%)
    - 1&1 IONOS Service GmbH, Montabaur (100.0%)
    - 1&1 IONOS (Philippines) Inc., Cebu City/Philippines (100.0%)
    - 1&1 Internet Sp. z o.o., Warsaw/Poland in liquidation (100.0%)
    - 1&1 IONOS UK Holdings Ltd., Gloucester/UK (100.0%)
        - Fasthosts Internet Ltd., Gloucester/UK (100.0%)
            - Fasthosts Internet Inc., Chesterbrook/USA in liquidation (100.0%)
    - Arsys Internet S.L., Logroño/Spain (100.0%)
        - Arsys Internet E.U.R.L., Perpignan/France (100.0%)
        - Tesys Internet S.L., Logroño/Spain (100.0%)
        - Nicline Internet S.L., Logroño/Spain (100.0%)
- InterNetX Holding GmbH, Regensburg (95.56%)
    - InterNetX GmbH, Regensburg (100.0%)
        - Schlund Technologies GmbH, Regensburg (100.0%)
        - PSI-USA Inc., Las Vegas/USA (100.0%)
        - InterNetX Corp., Miami/USA (100.0%)
    - Sedo GmbH, Cologne (100.0%)
        - DomCollect International GmbH, Montabaur (100.0%)
        - Sedo.com LLC, Cambridge/USA (100.0%)
- united-domains AG, Starnberg (100.0%)
    - united-domains Reselling GmbH, Starnberg (100.0%)
    - United Domains Inc., Cambridge/USA (100.0%)
- Immobilienverwaltung AB GmbH, Montabaur (100.0%)
- Immobilienverwaltung NMH GmbH, Montabaur (100.0%)

- home.pl S.A., Szczecin/Poland (100.0%)
    - AZ.pl Sp. z o.o., Szczecin/Poland (100.0%)
    - HBS Cloud Sp. z o.o., Szczecin/Poland (100.0%)
    - premium.pl Sp. z o.o., Szczecin/Poland (75.0%)
        - DP EUROPE Sp. z o.o., Szczecin/Poland (100.0%)
        - DP POLAND Sp. z o.o., Szczecin/Poland (100.0%)
        - DP ASIA Sp. z o.o., Szczecin/Poland (100.0%)
- 1&1 IONOS Cloud Inc., Newark, Delaware/USA (100.0%)
- World4You Internet Services GmbH, Linz/Austria (100.0%)

Associated companies

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

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

Changes in the 1&1 IONOS TopCo Group

The following companies were established in fiscal year 2019:

- STRATO Customer Service GmbH (100.0%)

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

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

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

1.4 Going concern

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

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

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

- the 1&1 IONOS TopCo Group and the former 1&1 IONOS SE Group (prior to the upward expansion of the Group) have been profitable in the past;
- according to its budgets and forecasts, the 1&1 IONOS TopCo Group will also be profitable in the future; and

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

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

2 Accounting policies

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

2.1 Basis of preparation

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

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

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

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

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

2.2 Effects of new or amended IFRSs

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

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

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

Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3 Accounting standards already published but not yet mandatory

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

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

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

2.4 Consolidation principles

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

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

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

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

2.5 Classification as current and non-current

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

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

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

2.6 Revenue recognition

Revenue recognition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.8 Foreign currency translation

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

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

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

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

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

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

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

The exchange rates of major currencies developed as follows:

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

2.9 Property, plant and equipment

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

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

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

The useful lives are summarized below:

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

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

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

2.10 Borrowing costs

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

2.11 Business combinations and goodwill

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

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

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

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

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

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

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

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

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

2.12 Intangible assets

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

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

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

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

The useful lives are summarized below:

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

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

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

2.13 Investments in associated companies

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

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

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

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

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

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

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

2.14 Contract assets

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

2.15 Contract liabilities

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

2.16 Costs to obtain and fulfill a contract

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

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

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

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

2.17 Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

2.18 Leases

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

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

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

Leases (from January 1, 2019)

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

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

Right-of-use assets

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

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

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

Lease liabilities

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

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

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

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

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

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

Leases (until December 31, 2018)

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

Group as lessee

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

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

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

There were no significant contracts that qualified as finance leases.

2.19 Inventories

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

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

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

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

2.20 Financial instruments

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

Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Financial assets at amortized cost (debt instruments)

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

Derecognition

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

Impairment of financial assets

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

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

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

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

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

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

Financial liabilities

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

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities at amortized cost

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

Derecognition

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

Offsetting of financial instruments

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

2.21 Cash and cash equivalents

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

2.22 Pensions and other post-employment benefits

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

2.23 Provisions

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

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

2.24 Share-based payment

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

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

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

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

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

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

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

2.25 Finance income

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

2.26 Current and deferred taxes

Income taxes

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

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

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

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

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

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

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

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

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

VAT

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

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

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

3 Significant judgments and accounting estimates

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

- **Judgments**
  In the process of applying the entity's accounting policies, management made the following judgments (e.g., in connection with transactions) that have a significant effect on the amounts recognized in the financial statements.
- **Estimates and assumptions**
  The key assumptions concerning the future and other major sources of estimation uncertainty on the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

Revenue recognition

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

Cost to obtain a contract

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

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

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

Impairment of non-financial assets

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

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

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

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

Trade accounts receivable and contract assets

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

Property, plant and equipment and intangible assets

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

Taxes

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

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

Accounting for business combinations

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

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

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

Provisions

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

Share-based payment

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

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

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

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

Right-of-use assets and lease liabilities

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

4 Business combinations and equity investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	PPA
Assets	**€k**
Current	
Cash and cash equivalents	3,488
Trade accounts receivable	449
Prepaid expenses	74
Other financial assets	43
Non-current	
Property, plant and equipment	767
Intangible assets	29,631
Deferred taxes	69
	34,521
Liabilities	
Current	
Trade accounts payable	366
Income tax liabilities	79
Deferred income	2,071
Other financial liabilities	212
Other non-financial liabilities	13
Assets	
Non-current	
Deferred tax liabilities	7,497
	10,238
Total identified net assets	**24,283**
Goodwill arising on acquisition	**51,250**
Purchase consideration transferred	**75,533**

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

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

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

5 Notes to the consolidated statement of comprehensive income

5.1 Revenue from contracts with customers

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

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

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

Contract balances developed as follows in fiscal year 2019:

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

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

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

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

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

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

5.2 Revenue from contracts with related parties

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

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

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

5.3 Cost of sales

Cost of sales breaks down as follows:

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

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

5.4 Selling expenses

Selling expenses are comprised as follows:

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

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

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

5.5 General and administrative expenses

General and administrative expenses are comprised as follows:

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

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

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

5.6 Impairment losses on receivables and contract assets

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

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

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

5.7 Other operating expenses

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

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

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

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

5.8 Other operating income

Other operating income breaks down as follows:

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

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

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

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

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

5.9 Depreciation and amortization

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

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

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

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

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

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

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

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

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

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

5.10 Personnel expenses

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

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

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

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

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

5.11 Finance costs

Finance costs are comprised as follows:

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

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

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

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

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

5.12 Finance income

Finance income for fiscal year 2019 breaks down as follows:

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

Income from equity investments arose almost exclusively from dividends from Afilias Inc., Horsham, Pennsylvania, USA.

For information on interest and similar income from related parties, please refer to Note 8.2.

5.13 Income taxes

Income taxes of € 47,586k (prior year: € 49,817k) of the 1&1 IONOS TopCo Group are comprised as follows:

	2019	2018
	€k	€k
Current income taxes		
- Germany	-44,414	-47,250
- Outside Germany	-10,508	-11,056
Total (current period)	-54,922	-58,306
Deferred taxes		
- Due to tax loss carryforwards	-2,970	2,570
- Tax effect on temporary differences	10,306	5,940
- Due to tax rate changes	0	-21
Total deferred taxes	7,336	8,489
Total	**-47,586**	**-49,817**

Under German tax law, income taxes comprise corporate income tax and trade tax, as well as the solidarity surcharge.

German trade tax is levied on the Company's taxable income adjusted for certain revenue which is not subject to such tax, and for certain expenses which are not deductible for purposes of trade tax.

The effective trade tax rate depends on the municipalities in which the Company operates. The average trade tax rate in fiscal year 2019 for the tax group of 1&1 IONOS Holding SE amounted to approx. 14.8% (prior year: 14.8%).

German corporate income tax was levied at 15% – irrespective of whether the result was retained or distributed. In addition, a solidarity surcharge of 5.5% is imposed on the assessed corporate income tax.

In addition to taxes on the current result, income taxes include tax expenses not relating to the period of € 5,722k (prior year: tax income of € 858k).

Deferred tax assets are recognized for tax loss carryforwards and temporary differences if it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. In fiscal year 2019, a deferred tax expense from the utilization of deferred tax assets on tax loss carryforwards of € 569k and deferred tax income from the recognition of deferred tax assets on tax loss carry forwards of € 42k (prior year: € 2,570k) were recorded.

Of the foreign tax loss carryforwards for which no deferred taxes have been recognized, € 295k (prior year: € 295k) relates exclusively to Poland.

As of December 31, 2019, there were no longer any loss carryforwards for Germany for which no deferred taxes had been recognized. As of December 31, 2018, there were corporate income tax loss carryforwards of € 51,450k and trade tax loss carryforwards of € 50,461k for Germany, € 25,139k of which was used in connection with the contribution of 1&1 IONOS Cloud GmbH to 1&1 IONOS SE, Montabaur. The remaining amount was forfeited. The use of loss carryforwards for which no deferred taxes were recognized in the prior year resulted in a tax benefit of € 5,209k.

In accordance with IAS 12, deferred tax assets are recognized on the future advantages associated with tax loss carryforwards. The following time limits apply for the net loss carryforward in the different countries:

- Germany: Indefinite, but minimum taxation
- USA: Indefinite
- Poland: 5 years

The so-called "interest cap" enshrined in German tax law limits the deductibility of interest expenses for the assessment of company income taxes. Interest expenses that cannot therefore be deducted are carried forward indefinitely to the following fiscal years (interest carryforward).

The Group's interest carryforward, for which no deferred taxes were recognized, amounts to € 128,026k (prior year: € 92,167k).

Deferred taxes resulted from the following items:

	Dec. 31, 2019		**Dec. 31, 2018**	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	€k	€k	€k	€k
Trade accounts receivable	1,007	538	779	914
Inventories	83	0	86	0
Contract assets	6	2,780	33	3,412
Other financial assets – Current	456	0	489	0
Other financial assets – non-current	468	2,018	468	1,899
Other assets	1	43	1	50
Prepaid expenses	14,452	3,066	14,446	3,689
Property, plant and equipment	2,182	7,052	2,212	5,399
Right-of-use assets from leases	0	8,653	n/a	n/a
Intangible assets	4,468	71,690	2,709	77,442
Other provisions	8,806	0	1,973	0
Contract liabilities	17,582	40,544	17,940	41,004
Lease liabilities	9,081	0	0	0
Other liabilities	1,247	1,159	969	1,159
Gross value	**59,839**	**137,543**	**42,105**	**134,968**
Tax loss carryforwards	2,043	0	5,013	0
Adjustments for consolidation	235	-67	16	280
Offsetting	-52,942	-52,942	-43,976	-43,976
Consolidated statement of financial position	**9,175**	**84,534**	**3,158**	**91,272**

The net balance of deferred tax liabilities of € 88,114k in the prior year decreased to a net balance of deferred tax liabilities of € 75,359k. As a result, the total change in the net balance of deferred taxes amounted to € 12,755k (prior year: € 19,348k). This change was mainly due to the following factors:

- Increase of € 2,970k in deferred tax assets from intangible assets in connection with a revaluation of for tax purposes due to a contribution.
- Decrease of € 3,341k in deferred tax liabilities from intangible assets in connection with the amortization of assets from company acquisitions.
- Increase of € 6,568k in deferred tax assets from provisions for the LTIP.

The loss carryforward relates to 1&1 IONOS Inc. The deferred tax liabilities on intangible assets of € 71,690k (prior year: € 77,442k) largely arose from the different treatment of intangible assets recognized in connection with acquisitions in the consolidated financial statements and the tax accounts. The net balance of deferred tax liabilities recognized in equity as of December 31, 2019 came to € 22,146k (prior year: € 27,837k).

The change in the net balance of deferred taxes compared to the prior year is reconciled as follows:

	2019	2018
	€k	€k
Deferred tax income	7,336	8,489
Addition in connection with business combinations	0	-7,428
Deferred tax expense recognized in equity	5,691	-4
Other	-272	-20,405
Change in the net balance of deferred taxes	**12,755**	**-19,348**

The deferred tax effects recognized in equity relate to deferred taxes from the LTIP for the amount by which the estimated future tax deduction exceeds the related remuneration expense as well as the deferred taxes recognized directly in the reserves from a revaluation of the amount presented in the prior year pursuant to IFRS 15.

The other changes in deferred taxes in the prior year mainly related to the deferred taxes recognized directly in the reserves from the first-time application of IFRS 9 and IFRS 15.

The aggregate tax rate is reconciled to the effective tax rate of continued operations as follows:

	2019	2018
	%	%
Anticipated tax rate	**30.6**	**30.6**
Current and deferred taxes for prior years	5.6	0.0
Effect from the revaluation of taxes	-0.2	0.7
Tax effects in connection with group-internal dividends and disposals	1.4	6.6
Write-downs on intangible assets deductible for tax purposes only	0.9	0.0
Costs in connection with acquisitions	0.0	0.1
Tax rate changes	-4.9	-4.6
Employee stock ownership program	-1.0	-0.5
Tax losses and non-deductible interest of the fiscal year for which no deferred taxes were recognized	9.9	16.9
Balance of other tax-free income and non-deductible expenses	1.6	1.4
Effective tax rate	**46.7**	**51.2**

The anticipated tax rate corresponds to the tax rate of the German tax group of 1&1 IONOS Holding SE since this tax group makes the main contribution to (taxable) net income.

The reconciliation item for the effect from the revaluation of taxes is due to differences in the tax rates of German and foreign Group entities compared with the rate anticipated for 1&1 IONOS TopCo SE. The reconciliation item for tax losses and non-deductible interest of the fiscal year for which no deferred taxes were recognized is due to the fact that no deferred tax assets were recognized on the interest carryforward as it was not sufficiently probable that it would be able to be used according to the earnings forecast when the statement of financial position was prepared.

6 Notes to the consolidated statement of financial position

6.1 Cash and cash equivalents

Cash and cash equivalents consist of bank balances, short-term deposits, checks, and cash in hand. Bank balances generally bear variable interest rates for call money.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group.

The development of cash and cash equivalents is presented in the consolidated cash flow statement.

6.2 Trade accounts receivable

Trade accounts receivable are comprised as follows as of the respective reporting date:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
Trade accounts receivable	42,979	41,750
Less		
Bad debt allowances	-9,488	-8,255
Trade accounts receivable, net	**33,491**	**33,495**

The development of bad debt allowances can be seen below:

	2019	2018
	€k	€k
As of January 1	8,255	6,346
Utilization	-4,634	-4,623
Additions charged to profit or loss	6,328	8,253
Reversals	-569	-1,877
Exchange rate differences	108	156
As of December 31	**9,488**	**8,255**

Additions charged to profit or loss for the fiscal year do not include receivables arising during the year and derecognized before the reporting date.

The maximum default risk as of the reporting date is the net carrying amount of the trade accounts receivable stated above.

Overdue receivables are tested for impairment with specific bad debt allowances mainly calculated on the basis of the age structure of receivables. Please refer to Note 9. Collectively assessed specific bad debt allowances are charged on all overdue receivables not subject to a specific bad debt allowance.

As of December 31, 2019, the age structure of trade accounts receivable net of the abovementioned allowances was as follows:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
< 5 days	26,674	27,447
6-15 days	2,284	1,697
16-30 days	2,499	2,549
31-180 days	1,316	1,536
181-365 days	268	266
> 365 days	450	0
	33,491	**33,495**

6.3 Receivables from related parties

As of the reporting date, receivables from related parties amounted to € 62,892k (prior year: € 39,972k) and relate to Group entities of the United Internet Group that do not belong to the basis of consolidation of the 1&1 IONOS TopCo Group.

For information on transactions with related parties, please refer to Note 8.2.

6.4 Contract assets

	2019	2018
	€k	€k
Contract assets	**8,016**	**9,420**
Less		
Bad debt allowances	-21	-108
Contract assets, net	**7,995**	**9,312**
thereof contract assets – current	7,991	8,660
thereof contract assets – non-current	4	652

6.5 Inventories

Inventories of € 35k as of the reporting date (prior year: € 62k) comprise the following items:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
Domains	3,300	3,393
Other	1	1
Inventories, gross	**3,301**	**3,394**
Allowances	-3,266	-3,332
Inventories, net	**35**	**62**

The amount of inventories recognized as an expense in fiscal year 2019 amounted to € 27k (prior year: € 63k).

6.6 Prepaid expenses

Current prepaid expenses of € 16,233k (prior year: € 16,786k) consist mainly of costs to obtain a contract of € 7,821k (prior year: € 8,809k) and prepayments for wholesale fees, which are deferred and charged to the income statement on the basis of the underlying contractual period.

Non-current prepaid expenses of € 4,116k (prior year: € 5,506k) consist mainly of non-current prepaid costs to obtain a contract of € 3,105k (prior year: € 4,469k).

6.7 Other current assets

Other current financial assets

Other current financial assets come to € 11,491k as of December 31, 2019 (prior year: € 12,600k) and are comprised as follows:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
Payments on account	4,764	4,850
Creditors with debit balances	3,036	2,818
DENIC reimbursement	1,489	2,090
Security deposits	692	513
Miscellaneous	1,510	2,329
Other financial assets	**11,491**	**12,600**

Payments on account in other current assets mainly relate to payments on account for domains.

Other current non-financial assets

Other current non-financial assets totaling € 908k (prior year: € 566k) primarily relate to VAT receivables.

6.8 Income tax claims

Income tax claims totaling € 3,277k (prior year: € 59,058k) mainly relate to 1&1 IONOS Inc. (€ 1,092k; prior year: € 1,083k) and the InterNetX Holding GmbH Group (€ 2,144k).

6.9 Investments in associated companies

Investments in associated companies amount to € 2,051k (prior year: € 1,918k) and developed as follows as of the reporting date:

	2019	2018
	€k	€k
As of January 1	1,918	1,759
Adjustments		
- Distributions	-98	-40
- Earnings contributions	231	199
As of December 31	**2,051**	**1,918**

Investments in associated companies are comprised as follows as of the reporting date:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
DomainsBot S.r.l.	1,130	1,113
Intellectual Property Management Company Inc.	921	805
Investments in associated companies	**2,051**	**1,918**

The following table contains summarized financial information on the associated companies on the basis of a 100% shareholding as of the reporting date:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
Current assets	1,956	1,716
Non-current assets	122	173
Current liabilities	163	45
Non-current liabilities	260	435
Equity	**1,655**	**1,409**
Revenue	3,316	2,292
Net profit/loss	446	406

The summarized financial information is based in part on local accounting standards as a reconciliation of this financial information to IFRS would incur disproportionately high costs.

6.10 Other non-current financial assets

The development of other non-current financial assets for the 2019 reporting year was as follows:

	Jan. 1, 2019	Additions	Currency effects	Change in fair value	Disposal	Dec. 31, 2019
	€k	€k	€k	€k	€k	€k
Afilias Inc. shares	**42,795**	0	0	1,827	0	**44,622**
Other	**2,109**	30	1	0	-241	**1,899**
	44,904	**30**	**1**	**1,827**	**-241**	**46,521**

	Jan. 1, 2018	Additions	Currency effects	Change in fair value	Disposal	Dec. 31, 2018
	€k	€k	€k	€k	€k	€k
Loans to 1&1 Mail & Media Inc.	**13,455**	0	208	0	-13,663	**0**
Afilias Inc. shares	**42,756**	0	-37	76	0	**42,795**
Other	**1,172**	1,065	1	0	-129	**2,109**
	57,383	**1,065**	**172**	**76**	**-13,792**	**44,904**

Please refer to Note 7.1 for the method used to measure the shares in Afilias Inc. Please refer to Note 8.2 for information on loans to related parties.

6.11 Property, plant and equipment

Property, plant and equipment amounted to € 189,182k as of the reporting date (prior year: € 154,577k) and are comprised as follows:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
Cost		
Land and buildings	9,318	10,497
Operating and office equipment	408,785	395,343
Payments on account	1,637	2,467
Right-of-use assets from leases (IFRS 16)	46,300	n/a
	466,040	**408,307**
Less		
Accumulated depreciation	-276,858	-253,730
Property, plant and equipment, net	**189,182**	**154,577**

Right-of-use assets from leases relate to land and buildings with an acquisition cost of € 40,545k and a net carrying amount of € 30,103k as of December 31, 2019 and operating and office equipment with an acquisition cost of € 5,755k and a carrying amount of € 3,298k as of December 31, 2019.

An alternative presentation of the development of property, plant and equipment in fiscal year 2019 can be found in the exhibit to the notes to the consolidated financial statements (development of non-current assets).

6.12 Intangible assets (without goodwill)

Intangible assets without goodwill amounted to € 258,802k as of December 31, 2019 (prior year: € 280,789k) and are comprised as follows:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
Cost		
Software/licenses	116,209	113,397
Trademark	53,676	53,361
Customer base	303,657	302,457
Other intangible assets	7,263	6,307
Payments on account	0	60
	480,805	**475,582**
Less		
Accumulated amortization	-222,003	-194,793
Intangible assets, net	**258,802**	**280,789**

An alternative presentation of the development of intangible assets in fiscal year 2019 can be found in the exhibit to the notes to the consolidated financial statements (development of non-current assets). The carrying amounts of intangible assets with indefinite useful lives (trademarks) totaled € 51,208k (prior year: € 30,822k). Intangible assets with indefinite useful lives were tested for impairment on the level of the cash-generating units as of the reporting date. Based on the insights about the strategic brand strategy gained in fiscal year 2019, management assumes that the STRATO brand will be retained long term as part of the strategic realignment and adoption of a dual brand strategy. Against this backdrop, the brand's fair value was measured as of December 31, 2019 to test whether the impairment loss recognized in fiscal year 2017 needs to be reversed any further. Since the fair value determined was significantly above the amortized cost, the STRATO brand was written up by € 19,438k (prior year: € 1,300k). The residual useful life of the STRATO brand was reclassified as indefinite. The carrying amount of the STRATO brand as of December 31, 2019 amounted to € 20,071k (prior year: € 1,900k).

The carrying amount of the customer base results from the following company acquisitions:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
STRATO	128,284	146,736
World4You	21,479	23,326
home.pl	18,301	21,160
Arsys	10,677	13,417
Other	873	2,884
Customer base	**179,614**	**207,523**

The residual amortization period for the customer base from the acquisition of STRATO AG amounts to 1 to 11 years depending on the product groups (prior year: 2 to 12 years), with 9 years applicable to most product groups (prior year: 10 years). The residual amortization period for the customer base of the home.pl transaction amounts to 6 years (prior year: 7 years), for Arsys 3 years (prior year: 4 years) and for World4You 12 years (prior year: 13 years).

The following table provides an overview of the carrying amounts of the trademarks as of the reporting date:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
STRATO	20,071	1,900
home.pl	11,359	11,257
Arsys	7,553	7,553
united-domains	4,198	4,198
Fasthosts	4,071	3,858
World4You	3,494	3,494
Cronon	462	462
Trademarks	**51,208**	**32,722**

The useful life of trademarks is determined as being indefinite, as there are no indications that the flow of benefits will end in future.

6.13 Goodwill and impairment of goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least once per year. With reference to its internal budgeting process, the Company has chosen the last quarter of the fiscal year to conduct its required annual impairment test.

Goodwill acquired in the course of business combinations is allocated for impairment testing purposes to cash-generating units.

Due to the merger of 1&1 IONOS Cloud GmbH (formerly ProfitBricks GmbH) and 1&1 IONOS SE as of January 1, 2019, the former separate cash-generating unit 1&1 IONOS Cloud GmbH was regarded as being part of the Hosting cash-generating unit as of December 31, 2019. The goodwill of 1&1 IONOS Cloud GmbH was therefore allocated in full to the Hosting cash-generating unit. The impairment test is thus conducted on the level of the Hosting cash-generating unit. Prior to combining the goodwill of both cash-generating units, an impairment test was conducted on the goodwill of both units without any indication of a need for impairment.

Impairment charges are always presented separately in the statement of comprehensive income and the statement on the development of non-current assets.

Goodwill as of December 31, 2019 is allocated to the cash-generating units as follows:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
STRATO	401,570	401,570
home.pl	121,761	121,240
Arsys	100,495	100,495
Fasthosts	64,044	60,688
World4You	51,250	51,250
united-domains	35,924	35,924
Hosting	28,565	2,980
InterNetX	5,237	5,237
Sedo	5,098	5,098
IONOS Cloud	0	25,585
Goodwill	**813,942**	**810,067**

Scheduled impairment test on December 31, 2019

The recoverable amounts of the cash-generating units are determined on the basis of a calculation of fair value less costs of disposal using cash flow forecasts. The hierarchy of fair value less costs of disposal as defined by IFRS 13 is set at Level 3 for all impairment tests.

The cash flow forecasts are based on the Company's budgets for fiscal year 2020. These budget calculations were extrapolated by management for a period of up to nine years (prior year: up to seven years) on the basis of external market studies and internal assumptions. Following this period, management assumes an annual increase in cash flow of 0.1% to 0.9% (prior year: 0.5% to 1.6%) which corresponds to the long-term average growth of the sector in which the respective cash-generating unit operates.

The discount rates after tax used for cash flow forecasts are between 4.9% and 6.5% (prior year: between 6.5% and 8.6%).

The following table presents the basic assumptions used when testing impairment of individual cash-generating units to which goodwill has been allocated in order to determine their fair value less costs of disposal:

	Reporting year	Total proportion of goodwill	Long-term growth rate	Discount rate after taxes
STRATO	2019	49.3%	0.1%	5.0%
	2018	49.6%	0.5%	6.6%
home.pl	2019	15.0%	0.5%	5.8%
	2018	15.0%	1.1%	7.8%
Arsys	2019	12.4%	0.9%	6.5%
	2018	12.4%	1.6%	8.6%
Fasthosts	2019	7.9%	0.3%	5.5%
	2018	7.5%	0.8%	7.3%
World4You	2019	6.3%	0.3%	5.3%
	2018	6.3%	0.8%	7.1%
united-domains	2019	4.4%	0.1%	5.0%
	2018	4.4%	0.5%	6.5%
Hosting	2019	3.5%	0.3%	5.2%
	2018	0.4%	0.7%	6.9%
InterNetX	2019	0.6%	0.1%	4.9%
	2018	0.6%	0.5%	6.5%
Sedo	2019	0.6%	0.1%	4.9%
	2018	0.6%	0.5%	6.5%
IONOS Cloud	2019	n/a	n/a	n/a
	2018	3.2%	0.5%	6.5%

The cash flow forecasts depend heavily on the estimation of future revenue. The management of the respective cash-generating unit expects a varied development of revenue within its planning horizon. Revenue figures in the detailed planning period of the cash-generating units are based on average annual revenue growth rates of between 2% and 5% (prior year: between 1% and 6%).

Fair value less costs of disposal is mainly based on the present value of the perpetual annuity, which is particularly sensitive to changes in assumptions on the long-term growth rate and the discount rate. For the calculation of fair value less costs of disposal, rates for costs of disposal of between 0.6% and 3% were assumed (prior year: between 0.5% and 3%).

In the 1&1 IONOS TopCo Group, trademarks recognized amount to € 51,208k (prior year: € 32,722k). In the course of business combinations, the trademarks were valued at their fair values using appropriate valuation methods (generally the relief from royalty method) and tested for impairment on the reporting date.

The trademark-relevant cash flows were multiplied by the trademark-relevant royalty rates. These amount to 0.5% to 2.5% (prior year: 0.5% to 2.5%). The forecast of trademark-relevant cash flows was based on the same assumptions regarding market development and discount rates as used for the calculation of fair values less costs of disposal. The test revealed a need to reverse impairment for the STRATO brand of € 19,438k (prior year: € 1,300k). The fair value of the STRATO brand at the end of the reporting period amounts to € 31,500k. The residual useful life of the STRATO brand was therefore reclassified as indefinite, as originally assumed when it was acquired.

Sensitivity of assumptions

The sensitivity of the assumptions made with respect to the impairment of goodwill or trademarks depends on the respective cash-generating units.

In the course of analyzing sensitivity for cash-generating units to which goodwill or trademarks have been allocated, an increase in the discount rates (after taxes) of 1.0 percentage points and a decline in the long-term growth rate in perpetuity of 0.10 to 0.25 percentage points and a decline in the royalty rate of 0.25 to 1.0 percentage points was assumed. These assumptions would not result in any changes to the impairment test.

As in the previous year, the Company's management believes that, on the basis of reasonable judgment, no generally possible change in one of the basic assumptions used to determine fair value less costs of disposal of a cash-generating unit could cause the carrying value to significantly exceed the recoverable amount.

6.14 Trade accounts payable

Trade accounts payable amount to € 49,858k as of the reporting date (prior year: € 61,677k). Trade accounts payable comprise all payables to suppliers for goods delivered and services provided by third parties, € 49,834k of which (prior year: € 61,631k) is due in up to one year.

6.15 Liabilities to related parties

Current and non-current liabilities to related parties amount to € 1,595,155k as of the reporting date (prior year: € 1,656,441k) and relate to Group entities of the United Internet Group that do not belong to the basis of consolidation of the 1&1 IONOS TopCo Group. They include three long-term loans from United Internet AG of € 1,160,000k (prior year: € 1,180,000k), € 350,000k and € 76,000k, which stem from the upward expansion of the Group (see Note 1.2) and the acquisition of the shares in STRATO AG and World4You Internet Service GmbH.

For information on transactions with related parties, please refer to Note 8.2.

6.16 Current liabilities due to banks

As of December 31, 2019, there are current liabilities of € 517k (prior year: € 2k) due to banks solely in the form of current account liabilities. No collateral was provided for any of the liabilities due to banks.

6.17 Income tax liabilities

Income tax liabilities amount to € 18,723k as of the reporting date (prior year: € 69,727k) and are comprised as follows:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
Trade tax		
Germany	10,136	5,815
	10,136	5,815
Corporate income tax		
Germany	2,947	3,035
Spain	1,262	1,072
UK	1,239	1,273
Poland	736	1,462
Romania	304	305
USA	82	101
France	59	519
Philippines	42	0
Austria	10	265
	6,681	8,032
Other income taxes		
Germany	1,906	55,880
Income tax liabilities	**18,723**	**69,727**

Other income taxes comprise tax on investment income of € 1,548k (prior year: € 55,880k) on additional distributions by 1&1 IONOS SE to 1&1 IONOS Holding SE in periods before the tax group was formed.

6.18 Contract liabilities

	2019	2018
	€k	€k
Contract liabilities	76,010	76,041
thereof current	75,024	75,691
thereof non-current	986	350

6.19 Other provisions

Provisions amount to € 7,564k as of December 31, 2019 (prior year: € 7,228k) and developed as follows in the fiscal year:

	Compensation – home.pl	Litigation risks	Asset retirement obligation	Onerous contracts	Total
		€k	€k	€k	€k
As of January 1	**5,052**	**690**	**1,332**	**154**	**7,228**
Utilization	0	75	0	6	81
Reversals	0	99	56	0	155
Effects from the unwinding of discounts	0	0	311	0	311
Addition	0	157	33	3	193
Currency effects	45	6	14	3	68
As of December 31	**5,097**	**679**	**1,634**	**154**	**7,564**

Provisions for (share-based) compensation of € 5,097k are current provisions (prior year: € 5,052k in current provisions). Provisions for asset retirement obligations of € 1,634k (prior year: € 1,332k) are non-current provisions with terms of two to five years.

Litigation risks comprise various legal disputes involving different entities of the 1&1 IONOS TopCo Group, of which € 521k (prior year: € 478k) is classified as non-current.

Of the provisions for onerous contracts, an amount of € 82k (prior year: € 82k) is non-current.

Compensation plan for home.pl

A compensation plan for the general managers of home.pl was set up in connection with the acquisition of home.pl in fiscal year 2015 with the aim of promoting the performance of the general managers. The stock option plan was implemented on December 30, 2015 when home.pl was acquired by 1&1 IONOS SE.

The share-based compensation plan grants the general managers the right to purchase shares in home.pl at a certain price and under certain conditions. The conditions relate to the achievement of predefined performance targets, among other things. The stock options can be exercised at the end of a vesting period of around three years. When the stock options are exercised, home.pl will carry out a capital increase to fulfill its commitment under the plan. The shares to be purchased by general managers as part of the capital increase will then be bought back by 1&1 IONOS SE.

The general managers ultimately receive a payment equal to the difference between the strike price and the purchase price for the shares. This is measured based on a predefined multiple of EBITDA less the net financial debt for fiscal year 2018. The stock option plan is accounted for in accordance with the rules of IAS 19.

A total of 606 stock options were issued when home.pl was acquired. As of the reporting date, an obligation of € 5,097k (prior year: € 5,052k) with a term of less than one year was reported. It was measured using a Black- Scholes option pricing model. The options were exercised in the first quarter of fiscal year 2020.

6.20 Other current financial liabilities

Other current financial liabilities are comprised as follows:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
Personnel related liabilities	11,179	13,334
Lease liabilities	10,374	0
Marketing and selling expenses/commissions	4,626	5,933
Debtors with credit balances	4,094	3,752
Legal and consulting fees, auditing fees	1,829	1,300
Service/maintenance	855	739
Miscellaneous	3,857	4,844
Other current financial liabilities	**36,814**	**29,902**

Please refer to Note 2.18 for information on current lease liabilities.

6.21 Other current non-financial liabilities

Other current non-financial liabilities of € 11,942k (prior year: € 13,233k) mainly relate to liabilities to tax authorities in connection with VAT of € 9,207k (prior year: € 10,709k) and wage and church tax of € 2,661k (prior year: € 2,441k).

6.22 Other non-current financial liabilities

Other non-current financial liabilities are comprised as follows:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
Lease liabilities	24,546	25
Contingent purchase price liabilities	19,176	10,563
Put option liabilities (InterNetX)	5,280	3,992
Liabilities for bonuses and other personnel expenses	64	185
Miscellaneous	127	318
Other non-current financial liabilities	**49,193**	**15,083**

The lease liabilities stem from the lease accounting under IFRS 16 adopted as of January 1, 2019. For further information, please refer to Note 2.2.

The contingent purchase price liabilities refer to variable purchase price components from the acquisition of STRATO AG amounting to € 14,760k (prior year: € 6,147k) and from the acquisition of 1&1 IONOS Cloud GmbH amounting to € 4,416k (prior year: € 4,416k).

Under an agreement dated July 19, 2018, it was decided to contribute all of the InterNetX shares in a non-cash capital increase to Sedo Holding GmbH in return for the issue of new shares in the latter. As part of this internal restructuring, the entity's name was changed to InterNetX Holding GmbH.

The amount of the purchase price for the two put options described above depends largely on the development of the entity's earnings. The subsequent measurement of the put option liability, which relates to the minority interests in InterNetX Holding, amounted to € 1,288k (prior year: € 2,650k; recognized directly in equity).

6.23 Share-based payment

Employee stock ownership programs

There was one employee stock ownership program in the reporting period 2019. The program, the Long Term Incentive Plan (LTIP), was introduced in the second half of 2017 and is aimed at the group of executives and employees in key positions in the Group.

In 2018, there were three different employee stock ownership programs, the Long Term Incentive Plan (LTIP), the Stock Appreciation Rights (SAR) plan and the employee stock ownership program (MAP).

Stock Appreciation Rights (SARs)

Executive staff of the Hosting Group receive share-based payments as a reward for their work. The payments are granted by the Group entity that employs the executive (employer entity). The share-based payment is made in the form of rights to growth in the value of the United Internet AG stock (stock appreciation rights, SARs), which United Internet AG can opt to settle either in cash or in the form of United Internet AG shares.

If the obligation of an entity of the 1&1 IONOS TopCo Group is settled in the form of United Internet shares issued by United Internet AG to the employee, United Internet AG charges the equivalent amount to the respective entity of the 1&1 IONOS TopCo Group (employer entity).

The SAR plan was replaced by the Long Term Incentive Plan (LTIP) introduced in 2017. The last units from the tranche granted on June 4, 2013 were exercised in fiscal year 2018. The outstanding SARs from the tranche granted on June 4, 2013 were exercised at a strike price of € 21.95 per option.

In fiscal year 2018, total expenses from share-based payments came to € 159k. The cumulative expense as of December 31, 2018 amounted to € 1,646k.

Consequently, there were no obligations from the SAR plan in fiscal year 2019.

In addition, an individual commitment to transfer 100,000 United Internet AG shares was granted in fiscal year 2012. The commitment had a total value of € 1,593k at the time of issue; on expiry of the vesting period the shares were transferred at the beginning of 2018; the share transfer was not linked to any exercise conditions.

Employee stock ownership program (MAP)

In fiscal year 2016, United Internet AG introduced an employee stock ownership program (MAP) for active permanent employees of the Group companies in which United Internet AG holds at least 50% of the shares. The MAP is designed to allow employees to participate more closely in the development of the United Internet Group and the United Internet AG share and reward their loyalty. In fiscal year 2018, the Group issued a total of 19,462 additional free shares to employees who had achieved the agreed targets. The MAP expired as of June 30, 2018.

In fiscal year 2018, expenses from the employee stock ownership program amounted to € 29k.

Long Term Incentive Plan (LTIP)

An additional employee stock ownership program (Long Term Incentive Plan, LTIP) was introduced by 1&1 IONOS TopCo SE in fiscal year 2017. The LTIP is designed to align the long-term interests of the members of the Management Board and other key employees of the Hosting Group with the interests of the Company in order to raise the equity value of the Company (1&1 IONOS TopCo SE) and other companies of the Hosting Group.

Within the LTIP, qualifying employees are allocated so-called Management Incentive Plan (MIP) units. The grant is made on a straight-line basis over a period of four years (beginning with the date of issue) and provided that the respective employee has not terminated their contract at the end of each year.

Entitlements under the LTIP can be settled in the form of shares or cash. If they are settled in shares, entitlements can be settled by issuing shares or stock options. As there is no current obligation for cash settlement, the plan is accounted for as equity-settled.

Using an option pricing model (Black-Scholes model) in accordance with IFRS 2, the fair value of the options issued was calculated using the following material measurement inputs:

Issued on October 1, 2017

Number of MIP units granted	300,000
Strike price	€ 114.70 per MIP
Fair value at time of issue	€ 71.70 per MIP
Volatility	approx. 28%
Maturity	approx. 4 years
Dividend yield	of 0%
Risk-free interest	of 0%

Issued on July 1, 2018

Number of MIP units granted	37,500
Strike price	€ 114.70 per MIP
Fair value at time of issue	€ 55.91 per MIP
Volatility	approx. 30%
Maturity	approx. 3 years
Dividend yield	of 0%
Risk-free interest	of 0%

Issued on January 1, 2019

Number of MIP units granted	10,000
Strike price	€ 153.60 per MIP
Fair value at time of issue	€ 54.06 per MIP
Volatility	approx. 36%
Maturity	approx. 3 years
Dividend yield	of 0%
Risk-free interest	of 0%

Issued on April 1, 2019	**Part 1**	**Part 2**
Number of MIP units granted	23,250	67,500
Strike price	€ 156.20 per MIP	€ 114.70 per MIP
Fair value at time of issue	€ 62.60 per MIP	€ 126.53 per MIP
Volatility	approx. 38%	approx. 38%
Maturity	approx. 3 years	approx. 3 years
Dividend yield	of 0%	of 0%
Risk-free interest	of 0%	of 0%

Issued on July 1, 2019	
Number of MIP units granted	21,500
Strike price	€ 182.00 per MIP
Fair value at time of issue	€ 54.55 per MIP
Volatility	approx. 38%
Maturity	approx. 2 years
Dividend yield	of 0%
Risk-free interest	of 0%

Issued on October 1, 2019	
Number of MIP units granted	37,500
Strike price	€ 161.50 per MIP
Fair value at time of issue	€ 81.24 per MIP
Volatility	approx. 38%
Maturity	approx. 2 years
Dividend yield	of 0%
Risk-free interest	of 0%

The volatility used to determine fair value was calculated using the price fluctuations of the past 180 days or last 360 days of the peer group of 1&1 IONOS TopCo.

Expense is recognized on a straight-line basis over the variable period until the anticipated occurrence of an event defined under the LTIP. This assessment is reviewed on each reporting date. Based on current estimates, the total underlying period is 4 years starting from October 1, 2017.

The fair value of commitments issued in the fiscal year and classified as equity instruments amounted to € 10,405k as of the grant date (prior year: € 2,097k).The cumulative fair value of commitments classified as equity instruments amounted to € 25,622k as of the grant date (prior year: € 15,540k).

The total expense from the employee stock ownership program amounts to € 25,622k (prior year: € 15,540k). The cumulative expense as of December 31, 2019 amounted to € 12,280k (prior year: € 4,856k). Expenses for future years therefore account for € 13,342k (prior year: € 10,684k). The personnel expense in connection with issued stock options amounted to € 7,424k in the fiscal year (prior year: € 3,512k).

The changes in the MIP units granted and outstanding are shown in the following table:

	1&1 IONOS TopCo SE	
		Average strike price(€)
Issued	300,000	114.70
Outstanding as of December 31, 2017	**300,000**	**114.70**
Issued	37,500	114.70
expired/forfeited	-112,500	114.70
Outstanding as of December 31, 2018	**225,000**	**114.70**
Issued	159,750	143.20
expired/forfeited	-5,000	114.70
Outstanding as of December 31, 2019	**379,750**	**126.70**
Exercisable as of December 31, 2019	0	n/a
Exercisable as of December 31, 2018	0	n/a

6.24 Equity

Issued capital

The issued capital of the ultimate parent 1&1 IONOS TopCo SE stood at € 360k as of the reporting date December 31, 2019 (prior year: € 360k).

Issued capital comprises 360,001 shares including one preferred share. United Internet AG holds 240,001 of these shares including the preferred share. The remaining shares are held by WP Lux. The preferred share entitled United Internet AG to a one-time profit share of € 19,958k, which was disbursed in fiscal year 2018. In addition, until February 15, 2020, the preferred share entitles United Internet AG to a profit share equal to any advantageous interest difference arising in the fiscal year whose net retained profit is available for appropriation. Such an advantageous interest difference will arise if 1&1 IONOS Holding SE, a direct subsidiary of 1&1 IONOS TopCo SE, repays the vendor loan granted by United Internet AG using a refinancing instrument with an effective interest rate of less than 6.75% p.a. The preferred dividend would be equal to the difference between the lower effective interest rate and the current interest of 6.75%.

Reserves

The change in reserves in fiscal year 2019 is mainly due to the net income of € 53,953k (prior year: € 47,177k) and the measurement of the LTIP of € 7,416k (prior year: € 3,512k). In addition, deferred tax assets of € 4,424k were recognized on the LTIP directly under reserves in the reporting year.

Revaluation reserves

The revaluation reserves relate to available-for-sale financial instruments and comprise the equity investment in Afilias Inc. of € 41,900k as of the reporting date (prior year: € 40,177k).

The equity investment in Afilias Inc. is accounted for at fair value through other comprehensive income in accordance with IFRS 9 (see also Note 2.2). The equity investment is considered to be strategic and was therefore irrevocably classified as at fair value through other comprehensive income. In the fiscal year, the Group received dividends of € 924k (prior year: € 3,542k) from Afilias Inc.

Currency translation adjustment

Translation differences from the annual financial statements of foreign subsidiaries without an effect on profit or loss are recognized in the currency translation adjustment.

6.25 Non-controlling interests

As of December 31, 2019, non-controlling interests largely relate to the shares held by unrelated shareholders in InterNetX Holding GmbH, Regensburg, (4.44% of the issued capital) and minority interests in subsidiaries of home.pl S.A. Group, Szczecin/Poland.

The following financial information comprises summarized details on consolidated assets, liabilities and profits or losses of the subsidiaries with material non-controlling interests.

	2019	**2018**
	€k	€k
Current assets	44,374	31,929
Non-current assets	122,137	25,653
Current liabilities	45,546	16,875
Non-current liabilities	15,028	3,049
Equity	**105,937**	**37,658**
Revenue	121,309	80,789
Pre-tax result	**20,163**	**9,355**
Income taxes	-5,029	-2,149
Net income	**15,134**	**7,206**

7 Additional disclosures on financial instruments

The table below shows the carrying amounts for each category of financial assets and liabilities as of December 31, 2019:

	Measure-ment category acc. to IFRS 9	Carrying amount as of Dec. 31, 2019	Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value throu gh profit or loss	Measure ment acc. to IFRS 16	Fair value as of Dec. 31, 2019
		€k	€k	€k	€k	€k	€k
Financial assets							
Cash and cash equivalents	ac	39,823	39,823				39,823
Trade accounts receivable	ac	33,491	33,491				33,491
Receivables from related parties	ac	62,892	62,892				62,892
Other current financial assets	ac	11,491	11,491				11,491
Other non-current financial assets							
Equity investments	fvoci	44,622		44,622			44,622
Other	ac	1,899	1,899				1,899

	Measure-ment category acc. to IFRS 9	Carrying amount as of Dec. 31, 2019	Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value through profit or loss	Measure-ment acc. to IFRS 16	Fair value as of Dec. 31, 2019
		€k	€k	€k	€k	€k	€k
Financial liabilities							
Trade accounts payable	flac	-49,858	-49,858				-49,858
Liabilities to related parties	flac	-1,595,155	-1,595,155				-1,688,898
Liabilities due to banks	flac	-517	-517				-517
Other financial liabilities							
Lease liabilities	n/a	-34,920				-34,920	n/a
Contingent purchase price liability	fvtpl	-19,176			-19,176		-19,176
Other	flac	-31,911	-31,911				-31,911
Thereof aggregated acc. to measurement categories:							
Financial assets at amortized cost	ac	149,596	149,596	0	0	0	149,596
Financial assets at fair value through other comprehensive income without recycling to profit or loss	fvoci	44,622	0	44,622	0	0	44,622
Financial liabilities at amortized cost	flac	-1,677,441	-1,677,441	0	0	0	-1,771,184
Financial liabilities measured at fair value through profit or loss	fvtpl	-19,176	0	0	-19,176	0	-19,176

The table below shows the carrying amounts for each category of financial assets and liabilities as of December 31, 2018:

	Measure-ment category acc. to IFRS 9	Carrying amount as of Dec. 31, 2018	Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value through profit or loss	Measure-ment acc. to IAS 17	Fair value as of Dec. 31, 2018
		€k	€k	€k	€k	€k	€k
Financial assets							
Cash and cash equivalents	ac	46,312	46,312				46,312
Trade accounts receivable	ac	33,495	33,495				33,495
Receivables from related parties	ac	39,972	39,972				39,972
Other current financial assets	ac	12,600	12,600				12,600
Other non-current financial assets							
Equity investments	fvoci	42,795		42,795			42,795
Other	ac	2,109	2,109				2,109

	Measure-ment category acc. to IFRS 9	Carrying amount as of Dec. 31, 2018	Amortized cost	Fair value through other comprehensive income without recycling to profit or loss	Fair value through profit or loss	Measure-ment acc. to IAS 17	Fair value as of Dec. 31, 2018
		€k	€k	€k	€k	€k	€k
Financial liabilities							
Trade accounts payable	flac	-61,677	-61,677				-61,677
Liabilities to related parties	flac	-1,656,441	-1,656,441				-1,709,270
Liabilities due to banks	flac	-2	-2				-2
Other financial liabilities							
Finance leases	n/a	-25				-25	n/a
Contingent purchase price liability	fvtpl	-10,563			-10,563		-10,563
Other.................................	flac	-34,397	-34,397				-34,397
Thereof aggregated acc. to measurement categories:							
Financial assets at amortized cost	ac	134,487	134,487	0	0	0	134,487
Financial assets at fair value through other comprehensive income without recycling to profit or loss	fvoci	42,795	0	42,795	0	0	42,795
Financial liabilities at amortized cost.......................	flac	-1,752,517	-1,752,517	0	0	0	-1,805,346
Financial liabilities measured at fair value through profit or loss	fvtpl	-10,563	0	0	-10,563	0	-10,563

The following net results were stated for the individual categories of financial instruments according to IFRS 9 in fiscal year 2019:

				Net profits and losses from subsequent measurement			
	Measureme nt category acc. to IFRS 9	**From interest and dividends**	**At fair value**	**Currency translatio n**	**Allowanc e**	**Other**	**Net result**
		€k	€k	€k	€k	€k	€k
Financial assets at amortized cost	ac	123		-1,820	-9,208		-10,905
Financial assets at fair value							
- through other comprehensive income	fvoci	924	1,827				2,751
Financial liabilities at amortized cost ...	flac	-107,624		-780		-1,288	-109,692
Financial liabilities measured at fair value							
- through profit or loss	fvtpl		-8,613				-8,613
		-106,577	**-6,786**	**-2,600**	**-9,208**	**-1,288**	**-126,459**

The following net results were stated for the individual categories of financial instruments according to IFRS 9 in fiscal year 2019:

	Measure-ment category acc. to IFRS 9	From interest and dividends	Net profits and losses from subsequent measurement			Net result
			At fair value	Currency translation	Allowance	
		€k	€k	€k	€k	€k
Financial assets at amortized cost	ac	372		-257	-8,836	-8,721
Financial assets at fair value - through other comprehensive income	fvoci	3,542	76			3,618
Financial liabilities at amortized cost	flac	-107,992		-110		-108,102
Financial liabilities measured at fair value - through profit or loss	fvtpl		-877			-877
		-104,078	**-801**	**-367**	**-8,836**	**-114,082**

The fair value of the financial assets and liabilities is stated at the amount at which the instrument could be exchanged in a current transaction between willing parties, except in a forced or liquidation sale.

The methods and assumptions used to determine fair values are shown below:

- Cash and cash equivalents, trade accounts receivable, trade accounts payable, current assets and liabilities from/to related parties as well as other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Non-current fixed and variable-rate receivables/borrowings are evaluated by the 1&1 IONOS TopCo Group based on parameters such as interest rates, specific country risk factors and creditworthiness of the individual debtors. Based on this evaluation, allowances are recognized for expected losses on these receivables. As of December 31, 2019, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The fair value of non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. Option pricing models are largely used to measure contingent purchase price liabilities.
- The fair value of unquoted financial assets and liabilities measured at fair value is estimated using appropriate valuation techniques. The financial assets measured at fair value primarily relate to the equity investment in Afilias Inc. The fair value of this equity investment is determined using the discounted cash flow (DCF) method. Estimating the fair value requires management to make an estimate of the future cash flows expected to be derived from the equity investment and apply an appropriate discount rate to determine the present value of those cash flows. Management's key assumptions for determining fair value include assumptions regarding revenue development, margin development, the discount rate and the growth rate. The following assumptions were used for the equity investment in Afilias Inc. as of December 31, 2019: average revenue growth 4.1% (prior year: 7.4%); perpetual annuity growth 0.1% (prior year: 0.5%); cost of equity 5.1% (prior year: 6.6%). The financial liabilities measured at fair value relate to contingent purchase price payments. The above also applies to the determination of the fair value of the financial liabilities measured at fair value.

7.1 Fair value hierarchy

The 1&1 IONOS TopCo Group uses the following hierarchy for determining and recognizing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

	As of Dec. 31, 2019	Level 1	Level 2	Level 3
	€k	€k	€k	€k
Financial assets at fair value through other comprehensive income without recycling to profit or loss				
Equity investments	44,622			44,622
Financial liabilities measured at fair value through profit or loss				
Contingent purchase price liability	-19,176			-19,176

As in the prior year, there were no transfers between the measurement levels during the reporting period.

Assets and liabilities measured at fair value

	As of Dec. 31, 2018	Level 1	Level 2	Level 3
	€k	€k	€k	€k
Financial assets at fair value through other comprehensive income without recycling to profit or loss				
Equity investments	42,795			42,795
Financial liabilities measured at fair value through profit or loss				
Contingent purchase price liability	-10,563			-10,563

The valuation of shares in non-listed companies is based mainly on present value models.

The following table shows the main non-observable inputs for the fair value measurements categorized in Level 3 of the fair value hierarchy and a quantitative sensitivity analysis as of December 31, 2019:

Dec. 31, 2019	Measurement method	Main non-observable inputs	Considered in measurement	Sensitivity of input on fair value	
Non-listed equity instruments	DCF method	Long-term growth rate of cash flows for subsequent years	0.10%	+0.25% € +1.9 million	-0.10% € -0.7 million
Contingent purchase price liability	Black-Scholes	Maturity	2 years	+1 year € -1.16 million	-1 year € +1.94 million
		Volatility	40.07%	+1% € -0.1 million	-1% € +0.1 million
Contingent purchase price liability	Modified multiple	EBITDA growth	5%	+1% € +0.1 million	-1% € -0.1 million

Dec. 31, 2018	Measurement method	Main non-observable inputs	Considered in measurement	Sensitivity of input on fair value	
				+0.25%	-0.25%
Non-listed equity instruments	DCF method	Long-term growth rate of cash flows for subsequent years	0.50%	€ +1.0 million	€ -0.95 million
				+1 year	-1 year
Contingent purchase price liability	Black-Scholes	Maturity	3 years	€ +0.35 million	€ -0.85 million
				+1%	-1%
		Volatility	35.80%	€ +0.1 million	€ -0.1 million
				+1%	-1%
Contingent purchase price liability	Modified multiple	EBITDA growth	5%	€ +0.1 million	€ -0.1 million

8 Related party disclosures

IAS 24 defines related parties as those persons and companies that control or can exert a significant influence over the other party.

The 1&1 IONOS TopCo Group's related parties include the Management Board and the Supervisory Board of 1&1 IONOS TopCo SE and the management boards and supervisory boards of 1&1 IONOS Holding SE and 1&1 IONOS SE as well as the Group companies of the United Internet AG Group, which are not included in the 1&1 IONOS TopCo Group's basis of consolidation. In addition, the equity investments over which the companies of the Hosting Group can exert a significant influence (associated companies) are classified as related parties. Furthermore, Mr. Ralph Dommermuth, the major shareholder of United Internet AG is classified as a related party.

8.1 Management Board and Supervisory Board

The members of the **Management Board** and **Supervisory Board** of 1&1 IONOS TopCo SE and of the management boards and supervisory boards of 1&1 IONOS Holding SE and 1&1 IONOS SE have key positions in the Hosting Group and are therefore considered related parties.

In fiscal year 2019, the **Management Board** of 1&1 IONOS TopCo SE (as the ultimate parent) and the management boards of 1&1 IONOS Holding SE and 1&1 IONOS SE had the following members:

1&1 IONOS TopCo SE:

- Hüseyin Dogan
- Achim Weiss

1&1 IONOS Holding SE:

- Dr. Christian Böing
- Hans-Henning Kettler
- Hüseyin Dogan
- Achim Weiss
- Matthias Steinberg
- Dr. Martin Endress (since October 1, 2019)

1&1 IONOS SE:

- Hans-Henning Kettler

- Matthias Steinberg
- Hüseyin Dogan
- Achim Weiss
- Dr. Christian Böing
- Dr. Martin Endress (since October 1, 2019)

The Supervisory Board is responsible for determining the remuneration of Management Board members. The members of the Management Board are compensated according to performance. This compensation consists of a fixed and a variable element (bonus). A target remuneration figure is agreed for the fixed component and the bonus, which is regularly reviewed. The last review was made in fiscal year 2019. The fixed remuneration component is paid monthly as a salary. The size of the bonus depends on reaching certain fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on revenue and earnings figures.

The target attainment corridor is generally between 90% and 120%. No bonus is paid below 90% of the agreed target and the bonus calculation ends at 120% of the agreed target. No subsequent amendment of the performance targets is allowed. There is no minimum guaranteed bonus. Payment is made after the annual financial statements have been adopted by the Supervisory Board.

The compensation of members of the Management Board of 1&1 IONOS TopCo SE and of the management boards of 1&1 IONOS SE and 1&1 IONOS Holding SE for fiscal year 2019 breaks down as follows according to fixed and variable compensation:

Management Board remuneration	**2019**	**2018**
	€k	€k
Fixed remuneration	1,902	2,217
Variable remuneration not including share-based payments	1,047	2,071
Total	**2,949**	**4,288**

There are no retirement benefits from 1&1 IONOS TopCo SE to members of the Management Board.

In addition to fixed and variable remuneration, the members of the Management Board of 1&1 IONOS TopCo SE and of the management boards of 1&1 IONOS Holding SE and 1&1 IONOS SE receive share-based payments under the LTIP. See Note 6.23 Share-based payment for details of the LTIP.

The share-based payment expense for the management board members in connection with the LTIP recognized in the consolidated financial statements came to € 5,970k (prior year: € 3,671k, including SAR). 105,000 MIP units with a fair value of € 7,272k as of the issue date were issued to management board members in fiscal year 2019 (prior year: 37,500 MIP units with a fair value of € 2,097k as of the issue date).

Supervisory Board

In fiscal year 2019, the Supervisory Board of 1&1 IONOS TopCo SE (as the ultimate parent) and of the supervisory boards of 1&1 IONOS Holding SE and 1&1 IONOS SE had the following members:

1&1 IONOS TopCo SE:

- Max Fowinkel (chair)
- Verena Amann (withdrew as of July 31, 2019)
- Mike Schmidt
- Issam Abedin (deputy chair)
- Markus Kadelke
- Lutz Laffers
- Sebastian Heming (since September 10, 2019)

1&1 IONOS Holding SE:

- Max Fowinkel
- Frank Krause
- René Obermann (chair)
- Ralph Dommermuth (deputy chair)
- Michael Scheeren
- Kai-Uwe Ricke (removed as of March 27, 2019)
- Kurt Dobitsch (since March 27, 2019)

1&1 IONOS SE:

- Markus Kadelke (chair)
- Issam Abedin (deputy chair)
- Lutz Laffers

The Supervisory Board members of 1&1 IONOS TopCo SE do not receive any remuneration. The table below shows the remuneration of the supervisory board members of 1&1 IONOS Holding SE and 1&1 IONOS SE:

2019	**Fixed**	**Attendance fee**	**Total**
	€k	€k	€k
René Obermann	0	0	0
Ralph Dommermuth	0	0	0
Frank Krause	0	0	0
Kai-Uwe Ricke	30	4	34
Max Fowinkel	0	0	0
Michael Scheeren	30	4	34
Markus Kadelke	0	0	0
Issam Abedin	0	0	0
Lutz Laffers	0	0	0
Kurt Dobitsch	0	0	0
	60	**8**	**68**

2018	**Fixed**	**Attendance fee**	**Total**
	€k	€k	€k
René Obermann	0	0	0
Ralph Dommermuth	0	0	0
Frank Krause	0	0	0
Kai-Uwe Ricke	30	4	34
Max Fowinkel	0	0	0
Michael Scheeren	30	4	34
Markus Kadelke	0	0	0
Issam Abedin	0	0	0
Jan-Ole Gerschefski	0	0	0
Verena Amann	0	0	0
Guido Mannshausen	0	0	0
Mike Schmidt	0	0	0
Lutz Laffers	0	0	0
	60	**8**	**68**

There are no subscription rights or share-based payments for supervisory board members.

8.2 Transactions with related parties

All companies included in the consolidated financial statements of United Internet AG which are not included in the basis of consolidation of the Hosting Group and associated companies are regarded as related parties of the 1&1 IONOS TopCo Group.

Current receivables from related parties are comprised as follows as of December 31, 2019 and December 31, 2018, respectively:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
United Internet AG	56,357	2,100
1&1 Telecom GmbH	1,995	1,738
1&1 Mail & Media GmbH	1,612	342
1&1 Telecommunication SE	1,298	26,717
1&1 Mail & Media Inc.	500	1,599
United Internet Corporate Services GmbH	366	2,310
A1 Marketing, Kommunikation und neue Medien GmbH	275	452
1&1 Energy GmbH	102	261
United Internet Media GmbH	82	0
United Internet Sourcing & Apprenticeship GmbH	68	649
1&1 De-Mail GmbH	59	1,525
United Internet Investment Holding AG & Co. KG GmbH	57	0
1&1 Logistik GmbH	55	186
1&1 Mail & Media Applications SE	38	232
1&1 Berlin Telecom Service GmbH	10	0
1&1 Telecom Service Montabaur GmbH	9	0
1&1 Versatel GmbH	5	0
1&1 Mail & Media Service GmbH	3	232
1&1 Drillisch Aktiengesellschaft	1	135
1&1 Telecom Service Zweibrücken GmbH	0	598
1&1 Mail & Media Development & Technology GmbH	0	529
1&1 Telecom Sales GmbH	0	290
MIP Multimedia Internet Park GmbH	0	37
Other	0	40
Receivables from related parties	**62,892**	**39,972**

Receivables from related parties mainly comprise cash pool receivables and trade accounts receivable. 1&1 IONOS TopCo SE serves as an intermediate consolidation company for the cash pool arrangement in place with United Internet AG and its subsidiaries. Outstanding balances from cash pooling at the year-end are unsecured and interest-bearing and settlement generally occurs in cash. No guarantees have been provided for receivables from related parties. The Group did not record any impairment of receivables from related parties in fiscal years 2018 and 2019. An annual impairment test is performed, examining the financial position of the related party and the market in which the related party operates.

Current liabilities to related parties are comprised as follows as of December 31, 2019 and December 31, 2018, respectively:

	Dec. 31, 2019	Dec. 31, 2018
	€k	€k
1&1 Telecommunication SE	3,577	25,860
United Internet Corporate Services GmbH	2,736	2,583
A1 Marketing, Kommunikation und neue Medien GmbH	906	1,711
1&1 Mail & Media Development & Technology GmbH	830	485
1&1 Telecom GmbH	367	6,138
1&1 Mail & Media Inc.	228	0
rankingCoach International GmbH	160	0
1&1 Telecom Service Zweibrücken GmbH	127	0
1&1 De-Mail GmbH	54	142
United Internet Sourcing & Apprenticeship GmbH	53	0
1&1 Mail & Media Applications SE	37	0
United Internet Media GmbH	31	252
1&1 Telecom Sales GmbH	22	0
United Internet AG	0	11,149
1&1 Mail & Media GmbH	0	1,083
United Internet Investments Holding AG & Co. KG GmbH	0	593
e-Pages GmbH	0	204
1&1 Telecom Service Montabaur GmbH	0	113
Other	27	128
Liabilities to related parties	**9,155**	**50,441**

Liabilities to related parties comprise trade accounts payable, profit and loss transfer agreements and cash pool arrangements. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. No guarantees have been issued.

1&1 IONOS Holding SE has non-current liabilities to related parties of € 1,586,000k (prior year: € 1,606,000k) that are owed to United Internet AG. As of December 31, 2018, non-current liabilities to related parties include a vendor loan of € 1,160,000k (prior year: € 1,180,000k) for the acquisition of the shares in 1&1 IONOS SE and a loan of € 350,000k for the acquisition of the shares in STRATO AG. Both loans bear interest at a rate of 6.75% p.a. and have a term until December 26, 2026. Both loans are unsecured. A non-current loan liability of € 76,000k to United Internet AG is also in place, which was issued for the acquisition of the shares in World4You Internet Service GmbH. The loan has a term until December 31, 2023 and bears interest at 5.0% p.a.

The following table presents the total amount of transactions entered into with related parties in fiscal years 2019 and 2018:

Purchases/services from related parties	Sales/services to related parties	Purchases/services from related parties	Sales/services to related parties
2019	2019	2018	2018
€k	€k	€k	€k
92,565	38,802	49,545	38,758

Services purchased from related parties chiefly concern SAP licenses provided by 1&1 Telecommunication SE to the 1&1 IONOS TopCo Group and marketing services purchased by the 1&1 IONOS TopCo Group from A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur. 1&1 Telecom GmbH and A1 Marketing, Kommunikation und neue Medien GmbH provide the invoicing services for the 1&1 IONOS TopCo Group.

1&1 IONOS TopCo SE and its subsidiaries own and operate the United Internet Group's six data centers. Sales/services to related parties include the provision of data center services for the United Internet Group's Consumer Access and Consumer Applications segments.

The 1&1 IONOS TopCo Group has cost allocation agreements in place with related parties for the buildings leased from Mr. Dommermuth or companies related to him as well as other buildings leased from third parties. The costs were allocated to the respective related parties on the basis of the number of employee workspaces used in the building. In the second half of the fiscal year, these lease agreements were modified and the cost allocation agreements terminated in the process. See Note 2.2 for further information.

In 2019, associated companies of United Internet AG also purchased services of € 9,644k (prior year: € 16,780k), mainly relating to ePages GmbH (€ 3,905k; prior year: € 3,002k), Ranking Coach GmbH (€ 2,911k; prior year: € 2,427k), uberall GmbH (€ 2,286k; prior year: € 1,809k) and Open Xchange GmbH (€ 111k; prior year: € 8,961k).

The following table shows interest expenses and income with related parties for the relevant fiscal year:

Interest income 2019	Interest expenses 2019	Interest income 2018	Interest expenses 2018
€k	€k	€k	€k
0	107,538	142	107,887

Interest income and interest expenses with related parties particularly relate to interest on cash pool balances and loans.

Services between the Group and related parties were provided on arm's length terms.

In fiscal year 2019, 1&1 IONOS TopCo SE had profit and loss transfer agreements, voluntary loss absorption arrangements, letters of comfort and domination agreements with the following companies that were not included in the Hosting Group's basis of consolidation:

- United Internet AG (letter of comfort from parent company)

In fiscal year 2018, 1&1 IONOS TopCo SE had profit and loss transfer agreements, voluntary loss absorption arrangements, letters of comfort and domination agreements with the following companies that were not included in the Hosting Group's basis of consolidation:

- United Internet AG (letter of comfort from parent company)

Other disclosures on transactions with related parties

In 2019, some of the business premises of the 1&1 IONOS TopCo Group in Montabaur and other group locations were leased from Mr. Ralph Dommermuth or companies related to him. The relevant lease agreements have different terms ranging from June 2019 to June 2028. The related rental expenses are customary for the location and amounted to € 3,874k in fiscal year 2019 (prior year: € 8,541k) as a result of the modification of the lease agreements to reflect all the tenants that use each building.

The following table presents right-of-use assets in connection with related parties.

	Addition from first-time adoption	Addition in fiscal year	Disposal in fiscal year	Depreciation	Carrying amount
Right-of-use assets	47,069	13	-36,561	-2,953	7,568

The following table presents lease liabilities in connection with related parties.

	Addition from first-time adoption	Addition in fiscal year	Disposal in fiscal year	Repayment/ interest	Carrying amount
Lease liability	47,070	13	-37,113	-2,246	7,724

The disposal relates to the modification of the lease agreements described above and in Note 2.2. Consequently, the 1&1 IONOS TopCo Group is no longer the sole tenant of the buildings leased from Mr.

Dommermuth and companies related to him. As a result, the right-of-use asset and lease liability is reduced to the part of the buildings leased by the 1&1 IONOS TopCo Group.

9 Objectives and methods of financial risk management

9.1 Principles of risk management

The risk management system introduced by the Hosting Group is based on the COSO ERM Framework. The principles of finance policy are set by the Management Board and monitored by the Supervisory Board. Certain transactions require the prior approval of the Supervisory Board.

The main financial liabilities used by the Hosting Group include liabilities to related parties, trade accounts payable and other financial liabilities.

The Hosting Group holds various financial assets which result directly from its business activities. They consist mainly of trade accounts receivable and current receivables from related parties. It also has financial assets in the form of non-current loans and investments in other entities.

As of the reporting date, the Hosting Group mainly held primary financial instruments. The aim of financial risk management is to limit these risks through ongoing operating and financial activities. The Hosting Group is particularly subject to liquidity risk and market risk with regard to its assets, liabilities and planned transactions, as described below.

9.2 Liquidity risk

The liquidity risk of the Hosting Group largely relates to the risk that the entities belonging to the Group cannot meet their financial obligations.

The Hosting Group is integrated in the United Internet Group's central cash management system, which manages global cash requirements and surpluses. By netting the cash requirements and surpluses within the Group, the amount of external banking transactions can be minimized. The amounts are netted through the cash pooling process. 1&1 IONOS TopCo SE has established standardized processes and systems to manage its bank accounts and internal netting accounts, as well as for the execution of automated payment transactions. In addition to operating liquidity, the Hosting Group also holds other liquidity reserves, which are available at short notice.

The following table shows all contractually fixed payments for redemptions, repayments and interest for financial liabilities in the statement of financial position as of December 31, 2019 and 2018:

	Carrying amount	Cash outflow for redemption and interest in the fiscal year					
	Dec. 31, 2019	**2020**	**2021**	**2022**	**2023**	**> 2023**	**Total**
	€k	€k	€k	€k	€k	€k	€k
Liabilities due to banks....................	517	517	0	0	0	0	517
Trade accounts payable.................	49,858	49,834	24	0	0	0	49,358
Lease liabilities......	34,920	10,374	9,704	4,884	3,887	10,757	39,606
Other financial liabilities................	51,087	26,440	19,258	5,347	0	109	51,154
Liabilities to related parties.......	1,595,155	163,415	103,758	103,758	179,758	1,758,421	2,309,110

	Carrying amount	Cash outflow for redemption and interest in the fiscal year					
	Dec. 31, 2018	**2019**	**2020**	**2021**	**2022**	**> 2022**	**Total**
	€k	€k	€k	€k	€k	€k	€k
Liabilities due to banks	2	2	0	0	0	0	2
Trade accounts payable	61,677	61,631	46	0	0	0	61,677
Other financial liabilities	44,985	29,902	437	10,563	4,111	92	45,105
Liabilities to related parties	1,656,441	177,912	107,487	107,193	107,193	2,003,499	2,503,284

9.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The market risk particularly includes interest rate and currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of December 31, 2019, the Group primarily had fixed-interest liabilities to related parties, which are not subject to any interest rate risk with an effect on income.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Hosting Group operates internationally and is therefore exposed to currency risk that results from exchange rate fluctuations in various foreign currencies, primarily the US dollar, UK pound, Polish zloty and the euro. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency), loans, liabilities to related parties and the Group's net investments in foreign subsidiaries.

The Hosting Group's currency risk relates to investments, financing and operating activities. Currency risks which do not affect the Company's cash flows (i.e., risks from translating the assets and liabilities of foreign companies into the Group reporting currency) are not hedged against.

The following table shows the sensitivity to a reasonably possible change in the US dollar and UK pound exchange rates, with all other variables held constant. The impact on the Group's net income is due to changes in the fair value of monetary assets and liabilities. The table below demonstrates the effects of a 10% rate fluctuation.

		2019	**2018**
		Effect on net income (€k)	Effect on net income (€k)
Change in USD rate			
	+10%	2,992	2,112
	-10%	-2,992	-2,112
		Effect on net income (€k)	Effect on net income (€k)
Change in GBP rate			
	+10%	3,029	3,349
	-10%	-3,029	-3,349

Currency risks arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group currency are not taken into consideration.

9.4 Default risk

As a result of its operating activities, the Hosting Group is exposed to default risk. Consequently, a sophisticated and preventive fraud management system has been established and is constantly enhanced. Outstanding amounts are monitored locally and on a continual basis. Default risks are taken into account by means of specific bad debt allowances and collectively assessed specific bad debt allowances.

With regard to trade accounts receivable, the maximum credit risk is the gross amount recognized in the statement of financial position before bad debt allowances. In Note 6.2, trade accounts receivable are categorized according to the time bands in which they become overdue.

The Hosting Group does not have any significant credit concentrations.

9.5 Capital management

Above and beyond the requirements of stock corporation law, as the Hosting Group's ultimate parent, 1&1 IONOS TopCo SE has no further obligations to maintain capital according to its Articles of Association or other agreements. The key financial indicators used by the Company for corporate management are mainly performance-oriented. The targets, methods, and processes of capital management are subordinate to these performance-oriented financial indicators.

10 Auditor's fees in accordance with section 314 I No. 9 German Commercial Code

In fiscal year 2019, auditor's fees of € 1,494k were recognized in the consolidated financial statements. Of this amount, € 1,028k relates to audit services, € 421k to tax services and € 45k to other services.

11 Leases, other financial obligations, commitments and contingencies

11.1 Group as lessee

The obligations mainly comprise obligations under building and vehicle leases.

Most leases have options to renew the contractual relationship. The terms of these renewal options are negotiable or identical with the current terms.

The following expenses from leases were incurred in the fiscal year:

	2019 €k
Depreciation of right-of-use assets	
- Land and buildings	14,356
- Operating and office equipment	2,498
Total depreciation of right-of-use assets	16,854
Interest expense from lease liabilities	3,414
Expense for short-term leases	97
Expense for low-value leases	55

As of December 31, 2019, the carrying amounts of right-of-use assets by class of underlying asset are as follows:

	Carrying amount as of Dec. 31, 2019
	€k
Land	30,103
Operating and office equipment	3,298
Total right-of-use assets	**33,401**

As of December 31, 2019, existing lease obligations have the following terms:

	Carrying amount as of Dec. 31, 2019
	€k
Up to 1 year	10,374
1 to 5 years	17,644
Over 5 years	6,902
Total	**34,920**

For further information, refer to Note 2.2 Effects of new or amended IFRSs.

11.2 Contingent liabilities and other financial obligations

As of December 31, the Company had the following other financial obligations:

	2019	2018
	€k	€k
Up to 1 year	1,622	22,852
1 to 5 years	3,809	54,278
Over 5 years	1,966	10,364
Total*	**7,397**	**87,494**

*The disclosures are made on the basis of minimum agreed maturities.

As of December 31, 2019, other financial obligations mainly contain service charges for building leases. As of December 31, 2018, other financial obligations included expenses from operating leases which were recognized as lease liabilities as of December 31, 2019 under IFRS 16.

The integration of 1&1 IONOS TopCo SE in the two-tier cash pooling system of the parent United Internet AG gives rise to a positive balance from the netting of the United Internet Group companies' cash pool liabilities with the credit balance of the parent. As a result, there is no risk of joint and several liability.

The Management Board has no knowledge of any other facts which could have a significant, adverse effect on the business activities, the financial situation or the operating result of the Company.

12 Consolidated cash flow statement

In fiscal year 2019, cash flow from operating activities includes interest paid of € 107,838k (prior year: € 103,190k) and interest received of € 44k (prior year: € 223k). Income tax payments in fiscal year 2019 amounted to € 103,951k (prior year: € 67,772k), while cash receipts from income taxes came to € 58,116k (prior year: € 545k).

The decrease in the cash flow from investment activities is largely the result of the acquisition of World4You Internet Service GmbH in the prior year (see Note 4).

In the reporting year, the cash flow from financing activities mainly related to the repayment of loan components (€ 20,002k) and the redemption of lease liabilities (€ 18,120k).

The increase in cash pool receivables from related parties was allocated to investing activities due to their nature, while the repayment of cash pool liabilities from the prior year was allocated to financing activities.

Reconciliation of changes in financial liabilities in the statement of financial position:

	Financial liabilities					Total
	Vendor loan	**Loan from STRATO/ World4You**	**Cash pool liabilities***	**Lease liabilities**	**Other financial liabilities**	
As of January 1, 2019	**1,180,000**	**426,000**	**6,157**	**n/a**	**2**	**1,612,159**
Cash flow from financing activities						
Cash proceeds from loans	0	0	0	0	517	517
Cash outflows from the repayment of loans	-20,000	0	0	0	-2	-20,002
Cash outflows from the redemption of lease liabilities....................................	0	0	0	-18,120	0	-18,120
Cash outflows from the change in cash pool liabilities	0	0	-6,157	0	0	-6,157
Total change in cash and cash equivalents.......................................	**-20,000**	**0**	**-6,157**	**-18,120**	**515**	**-43,762**
Non-cash changes.............................	0	0	0	53,040	0	53,040
As of December 31, 2019.................	**1,160,000**	**426,000**	**0**	**34,920**	**517**	**1,621,437**

*Not presented as a separate item in the consolidated statement of financial position

	Financial liabilities						Total
	Vendor loan	**Loan from STRATO/ World4You**	**Liabilities from a written call option**	**Liabilities from a written put option**	**Cash pool liabilities***	**Other financial liabilities**	
As of January 1, 2018	**1,200,000**	**350,000**	**894,180**	**155,820**	**41,994**	**7,241**	**2,649,235**
Cash flow from financing activities							
Cash proceeds from loans	0	76,000	0	0	0	0	76,000
Cash outflows from the repayment of loans	-20,000	0	0	0	0	-7,239	-27,239
Cash outflows from the change in cash pool balances	0	0	0	0	-35,837	0	-35,837
Total change in cash and cash equivalents.....	**-20,000**	**76,000**	**0**	**0**	**-35,837**	**-7,239**	**12,924**
Non-cash changes...........	0	0	-894,180	-155,820	0	0	-1,050,000
As of December 31, 2018	**1,180,000**	**426,000**	**0**	**0**	**6,157**	**2**	**1,612,159**

*Not presented as a separate item in the consolidated statement of financial position

13 Subsequent events

The 1&1 IONOS TopCo Group has experienced increasing changes in its risk situation, including in risk fields such as procurement market risk and force majeure risk as a result of the increasing global spread of the coronavirus (Sars-CoV-2). Should the virus continue to spread over an extended period, this may also have a negative impact on customer demand, the purchase of wholesale services (e.g., server or network technology), or the health and fitness of employees, and thus ultimately on the performance of the 1&1 IONOS TopCo Group.

No further significant events having a substantial effect on the assets, liabilities, financial position and financial performance of the Company or the Group with consequences for their financial reporting occurred in the 1&1 IONOS TopCo Group after the reporting date of December 31, 2019.

Montabaur, April 24, 2020

Achim Weiss Hüseyin Dogan

Development of intangible assets and property, plant and equipment 2019

	Acquisition and production cost								Accumulated amortization, depreciation and impairment								Carrying amounts	
	Dec. 31, 2018	IFRS 16 adjust-ments	Jan. 1, 2019	Additions	Disposals	Reclassi-fications	Exchange rate differences	Dec. 31, 2019	Dec. 31, 2018	IFRS 16 adjust-ments	Jan. 1, 2019	Additions	Disposals	Write-ups	Exchange rate differences	Dec. 31, 2019	Dec. 31, 2019	Dec. 31, 2018
	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
I. Intangible assets																		
1. Software/licenses..	113,397	0	113,397	6,409	3,784	60	127	116,209	76,707	0	76,707	17,751	1,776	0	115	92,797	**23,412**	**36,690**
2. Trademarks	53,361	0	53,361	0	0	0	315	53,676	20,639	0	20,639	1,267	0	19,438	0	2,468	**51,208**	**32,722**
3. Customer base	302,457	0	302,457	0	0	0	1,200	303,657	94,934	0	94,934	28,077	0	0	1,032	124,043	**179,614**	**207,523**
4. Goodwill	867,657	0	867,657	0	0	0	3,964	871,621	57,590	0	57,590	0	0	0	89	57,679	**813,942**	**810,067**
5. Other intangible assets	6,307	0	6,307	950	43	0	49	7,263	2,513	0	2,513	165	8	0	25	2,695	**4,568**	**3,794**
6. Payments on account	60	0	60	0	0	-60	0	0	0	0	0	0	0	0	0	0	**0**	**60**
Total (I)......................	**1,343,239**	**0**	**1,343,239**	**7,359**	**3,827**	**0**	**5,655**	**1,352,426**	**252,383**	**0**	**252,383**	**47,260**	**1,784**	**19,438**	**1,261**	**279,682**	**1,072,744**	**1,090,856**
II. Property, plant and equipment																		
1. Land and buildings	10,497	0	10,497	63	1,242	0	0	9,318	4,944	0	4,944	810	516	0	0	5,238	**4,080**	**5,553**
2. Operating and office equipment ...	395,343	0	395,343	55,759	47,589	2,024	3,248	408,785	248,786	0	248,786	52,328	44,867	0	2,474	258,721	**150,064**	**146,557**
3. Payments on account	2,467	0	2,467	1,186	0	-2,024	8	1,637	0	0	0	0	0	0	0	0	**1,637**	**2,467**
4. Right-of-use assets	0	89,904	89,904	7,985	51,626	0	37	46,300	0	0	0	16,854	3,966	0	11	12,899	**33,401**	**0**
Total (II)....................	**408,307**	**89,904**	**498,211**	**64,993**	**100,457**	**0**	**3,293**	**466,040**	**253,730**	**0**	**253,730**	**69,992**	**49,349**	**0**	**2,485**	**276,858**	**189,182**	**154,577**
Sum total..................	**1,751,546**	**89,904**	**1,841,450**	**72,352**	**104,284**	**0**	**8,948**	**1,818,466**	**506,113**	**0**	**506,113**	**117,252**	**51,133**	**19,438**	**3,746**	**556,540**	**1,261,926**	**1,245,433**

Development of intangible assets and property, plant and equipment 2018

	Acquisition and production cost							Accumulated amortization, depreciation and impairment							Carrying amounts	
	Jan. 1, 2018	Additions	Disposals	Reclassi-fications	Additions from acquisitions	Exchange rate differences	Dec. 31, 2018	Jan. 1, 2018	Additions	Disposals	Write-ups	Reclassi-fications	Exchange rate differences	Dec. 31, 2018	Dec. 31, 2018	Dec. 31, 2017
	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
I. Intangible assets																
1. Software/licenses ...	125,116	12,658	26,432	7	2,123	-75	113,397	80,303	22,052	25,617	0	5	-36	76,707	**36,690**	**44,813**
2. Trademarks............	50,262	0	0	0	3,494	-395	53,361	20,739	1,200	0	1,300	0	0	20,639	**32,722**	**29,523**
3. Customer base.......	276,406	2,680	0	0	24,014	-643	302,457	68,744	26,396	0	0	0	-206	94,934	**207,523**	**207,662**
4. Goodwill.................	819,386	0	0	0	51,250	-2,979	867,657	57,882	0	0	0	0	-292	57,590	**810,067**	**761,504**
5. Other intangible assets...................	5,274	1,095	157	59	0	36	6,307	1,718	810	146	0	59	72	2,513	**3,794**	**3,556**
6. Payments on account.................	22	60	22	0	0	0	60	0	0					0	**60**	**22**
Total (I)......................	**1,276,466**	**16,493**	**26,611**	**66**	**80,881**	**-4,056**	**1,343,239**	**229,386**	**50,458**	**25,763**	**1,300**	**64**	**-462**	**252,383**	**1,090,856**	**1,047,080**
II. Property, plant and equipment																
1. Land and buildings .	10,170	103	37	261	0	0	10,497	4,657	804	21	688	192	0	4,944	**5,553**	**5,513**
2. Operating and office equipment.............	472,119	68,032	150,686	1,219	761	3,898	395,343	343,262	45,682	143,257	0	-256	3,355	248,786	**146,557**	**128,857**
3. Payments on account.................	1,506	2,512	8	-1,546	6	-3	2,467	0	1	1	0	0	0	0	**2,467**	**1,506**
Total (II)......................	**483,795**	**70,647**	**150,731**	**-66**	**767**	**3,895**	**408,307**	**347,919**	**46,487**	**143,279**	**688**	**-64**	**3,355**	**253,730**	**154,577**	**135,876**
Sum total...................	**1,760,261**	**87,140**	**177,342**	**0**	**81,648**	**-161**	**1,751,546**	**577,305**	**96,945**	**169,042**	**1,988**	**0**	**2,893**	**506,113**	**1,245,433**	**1,182,956**

The following English-language translation of the German-language independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers) refers to the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB ("Handelsgesetzbuch": German Commercial Code), as well as the group management report, prepared on the basis of German commercial law (HGB), of &1 IONOS TopCo SE (now IONOS Group SE, formerly 1&1 Internet TopCo SE), Montabaur, as of and for the fiscal year ended December 31, 2019 as a whole and not solely to the consolidated financial statements presented in this Prospectus on the preceding pages. The group management report is not part of this Prospectus.

Independent auditor's report

To 1&1 IONOS TopCo SE (formerly 1&1 Internet TopCo SE)

Opinions

We have audited the consolidated financial statements of 1&1 IONOS TopCo SE (formerly 1&1 Internet TopCo SE), Montabaur, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the fiscal year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of 1&1 IONOS TopCo SE (formerly 1&1 Internet TopCo SE) for the fiscal year from January 1 to December 31, 2019. We have not audited the content of the following disclosures as they are extraneous to management reports:

- The information contained in section 1.4 "Research and development" of the group management report
- The information on "Green IT" contained in section 2.4 "Non-financial performance indicators" of the group management report

Disclosures extraneous to management reports are such disclosures that are not required pursuant to Secs. 315, 315a HGB or Secs. 315b to 315d HGB ["Handelsgesetzbuch": German Commercial Code].

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2019, and of its financial performance for the fiscal year from January 1 to December 31, 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the aforementioned parts of sections 1.4 and 2.4 "Green IT" of the group management report.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial

Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Other information

The executive directors are responsible for the other information. The other information comprises the aforementioned parts of sections 1.4 and 2.4 of the group management report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in

particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Eschborn/Frankfurt am Main, April 27, 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Kemmerich Wirtschaftsprüfer [German Public Auditor]	Steinweger Wirtschaftsprüfer [German Public Auditor]

Audited Unconsolidated Annual Financial Statements of IONOS TopCo SE (now IONOS Group SE) Prepared in Accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the Fiscal Year Ended December 31, 2021

IONOS TopCo SE (formerly 1&1 IONOS TopCo SE), Montabaur
Balance sheet as of 31 December 2021

Assets				**31 Dec 2020**
		EUR	EUR	EUR
A.	**Fixed assets**			
I.	**Financial assets**			
1.	Shares in affiliates	156,060,001.00		156,060,001.00
2.	Loans to affiliates........................	365,800,000.00		366,545,000.00
			521,860,001.00	522,605,001.00
B.	**Current assets**			
I.	**Receivables and other assets**			
	Receivables from affiliates		1,625.78	1,629.17
II.	**Cash on hand, bank balances and checks................**		66,908.76	79,130.24
			68,534.54	80,759.41
			521,928,535.54	522,685,760.41

Equity and liabilities				**31 Dec 2020**
		EUR	EUR	EUR
A.	**Equity**			
I.	**Subscribed capital .....**		360,001.00	360,001.00
II.	**Capital reserves ....**		523,151,752.59	523,151,752.59
III.	**Accumulated loss ......**		-4,032,988.66	-1,144,674.15
			519,478,764.93	522,367,079.44
B.	**Provisions**			
	Other provisions..........		2,418,701.85	50,121.87
C.	**Liabilities**			
1.	Trade payables	5,615.61		0.00
2.	Liabilities to affiliates	25,453.15		268,559.10
			31,068.76	268,559.10
			521,928,535.54	522,685,760.41

IONOS TopCo SE (formerly 1&1 IONOS TopCo SE), Montabaur
Income statement for the fiscal year
from 1 January to 31 December 2021

				1 Jan to 31 Dec 2020
		EUR	EUR	EUR
1.	Other operating income		4,002.11	0.00
2.	Other operating expenses		-2,929,404.07	-578,089.56
3.	Income from loans classified as fixed financial assets thereof from affiliates: EUR 37,120.35 (prior year: EUR 37,290.24)	37,120.35		37,290.24
4.	Interest and similar expenses	-32.90		-17.13
			37,087.45	37,273.11
5.	Earnings after taxes		-2,888,314.51	-540,816.45
6.	**Net loss for the year**		**-2,888,314.51**	**-540,816.45**
7.	Loss carryforward from the prior year		-1,144,674.15	-603,857.70
8.	**Accumulated loss**		**-4,032,988.66**	**-1,144,674.15**

IONOS TopCo SE, Montabaur
(formerly 1&1 IONOS TopCo SE)
HRB 25386

Notes to the financial statements for fiscal year 2021

1 General

The financial statements of IONOS TopCo SE (formerly 1&1 IONOS TopCo SE; hereinafter referred to as "IONOS TopCo" or the "Company") for fiscal year 2021 were prepared pursuant to Art. 61 of Council Regulation (EC) No 2157/2001 in accordance with the legal requirements set out under Sec. 242 et seq. and Sec. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] and in accordance with the relevant provisions of the AktG ["Aktiengesetz": German Stock Corporation Act].

The income statement was prepared using the nature of expense method in accordance with Sec. 275 (2) HGB.

The Company is a small corporation within the meaning of Sec. 267 and Sec. 267a HGB. It makes use of the size-related exemptions for small corporations set out in Sec. 288 (1) HGB.

The fiscal year is the calendar year.

In order to improve the clarity of presentation, we have indicated in these notes to the financial statements whether individual items are related to other items and "thereof" items.

The Company was renamed IONOS TopCo SE by the resolution adopted at the extraordinary shareholder meeting on 21 June 2021. IONOS TopCo SE, having its registered office in Montabaur, was entered in the commercial register of Montabaur Local Court on 24 June 2021 under HRB no. 25386.

2 Accounting policies

The following accounting policies, which essentially remained unchanged in comparison to the prior year, were used to prepare the financial statements.

2.1 Fixed financial assets

Shares in affiliates are recognized at the lower of cost or net realizable value. Loans recognized at nominal value. If permanent impairment of the financial assets is expected, write-downs to the lower net realizable value are recognized based on the modified lower of cost or market principle.

2.2 Receivables and other assets

Receivables and other assets are stated at their nominal value. Specific or general bad debt allowances provide for identifiable risks.

2.3 Cash on hand and bank balances

Cash on hand is stated at nominal value. Bank balances are stated at their nominal value.

2.4 Other provisions

For uncertain liabilities and risks from potential losses, appropriate provisions are recognized at the settlement value deemed necessary according to prudent business judgment (i.e., including future cost and price increases). Provisions with a residual term of more than one year are discounted at the average market interest rate of the last seven fiscal years for their respective residual term.

2.5 Liabilities

Liabilities are recorded at their settlement value.

2.6 Current and deferred taxes

Income taxes

Current taxes are measured at the amount at which a refund from the tax authorities or a payment to the tax authorities is expected. The amount is calculated on the basis of the tax rates and tax laws applicable on the reporting date.

To determine deferred taxes arising due to temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards, these differences are valued using the company-specific tax rates at the time they reverse; the amounts of any resulting tax charge or benefit are not discounted.

The option to recognize net deferred tax assets in excess of deferred tax liabilities was not exercised.

VAT

Due to the lack of entrepreneur status in accordance with Sec. 2 UStG ["Umsatzsteuergesetz": German VAT Act], the Company is not entitled to deduct VAT on expenses or assets.

3 Notes to the balance sheet

3.1 Financial assets

As of the reporting date, IONOS TopCo holds shares in the affiliate IONOS Holding SE in the amount of EUR 156,060k, as in the prior year. Shares in affiliates are recognized at acquisition cost. As in the prior year, no write-downs for impairment were recognized, nor was there any accumulated impairment.

The loan to IONOS Holding SE came to EUR 365,800k as of the reporting date (prior year: EUR 366,545k). IONOS Holding SE always makes partial repayments on the loan when IONOS TopCo does not have sufficient liquidity. IONOS TopCo is not part of the group cash pooling system of United Internet AG. Disposals in the fiscal year amounted to EUR 745k (prior year: EUR 500k). As in the prior year, no write-downs for impairment were recognized, nor was there any accumulated impairment.

3.2 Receivables and other assets

The receivables from affiliates of EUR 2k (prior year: EUR 2k) pertain to interest receivables from the loan issued to IONOS Holding SE.

The net amount of receivables and liabilities for each company is recognized to the extent that netting is permissible under Sec. 387 et seq. BGB ["Bürgerliches Gesetzbuch": German Civil Code].

As in the prior year, the receivables from affiliates are due in up to one year.

3.3 Other provisions

Other provisions came to EUR 2,419k on the reporting date (prior year: EUR 50k) and include consulting fees, audit fees and financial statement costs.

As in the prior year, other provisions are due in up to one year.

3.4 Liabilities

Liabilities to affiliates are due to cost allocations by sister companies in the amount of EUR 25k (prior year: EUR 269k). As in the prior year, all liabilities are due in up to one year.

The net amount of receivables and liabilities for each company is recognized to the extent that netting is permissible as under Sec. 387 et seq. BGB.

4 Notes to the income statement

4.1 Out-of-period income and expenses

Out-of-period income of EUR 4k was incurred in the reporting year (prior year: EUR 0k), which relates exclusively to the reversal of provisions.

Other operating expenses include out-of-period expenses of EUR 0k (prior year: EUR 178k).

5 Other notes

5.1 Management Board

The members of the Management Board in fiscal year 2021 were:

- Achim Weiss (Chief Executive Officer, Chairman of the Management Board)
- Hüseyin Dogan (Chief Operations Officer)

5.2 Supervisory Board

The Company's Supervisory Board consists of six members.

The members of the Supervisory Board in fiscal year 2021 were:

- Max Fowinkel (chair)
  Managing Director of Investment Staff-Technology Media & Telecommunications, Berlin
- Issam Abedin (deputy chair)
  Vice President, Warburg Pincus LLC, London, UK
- Markus Kadelke (member)
  Lawyer, United Internet Corporate Services GmbH, Karlsruhe
- Lutz Laffers (member)
  Head of Corporate Financial Affairs, United Internet Corporate Services GmbH, Gückingen
- Markus Langer (member)
  Investment Manager, United Internet Corporate Services GmbH, Hofheim am Taunus
- Sebastian Heming (member, resigned from Supervisory Board with effect from 17 September 2021)
  Head of Corporate HR, United Internet Corporate Services GmbH, Bonn
- Lysander Ammann (member, with effect from the end of the Annual General Meeting on 26 November 2021)
  Head of Corporate Controlling, United Internet Corporate Services GmbH, Hirschberg an der Bergstrasse

All members have been elected until the end of the Annual General Meeting which will decide on the exoneration of the Supervisory Board for the fiscal year ending 31 December 2021.

As in the prior year, the members of the Supervisory Board did not receive any remuneration from the Company in fiscal year 2021.

5.3 Number of employees

As in the prior year, the Company did not have any employees in the fiscal year.

5.4 Contingent liabilities

IONOS TopCo SE issued a loss absorption declaration to IONOS Holding SE, in which IONOS TopCo SE undertakes to absorb any net loss incurred by IONOS Holding SE in fiscal year 2021 in accordance with Sec. 302 AktG as amended from time to time. It is not expected that such absorption will be required, as IONOS Holding SE reported positive net income in its financial statements for fiscal year 2021.

5.5 Parent company and proposal for the appropriation of profit

In accordance with Sec. 290 (1) HGB, IONOS TopCo SE is required to prepare consolidated financial statements and a group management report and thus prepares the consolidated financial statements for the smallest group of companies. The consolidated financial statements are disclosed in the *Bundesanzeiger* [German Federal Gazette].

United Internet AG, Montabaur, prepares the consolidated financial statements for the largest group of companies, which are published in the *Bundesanzeiger*.

5.6 Subsequent events

The major offensive started by Russia (with support from Belarus) on 24 February 2022 on the entire territory of Ukraine marked the beginning of the 2022 Ukraine war and a new era for all of Europe.

The EU, the US, 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 Hosting segment are not carried out directly in any of the countries involved in the war. Ukraine, Russia and Belarus are not target countries of IONOS TopCo and its subsidiaries, and the Company does not have any locations in those countries.

Against this background, the Management Board currently does not anticipate any material effects on the business performance or the position of the Company or its direct or indirect equity investments.

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 IONOS TopCo and their subsidiaries cannot be reliably predicted at present. The same applies with regard to the potential risk of the war spilling over into other countries.

Montabaur, 28 March 2022

Achim Weiss Hüseyin Dogan

The following English-language translation of the German-language independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers) refers to the annual financial statements as well as the management report of IONOS TopCo SE (now IONOS Group SE, formerly 1&1 IONOS TopCo SE), Montabaur, as of and for the fiscal year ended December 31, 2021, prepared in accordance with German commercial law (HGB) ("Handelsgesetzbuch": German Commercial Code) applicable to business corporations, as a whole and not solely to the annual financial statements presented in this Prospectus on the preceding pages. The management report is not part of this Prospectus.

Independent auditor's report

To IONOS TopCo SE (formerly 1&1 IONOS TopCo SE)

Opinions

We have audited the annual financial statements of IONOS TopCo SE (formerly 1&1 IONOS TopCo SE), which comprise the balance sheet as at 31 December 2021, and the income statement for the fiscal year from 1 January to 31 December 2021, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of IONOS TopCo SE for the fiscal year from January 1 to 31 December 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2021 and of its financial performance for the fiscal year from 1 January to 31 December 2021 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are

based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Eschborn/Frankfurt am Main, 28 March 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Kemmerich
Wirtschaftsprüfer
[German Public Auditor]

Steinweger
Wirtschaftsprüfer
[German Public Auditor]

22 RECENT DEVELOPMENTS AND OUTLOOK

22.1 Recent Developments

22.1.1 Operative Developments

We currently estimate to have achieved:

- a total revenue for the Group in fiscal year 2022 in the range of € 1,265 million to 1,300 million with a year-on-year growth in the range of 15% to 18% due to consistent growth in our Web Presence & Productivity (including our Aftermarket Business) and Cloud Solutions businesses in the range of € 1,090 million to € 1,115 million and € 128 million to € 133 million, respectively, with Web Presence & Productivity year-on-year growth in the range of 15% to 17%, with our Aftermarket Business growing particularly strong in the range of 75% to 80% and Cloud Solutions year-on-year growth in-line with historical years in the range of 17% to 21%, as well as approximately € 50 million revenue from hosting services to United Internet Group companies,

- an Adjusted EBITDA Margin in fiscal year 2022 ranging from 25% to 28% with a lower margin primarily due to approximately € 55 million of brand investments, a majority of which were booked in the fourth quarter of fiscal year 2022,

- maintenance capital expenditures to total revenue rate in fiscal year 2022 in line with 2021, and growth capital expenditures in the range of € 50 million to € 60 million, each excluding additions to right-of-use assets,

- depreciation and amortization of 100% of total capital expenditures (excluding additions to right-of-use assets) in fiscal year 2022,

- an effective tax rate of approximately 35% of pre-tax result in fiscal year 2022, and

- a cash flow from operating activities as percentage of Adjusted EBITDA in fiscal year 2022 in line with the average of the last three fiscal years, cash flow from investing activities affected by a one-off earn-out of approximately € 19 million related to the acquisition of the remainder of the shares in InterNetX Holding GmbH, of which approximately € 15 million were incurred in the nine-month period ended September 30, 2022.

For additional information, see "*11 Profit Estimate*".

Rising inflation and higher prices for different products and raw materials (such as oil and gas) in many countries, mainly due to the Russian invasion of Ukraine and ongoing Russia-Ukraine war and related political conflicts among Russia and the NATO, continue to adversely affect the general macroeconomic environment in 2022. Cost of sales are estimated to have increased compared to fiscal year 2021, due to the above-mentioned factors, higher revenue-driven cost of sales related to our Aftermarket Business, and an expansion of our headcount within our Technology & Development departments, primarily related to the expansion of our Cloud Solutions business area, but also higher domain costs, mainly driven by the strengthening of the U.S. dollar compared to the euro.

The COVID-19 pandemic continues to impact our business and demand in several ways. The pandemic and government measures designed to address the pandemic (such as lockdowns, restrictions relating to vaccination status and curfews) resulted in significant economic disruption and volatility in financial markets and negatively affected several businesses in 2022. At the same time, the Group could benefit from greater use of technology and computing during the pandemic and also in the aftermath of the pandemic, including due to the widespread adoption of hybrid working models and the expansion of ecommerce. In total, we believe that our business and demand for our products and services have proven to be resilient during the COVID-19 pandemic, resisting many of the adverse impacts that have affected other industries and businesses.

Selling expenses are estimated to have increased in fiscal year 2022 compared to fiscal year 2021, primarily as a result of higher brand-related marketing activities, especially related to the recent TV advertising campaign of the IONOS brand in Germany, the United Kingdom, France and Spain, with IONOS being promoted via multiple channels such as TV and Display, with the objective to further increase brand awareness and customer inflow. Another driver of the increase in selling expenses during fiscal year 2022 was a higher headcount and a corresponding increase in personnel expenses in our Sales & Marketing activities, primarily to further drive the sales activities within our Cloud Solutions business area, but also within other business areas, in order to lay the groundwork for continuing revenue growth as well as customer acquisition in the future.

Further, we estimate that:

- general and administrative expenses increased in fiscal year 2022 compared to fiscal year 2021, primarily as a result of higher personnel expenses related to the hiring of additional workforce and higher expenses for consulting and audit services, partly in connection with the IPO,

- impairment losses on receivables and contract assets increased in fiscal year 2022 compared to fiscal year 2021, primarily driven by the higher revenue level and larger customer base,

- other operating expenses increased in fiscal year 2022 compared to fiscal year 2021, mainly driven by higher losses from currency translation, especially of U.S. dollar, only partially offset by lower expenses related to other taxes resulting from tax audits and U.S. sales tax topics,

- other operating income improved in fiscal year in light of higher income from foreign currency translation compared to fiscal year 2021, primarily due to the strengthening of the U.S. dollar *vis-à-vis* the euro, coupled with positive effects from higher income related to other financial periods, (*e.g.*, from release of provisions), and

- expenses for depreciation and amortization remained stable in fiscal year 2022 mainly due to lower amortization of intangible assets resulting from business combinations reflecting residual amortization periods for the customer base. This decrease was offset by an increase in depreciation related to newly acquired assets.

For additional information, see "*11 Profit Estimate*".

22.1.2 Corporate Developments

On October 25, 2022, we sold our 49% shareholding in Intellectual Property Management Company Inc., Dover, Delaware/United States at a selling price of € 3.0 million. The gain on the disposal from the sale of the investment amounted to € 1.9 million.

As of November 1, 2022, Britta Schmidt was appointed as a new member of our Management Board. As of October 31, 2022, Hüseyin Dogan resigned from the position of member of the Management Board.

On November 24, 2022, the shareholders' meeting resolved to rename IONOS TopCo SE into IONOS Group SE. The registration of such resolution in the commercial register took place on December 9, 2022.

On January 26, 2023, an extraordinary shareholders' meeting of the Company resolved to increase the share capital from € 360,001.00 by € 139,639,999.00 to € 140,000,000.00 out of the Company's reserves (*Kapitalerhöhung aus Gesellschaftsmitteln*). The registration of the capital increase is expected to be registered with the Company's Commercial Register on February 1, 2023.

22.2 Outlook

For the fiscal year ending December 31, 2023, we expect total revenue to be driven by continued momentum for revenue from contracts with customers of our Web Presence & Productivity (excluding the Aftermarket Business) and Cloud Solutions business areas, coupled with a continued strong growth of our Aftermarket Business in the mid-twenties percentage range, compared to our estimates for fiscal year 2022.

We currently aim to achieve mid-term (which we consider to be four to five years):

- a Group's total revenue CAGR of approximately 10%,

- an Adjusted EBITDA Margin progressively exceeding 30%,

- maintenance capital expenditures (excluding additions to right-of-use assets) CAGR of approximately 8% and a decrease in the level of growth capital expenditures to approximately 4% of Group's total revenue,

- depreciation and amortization of 100% of total capital expenditures (excluding additions to right-of-use assets),

- an effective tax rate decrease to approximately 30% of pre-tax result,

- a cash flow from operating activities increase to approximately 65% and more of Adjusted EBITDA, driven by increasing the Adjusted EBITDA Margin as well as decreasing interest payments due to deleveraging,

- a deleveraging of our capital structure through loan repayments applied towards our Post-IPO Financing, with a Net Leverage Ratio of approximately 3.0x by the end of 2023, and approximately 2.5x by the end of 2024, and a refinancing of our Post-IPO Financing once leverage is in the range of 2.0 to 2.5x,

- a power use efficiency (PUE) of 1.35 by 2024, and

- energy optimization for all IT components included in the energy management system (ISO 50001) by 2024.

We do not intend to pay dividends in the near future.

For the purposes of these targets, we have assumed, among others:

- our Web Presence & Productivity business area to achieve a high single-digit revenue from contracts with customers CAGR, in particular based on: (i) continued strength in cross-selling and upselling, (ii) brand marketing to cement the leadership of our brands, (iii) selective geographical expansion, and (iv) Aftermarket Business growth gradually normalizing to be in line with the rest of our Web Presence & Productivity business;

- our Cloud Solutions business area to achieve a revenue from contracts with customers CAGR of approximately 20%, in particular based on growth acceleration driven by investments in the past years;

- our hosting services to the United Internet Group companies to achieve a mid-single-digit revenue from contracts with related parties CAGR,

- multiple levers successively becoming effective from 2023 onwards, including operating leverage and efficiency initiatives (*e.g.*, the IONOS Internet Factory), an increase of economies at scale within the Cloud Solutions business area, brand investments in 2023 to range between € 65 million and € 70 million (subsequently decreasing in relation to total revenue), and growth in the Aftermarket Business to normalize,

- our total revenue to outgrow maintenance capital expenditures growth, driven by the mix effect of lower capital-intensive Aftermarket Business,

- our server economics to be subject to continued efficiencies, and

- our capital structure to deleverage.

In setting our targets for fiscal year 2023 and our mid-term targets, we have assumed, among other things:

- market trends to materialize as described in "*12 Market and Competitive Environment*", including an impact of the COVID-19 pandemic on market developments not exceeding the magnitude as outlined therein, no further wave of the COVID-19 pandemic or a significant prolongation of the current pandemic leading to an impact on our supply chain, or governmental measures impacting our business,

- that there will be no significant changes in existing political, legal, fiscal, market or economic conditions, or in applicable legislation, regulations or rules (including, but not limited to, accounting policies, accounting treatments and tax rules and interpretative guidance) and that foreign exchange rates will not change materially, in each case except as described in the section "*11 Profit Estimate*" and elsewhere in the Prospectus, and that we will not become party to any litigation or administrative proceeding or proceedings that might have a material impact on the Group and of which we are not currently aware,

- a successful execution of our strategies, including the successful roll out of a uniform billing system at IONOS and the implementation of our acquisition strategy and cost saving programs, the successful growth of our Adjusted EBITDA Margin, the successful leverage of economies of scale opportunities and the successful implementation of efficiency initiatives (*e.g.,* IONOS Internet Factory) (for more information, see "*13.2 Investment Highlights*"),

- inflation rate not increasing substantially compared to the current situation and thus no negative impact from higher prices for different products and raw materials, including energy, in many countries, mainly due to the Russian invasion of Ukraine and ongoing Russia-Ukraine war as well as related political conflicts among Russia and the NATO will occur, and that these conflicts will not adversely affect the general macroeconomic environment more than has been experienced and thus will not indirectly negatively impact our revenue and our ability to gain new and retain existing customers;

- that we are able to maintain our relative market position without competitors reducing prices, leading to us reducing prices and decreasing our profitability,

- that no interruption in the operations of third parties, no supply bottlenecks or longer delivery times from some critical supplies or changes to licenses that may be disadvantageous to us occur, and

- that demand for both hosting and cloud computing services remains high in all of IONOS Group's core markets due to our brand campaign and the ongoing trend towards digitalization, resulting in a positive development in our paid customer and service inventory.

23 GLOSSARY

This Glossary contains a short description of technical terms and certain other terms and abbreviations used in the Prospectus:

Active server pages (ASPs) .... Active Server Pages (ASPs) are part of Microsoft's Active Platform and create, among other things, dynamic websites. ASP is a framework or scripting environment that is used to send dynamic HTML documents to users after, for example, a database query, form processing, guest book or forum postings. In practice, ASPs are HTML documents that are executed on a Microsoft server before it sends a response to the client.

Application programming interface (API) An Application Programming Interface (abbreviated as "API") is a set of commands, functions, protocols and objects that programmers can use to build software or interact with an external system. It provides developers with standard commands for performing common operations so that codes do not have to be written from scratch. For example, an API enables an exchange between different websites and programs.

(ASP).NET hosting .... ASP.NET hosting is a technology along with a programming language that is used on servers to create web pages. At IONOS, ASP.NET hosting is always used when customers have opted for Windows hosting. ASP.NET hosting is based on the NET.Framework, which makes it particularly effective in working with other Windows applications. One of ASP.NET hosting's benefits is that it is compatible with all major web standards.

Backend .... Backend refers to the part of a computer system where data is stored or processed rather than the parts that are seen and directly used by the user.

BaFin .... Abbreviation for German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

Bare Metal Cloud.................................... Bare metal refers to a set-up of multiple dedicated servers connected to each other within one private network. The solution can be operated and managed entirely by the user according to its needs.

Bare metal server (see also: dedicated server) .... A bare metal server is a dedicated server with an installed operating system (*e.g.*, Microsoft Windows or Linux).

Big Data... Data sets that are too large or complex to be dealt with by traditional data-processing application software. This type of data is often associated with predictive analytics, user behavior analytics and other advanced data analytics methods.

BSI... Abbreviation for the German Federal Office of Information Security (*Bundesamt für Sicherheit in der Informationstechnik*).

CAGR .... Abbreviation for compound average growth rate.

Carbon offset certificate .... A certificate for the compensation of carbon dioxide (CO_2) emissions achieved by reducing or removing emissions elsewhere.

Central Processing Unit (CPU) .... A central processing unit (abbreviated as "CPU") is the electronic circuit within a computer which executes instructions that make up a computer program.

CLOUD Act.. Abbreviation for United States Clarifying Lawful Overseas Use of Data Act.

Cloud computing .... Cloud computing refers to the use of IT resources (computing, storage and networking) via the Internet. The functions are not performed, and data is not stored, locally on the user's own PC, but rather in another location, which is often illustrated by a data cloud.

Cloud instance.. A term used to describe a virtual machine that is configured with an amount of vCPUs (or Dedicated Cores, as in the case of IONOS Cloud) and RAM/memory. In some cases, a cloud instance may also include a certain amount of block storage, depending on the service provider.

Cloud network load balancer.................. A cloud network load balancer enables users to balance load traffic and keeps the cloud operating as needed when demand peaks.

Cloud server .... As a virtual server, a cloud server provides a complete web-based IT infrastructure, including computing power, storage space and network technology.

CO_2.. Abbreviation for carbon dioxide, a greenhouse gas.

Co-location data center .... A type of data center where equipment, space, and bandwidth are available for rental to retail customers. Parts of the co-location offering can be rented, *e.g.*, location space and cabinets, power supply, cooling, but customers can install their own hardware.

Compute Engine..................................... "IONOS Compute Engine" is a product offered by IONOS. It is an Infrastructure-as-a-Service platform which enables customers to easily configure their own virtual (cloud-based) compute stack via the IONOS Data Center Designer (DCD) tool.

Container applications............................ Container technology separates the application from the actual runtime environment. It contains everything to run the application systems but utilizes the operating system from the virtual machine (VM). This produces a lightweight, reproducible, scalable deployment regardless of the infrastructure.

Container cluster .... A container cluster is a dynamic system that places and manages containers along with all the interconnections and communication channels.

Content Delivery Network (CDN) .... A Content Delivery Network (abbreviated as "CDN") is a geographically distributed group of servers which work together to provide fast delivery of Internet content, *e.g.*, downloadable objects, media, live streams or ecommerce.

Content management systems (CMS)... A content management system (abbreviated as "CMS") is a computer software used to manage the creation and modification of digital content (content management). A typical use for a CMS is to manage web contents, typically supporting multiple users in a collaborative environment. The advantage of a CMS is the separation of content and design to have a flexible way of managing and displaying information. Almost every website is based on some kind of CMS system (either proprietary or open source). A common and well known open source CMS is WordPress.

COVID-19 .... COVID-19 is an infectious disease which is caused by the virus SARS-CoV-2 (severe acute respiratory syndrome coronavirus 2).

Cross-selling.. Cross-selling refers to selling additional services to an existing customer with the objective of increasing Customer Lifetime Value.

Cubes .... IONOS' Cloud Cubes manage scalable development environments to meet specific software requirements. IONOS provides customers with cost-effective virtual servers that can be used as independent computing capacity for workloads such as development and test environments or for production workloads where the application manages redundancy. IONOS' Cloud Cubes work by default with an attached NVMe volume, which can be expanded with HDD or SSD network block storage as needed. Simple workloads are mapped out (*e.g.*, as web applications) and easily linked to production environments. IONOS' Cloud Cubes are fully integrated into IONOS cloud data centers, taking over specific workloads and running in tandem with the Compute Engine in the same virtual data center. This allows to harness enterprise-grade features such as backups and network performance.

Customer Acquisition Cost (CAC).......... Customer Acquisition Cost (abbreviated as "CAC") measures how much an organization spends to acquire new customers.

Customer Lifetime Value (CLTV) .... Customer Lifetime Value (abbreviated as "CLTV") is a measure of the average customer's revenue generated over their entire relationship with a company during the whole customer lifetime.

D&O liability insurance .... Abbreviation for directors' and officers' liability insurance.

Data center.. A data center is a facility that centralizes an organization’s shared IT operations and equipment for the purposes of storing, processing, and disseminating data and applications.

Data Center Designer (DCD) .... A data center designer (abbreviated as "DCD") is a browser-based graphical tool that simplifies the process of provisioning and managing a virtual data center. Data center design is the process of modeling and designing a data center's IT resources, *e.g.*, virtual machines such as frontend or backend servers, and an entire infrastructure, *e.g.*, network topology. The graphical representation allows an easy entrance into cloud services without prior studying of API documentation or coding skills.

Database as a Service (DBaaS) .... Database as a Service (abbreviated as "DBaaS") is a cloud-based approach to managing and storing data. DBaaS refers to software that enables users to set up, operate and scale databases using a common set of abstractions (primitives), without having to either know or care about the exact implementations of those abstractions for the specific database.

Dedicated servers .... Dedicated servers refer to a type of Internet hosting in which the customer leases an entire server not shared with anyone else. The customer has full control over the server(s), including choice of operating system, hardware and all types of administrative configurations.

Denial of Service (DoS).......................... Denial of Service (abbreviated as "DoS") refers to the unavailability of an Internet service that was supposed to be available.

Digital Services Act .... A European regulation to, among other objectives, update the European Union's legal framework, in particular by modernizing the ecommerce Directive adopted in 2000, and including new proposed rules regarding illegal content, transparent advertising and disinformation.

Digital Subscriber Line (DSL) .... Digital Subscriber Line (abbreviated as "DSL") is a modem technology that uses existing telephone lines to transport high-bandwidth data.

Digitalization journey .... This term is used to refer to an increasing adoption of digital tools and solutions by customers. This journey typically begins with services relating to establishing a customer-facing online presence (*e.g.*, domain registration, web hosting and related services such as website building tools, ecommerce and email and office solutions). Once an online presence has been set up, SMBs increasingly begin focusing on their computing and storage (on-premise or cloud-based) deployment strategy, server hosting (dedicated servers) and other value-added services.

Distributed Denial of Service (DDoS) attacks .... When multiple systems flood the bandwidth or resources of a targeted system.

DIY... Abbreviation for "do-it-yourself", a common market standard description for software which is very simplified and usable without any specific previous knowledge.

Do-it-for-me services (DIFM services) ... Do-it-for-me services (abbreviated as "DIFM services") are the opposite of do-it-yourself services ("DIY"), *e.g.*, the automatic design and maintenance of websites. This approach spares the customer time without generating major outsourcing overhead costs.

Domain .... A "domain" as abbreviation for "domain name" is an identification string that defines a realm of administrative autonomy, authority or control within the Internet. Domain names are used in various networking contexts and for application-specific naming and addressing purposes. In general, a domain name identifies a network domain, or it represents an Internet Protocol (IP) resource, such as a personal computer used to access the Internet, a server computer hosting a website, or the web site itself or any other service communicated via the Internet.

Domain Name System (DNS) .... The Domain Name System (abbreviated as "DNS") is a hierarchical and decentralized naming system used to identify computers, services, and other resources reachable through the Internet or other Internet protocol networks. The resource records contained in the DNS associate domain names with other forms of information. The DNS answers requests for name resolution.

Domain Name System Security Extensions (DNSSEC) .... Domain Name System Security Extensions (abbreviated "DNSSEC") are Internet standards that add security mechanisms to the DNS to ensure the authenticity and integrity of data.

Ecommerce .... Buying and selling products and services (including transactions) over the Internet via an own website or a portal.

ENISA... Abbreviation for the European Union Agency for Cybersecurity.

ESG .... Abbreviation for Environmental, Social and Governance.

Firewall .... A firewall is a security system that protects a computer network or a single computer from unwanted network access.

Front-end .... Front-end of a website or software refers to its user interface, *i.e.*, everything users see and interact with when visiting the website or using the software.

Full-Time Equivalent (FTE) .... Full-Time Equivalent (abbreviated as "FTE") is a unit to measure employed persons or students in a way that makes them comparable although they may work or study a different number of hours per week.

G Suite (now Google Workspace).......... G Suite (formerly known as Google Apps and currently known as Google Workspace) is a collection of productivity and collaboration tools, software and solutions marketed by Google. It was first launched as Google Apps in 2006 and rebranded as G Suite in 2016; in October 2020, Google announced that G Suite would be rebranded as Google Workspace. This suite consists of Gmail, Contacts, Calendar, Meet and Chat for communication, Drive for storage and the Google Docs suite for content creation, among others.

GDPR .... Abbreviation for the EU General Data Protection Regulation.

Geo-redundancy..................................... Geo-redundancy refers to when a minimum of two copies of data are stored in data centers at different locations. This results in a level of availability of 99.99% for the products using those data centers.

GitHub .... GitHub is a development platform of GitHub, Inc., headquartered in California, United States. GitHub Inc. is a provider of Internet hosting for software development and version control using Git. It offers the distributed version control and source code management (SCM) functionality of Git, plus its own features. It provides access control and several collaboration features such as bug tracking, feature requests, task management, continuous integration and wikis for every project.

The GitHub platform is usually used to host open source projects. On its website, GitHub mentions that the platform is used by over 94 million developers (information as of January 25, 2023).

GoBD .... Abbreviation for *Grundsätze zur ordnungsmäßigen Führung und Aufbewahrung von Büchern, Aufzeichnungen und Unterlagen in elektronischer Form sowie zum Datenzugriff,* the German principles for properly maintaining and storing books, records and documents in electronic form and for data access. These principles have been redrafted in November 2019 by the German Federal Ministry of Finance.

Graphical User Interface (GUI) .... Graphical User Interface (abbreviated as "GUI") is a type of user interface through which users interact with electronic devices via visual indicator representations rather than via commands typed on a computer keyboard.

Graphics Processing Unit (GPU) .... A Graphics Processing Unit (abbreviated as "GPU") is a chip or electronic circuit capable of rendering graphics for display on an electronic device.

Hacker attack .... A hacker attack is an attempt to gain unauthorized access to a computer, computing system or computer network with the intent to cause damage.

Hard Disk Drive (HDD)........................... A hard disk drive (abbreviated as "HDD") is a magnetic storage medium of computer technology.

Hyperscaler .... Hyperscalers are the providers of the world's largest cloud computing systems with the ability to quickly accommodate an increased demand for Internet-facing and back-end computing resources, *e.g.*, Microsoft Azure, Amazon Web Services and Google Cloud.

IFRS .... Abbreviation for International Financial Reporting Standards as adopted by the European Union.

Infrastructure as a Service (IaaS) .... Infrastructure as a Service (abbreviated as "IaaS") is a cloud computing offering in which a provider offers users access to IT resources such as servers, storage space, and network components. Companies can use the service provider's infrastructure to run their own platforms and applications.

Integrated Services Digital Network (ISDN) .... Integrated Services Digital Network (abbreviated as "ISDN") is a system for sending voice, video, and information over phone wires.

Internet Message Access Protocol (IMAP) .... Internet Message Access Protocol (abbreviated as "IMAP") is a network protocol that provides a network file system for email.

Internet Protocol (IP) .... An Internet Protocol (abbreviated as "IP") is a widely used network protocol and is the basis of the Internet.

Internet Service Provider (ISP) .... Internet Service Providers (abbreviated as "ISP") offer content or technical services required for the use or operation of content and services on the Internet.

IONOS corporate management system (IONOS CMS) .... The IONOS corporate management system ("IONOS CMS") is the set of measures, structures and processes specifically tailored to IONOS that are set up in an organization (*e.g.*, in a company) to ensure compliance with rules. This can include both legally binding and ethical rules.

IOPS .... Abbreviation for input/output operations per second, a performance benchmark used for computer storage devices. In order to provide a meaningful parameter for storage performance, IOPS must be viewed together with response time and application workload.

ISO .... Abbreviation for the International Organization for Standardization.

Jam stack .... JAM stack is a widely used architectural pattern for building modern websites, with JAM originally standing for JavaScript, APIs and markup but currently typically used more broadly.

JavaScript Object Notation (JSON)........ JavaScript Object Notation (abbreviated as "JSON") is a compact data format in an easy-to-read text form for data exchange between applications.

Key Performance Indicator (KPIs).......... In business administration, key performance indicators (abbreviated as "KPIs") refer to significant performance metrics that can be used to measure and/or determine progress or the degree of fulfillment with regard to important objectives or critical success factors within an organization.

Kubernetes .... Kubernetes is an open source container orchestration system for automating software deployment, scaling, and management. Google originally designed Kubernetes, but the Cloud Native Computing Foundation now maintains the project.

Landing page.. A landing page (sometimes also referred to as "destination page" is a single web page that appears in response to clicking on a search engine optimized search result, marketing promotion, marketing email or an online advertisement.

Linux... Linux is an open source and community-developed operating system for computers, servers, mainframes, mobile devices and embedded devices.

Local Area Network (LAN) .... A Local Area Network (abbreviated "LAN") refers to a network with a limited spatial extent. LANs are mostly used in private households or in companies to set up home networks or company networks. In this way, the various devices can communicate with each other.

Malware... Malware is a malicious program that performs undesirable and possibly harmful functions from the victim's point of view.

Mobile Virtual Network Operator (MVNO) .... A Mobile Virtual Network Operator (abbreviated as "MVNO") is a wireless communications service provider. Unlike traditional mobile network operators, MVNOs do not own the infrastructure they use. Instead, they lease it from mobile network operators and use the infrastructure to deliver a unique set of services to their markets.

Monitoring as a Service (MaaS)............. Monitoring as a Service (abbreviated as "MaaS") is one of the available cloud computing delivery models. It is a framework that facilitates the provision of monitoring capabilities for various other services and applications within the cloud. The most common application for MaaS is online state monitoring, which continuously tracks certain states of applications, networks, systems or any element that may be deployable within the cloud.

Net Promoter Score℠ (NPS®) .... A Net Promoter Score℠ is measured by asking the following question (possibly lightly adjusted to include a specific company name or brand): “On a scale 0-10, how likely is it that you would recommend our company to a friend or colleague?” Respondents answering with 9-10 are counted as promoters, with 7-8 as passives, and 0-6 as detractors. An NPS® is then measured as percentage of promoters minus percentage of detractors. Net Promoter® and NPS® are registered trademarks of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld. Net Promoter Score℠ is a service mark of Bain & Company, Satmetrix Systems and Fred Reichheld.

Network Address Translation (NAT) ...... Network Address Translation (abbreviated as "NAT") is a method to protect private Virtual Machines (VMs) when connected to public repositories, *e.g.*, for software updates or clock synchronization (via NTP). The NAT Gateway masks the VM by anonymizing its IP address. There are two types of NAT Gateways: "Source NAT Gateways" (SNAT) allow access from the server instance to external services, while the service instance cannot be accessed from external services. "Destination NAT Gateways" (DNAT) allow the opposite, namely access from external services to the service instance, while the service instance cannot access external services.

Network Interface Card (NIC)................ In the context of information technology, a Network Interface Card (abbreviated "NIC") is an electronic circuit used to connect a computer to a local area network for the exchange of data.

Network Time Protocol (NTP) .... A Network Time Protocol (abbreviated as "NTP") is a standard for synchronizing clocks in computer systems over packet-based communication networks. NTP is intended to synchronize all participating computers to within a few milliseconds of Coordinated Universal Time (UTC).

New Top-Level Domain ("nTLD")........... New Top-Level Domains (abbreviated as "nTLD", also named "new gTLD") refers to a group of TLDs which has been newly added to the TLD space by the ICANN organization since October 2013.

Non-Practicing Entities (NPEs) .... Non-Practicing Entities (abbreviated as "NPEs") are entities who hold IP rights (in particular, patents) for a product or process but with no intention to develop these.

Non-Volatile Memory Express (NVMe) .. Non-Volatile Memory Express (abbreviated as "NVMe") is a software protocol for connecting non-volatile mass storage devices via the PCI Express hardware interface. Non-volatile memory is a type of computer memory that can retain stored information even after power is removed. Peripheral Component Interconnect Express, or "PCI Express", is a high-speed serial computer expansion bus standard, which acts as the common motherboard interface for PC's graphic cards, hard disk drive host adapters, Wi-Fi connections, etc.

Off-premise.. Off-premise are solutions hosted by a third-party and usually supported by a different third-party, in contrast to on-premise solutions.

On-premise.. On-premise software is housed within the physical location of an enterprise, rather than in the cloud.

Open source .... A source code that is made openly available and may be seen, modified and further distributed. A large amount of open source software is available for free.

Operating system kernel .... A kernel is the core of any computer system; it has full control over the system's performance and is always present. The interaction layer between both the hardware and the software is catered by operating system kernels. This is the first program that starts up at the time of boot up of a computer system.

Patch management .... Patch management is the systematic notification, identification, deployment, installation, and verification of operating system and application software code revisions.

Pay-as-you-go (PAYG)........................... For IONOS Cloud, Pay-as-you-go (abbreviated as "PAYG") is a billing method in which the customer pays for a service prior to the use of it and typically cannot use more than paid for. Consumption-based billing models (also called pay-per-use and metered services) are any type of payment structure where a customer has access to potentially unlimited resources and pays only for what they actually use.

PC.. Abbreviation for personal computer.

PHP .... PHP is a widely-used, open source and general-purpose scripting language that is especially suited for web development and which can be embedded into HTLM (source: www.php.net).

Platform as a Service (PaaS)................. Platform as a Service (abbreviated as "PaaS") is a service that provides a computing platform in the cloud for web application developers.

Post Office Protocol (POP) .... The Post Office Protocol (abbreviated as "POP") is a transmission protocol that allows a client to retrieve emails from an email server.

Pretty Good Privacy (PGP) .... Pretty Good Privacy (abbreviated as "PGP") is an encryption program that provides cryptographic privacy and authentication for data communication, *e.g.*, for emails or directories. PGP and similar software follow the "OpenPGP", an open standard of PGP encryption software for encrypting and decrypting data.

Private Cloud .... Private Cloud is a computing model that offers a proprietary environment dedicated to a single business entity. As with other types of cloud computing environments, Private Cloud provides extended, virtualized computing resources via physical components. The Private Cloud at IONOS is powered by VMware and a managed solution.

Private LAN .... A private LAN is a network that has no access to the public Internet. It is like multiple computers in a network that can talk to each other but cannot access the Internet or are accessible from the Internet.

Public Cloud .... In Public Cloud services, the computing services are shared by multiple customers. However, the data and applications of the individual customers located in the cloud are not visible to the other cloud customers. Public Cloud is a platform that offers services such as compute, storage, network and databases which can be combined to create virtual data centers.

Public LAN.. Public LANs have access to the Internet. In case of wrong configuration by the user, it allows unrestricted access to the Internet or access from the Internet to the VMs.

(Public) repository .... A repository is a centralized place where data is stored and maintained in an organized way, *e.g.*, databases or software repositories. A public repository is available to everyone, in contrast to private repositories.

Random-access memory ("RAM") .... Random-access memory (abbreviated as "RAM") is a form of computer memory that can be read and changed in any order, typically used to store working data and machine code. A RAM device allows data items to be read or written in almost the same amount of time irrespective of the physical location of data inside the memory, in contrast with other direct-access data storage media (such as hard disks, CD-RWs, DVD-RWs, etc.), where the time required to read and write data items varies significantly depending on their physical locations on the recording medium, due to mechanical limitations.

Ransomware .... Ransomware is a malicious program that allows an intruder to prevent the computer owner from accessing or using his data or his entire computer system.

Redundant Array of Independent Disks System (RAID-System) .... A Redundant Array of Independent Disks System (abbreviated as "RAID-System") is used to organize multiple physical mass storage devices into a logical drive that allows for greater resilience or data throughput than a single physical storage device.

Scalability .... Scalability is the measure of a system's ability to increase or decrease in performance and cost in response to changes in application and system processing demands.

Scope 1 greenhouse gas emissions ...... These are the greenhouse gas emissions that a company directly releases during its operations, *i.e.*, those that occur from sources that are controlled or owned by an organization.

Scope 2 greenhouse gas emissions ...... These are the indirect greenhouse gas emissions of a company, *e.g.*, for purchased energy.

Scope 3 greenhouse gas emissions ...... These are greenhouse gas emissions for which a company is indirectly responsible for and which occur along its value chain.

Search Engine Optimization (SEO)........ Search engine optimization (abbreviated as "SEO") is the process of improving the quality and quantity of website traffic to a website or a web page from search engines. As an Internet marketing strategy, SEO considers how search engines work, the computer-programmed algorithms that dictate search engine behavior, what people search for, the actual search terms or keywords typed into search engines, and which search engines are preferred by their targeted audience. SEO aims at having websites rank higher on the search engine results page (*i.e.*, improving the website's visibility), so that such website will receive more visitors from a search engine. These visitors can then potentially be converted into customers.

Secure Sockets Layer (SSL) .... A Secure Sockets Layer (abbreviated as "SSL") is a network protocol for the secure transmission of data. The protocol is now deprecated and replaced by the cryptographic protocol Transport Layer Security (abbreviated as "TLS"). TLS aims primarily to provide privacy and data integrity between two or more communicating computer applications. It runs in the application layer and is itself composed of two layers: the TLS record and the TLS handshake protocols.

Server.................................. .... A server is a computer in a network that is used to provide services (such as access to files or the routing of email) to other computers in the network.

Server Hosting..................... .... Server hosting refers to the use of a dedicated (self-chosen) hardware stack to run an own hosting and different applications. By contrast, in cloud hosting everything is virtualized and the customer is able to define the needs of performance but these are not directly bound to one specific hardware stack.

Simple Mail Transfer Protocol (SMTP)... The Simple Mail Transfer Protocol (abbreviated as "SMTP") is a transmission protocol that allows a client to send emails from an email server to another. In contrast, IMAP and POP are used for retrieving emails from an email server.

SingleSignOn .... In IT, SingleSignOn refers to an authentication procedure.

Small and Medium-sized Businesses ("SMBs").. In this Prospectus, the term "Small and Medium-sized Businesses" (abbreviated as "SMBs") is used to define companies having 1 to 999 employees on a full-time equivalent ("**FTE**") basis). This includes micro SMBs (1-9 FTE), small (10-49 FTE) and medium SMBs (50-249 FTE); in addition, for server hosting and for the Cloud market segment, also large SMBs (250-999 FTE) are relevant. Non-employer firms, solopreneurs and freelancers are also part of IONOS' target customer groups and of its Served Addressable Market.

Software as a Service (SaaS)................ Software as a Service (abbreviated as "SaaS") is a sub-category of cloud computing and is based on the principle that the software and IT infrastructure are operated by an external IT service provider and used by the customer as a service. Under the SaaS model, software is licensed on a subscription basis and is centrally hosted. SaaS is also known as "on-demand software" and Web-based or Web-hosted software.

Solid-State Drive (SSD).......................... A Solid-State Drive (abbreviated as "SSD") is a solid-state storage device that uses integrated circuit assemblies to store data persistently, typically using flash memory.

Solopreneur... A person who sets up and runs a business of their own.

Spam .... Spam refers to unsolicited email that is sent to large numbers of people and that consists mostly of advertising.

Stack... In IT, a stack (for example, a software stack) is a concept that refers to the different layers of an application. These layers work together and represent different functionalities of the entire application. A simplified example could be: a web service may consist of a frontend (the website or web application which is the user interface to the customer), a middleware (an API interface that is used by the frontend), a backend (a software application that processes the data submitted by the frontend through the middleware) and a data persistence layer (*e.g.*, database). All these layers taken together constitute a stack. A software stack approach allows developers to manage application life cycles for each component separately.

Static website .... A static website is a website which displays the content exactly as stored to every user, in contrast to dynamic websites that are generating the showed by web applications in the moment the user is entering the site.

Storage system .... In computing, a storage system is a central unit from which a large number of hard disks are provided to the outside as a large storage.

Sustainable Development Goals (SDGs) .... The Sustainable Development Goals (abbreviated as "SDGs") are a collection of 17 global goals designed by the United Nations to be a "blueprint to achieve a better and more sustainable future for all", as mentioned in the mission statement for the SDGs. The SDGs were set up in 2015 by the United Nations General Assembly and are intended to be achieved by 2030. The SDGs include objectives which are intended to ensure sustainable development worldwide on an economic, social as well as ecological level. In 2017, the United Nations General Assembly identified specific targets for each goal as well as indicators that are being used to measure progress towards each target.

Technischer Überwachungsverein (TÜV).. Technischer Überwachungsverein (abbreviated as "TÜV") is a term that encompasses internationally active, independent services companies from Germany or Austria that test, inspect and certify technical systems, facilities and objects of all kinds in order to minimize hazards and prevent damages.

Terabyte .... A unit of computer information consisting of approximately a thousand billion bytes.

Uniform Resource Locator (URL)........... A Uniform Resource Locator (abbreviated as "URL") is a standard for addressing a website on the World Wide Web.

Upselling.. Upselling is a sales strategy that involves encouraging customers to buy a higher-end version of a product than what they originally intended to purchase.

Value added services (VAS) .... In the context of IONOS, value added services (abbreviated as "VAS") are special services that go beyond the provision of core Web Presence & Productivity services and which include, for example, services in the area of SEO and ad management.

VAT.. Abbreviation for value-added tax.

Vertical integration................................. A vertical integration is a business model that allows a company to streamline its operations by taking direct ownership of various stages of its production process rather than relying on external contractors or suppliers.

Virtual CPU (vCPU)................................ A virtual CPU (abbreviated as "vCPU") represents a portion or share of a physical CPU that is assigned to a virtual machine.

Virtual Desktop Infrastructure (VDI) .... Virtual Desktop Infrastructure (abbreviated as "VDI") is a virtualization solution that uses virtual machines to provide and manage virtual desktops. A virtual desktop is a computer operating system that does not run directly on the endpoint hardware from which a user accesses it.

Virtual Machines (VMs) .... In computing, virtual machines (abbreviated as "VMs") are the virtualization/emulation of a computer system. Virtual machines are based on computer architectures and provide functionality of a physical computer. Their implementations may involve specialized hardware, software, or a combination. VMs relate to a software-technical encapsulation of a computer system within an executable computer system.

Virtual private server (VPS).................... A virtual private server (abbreviated as "VPS") is a virtual machine sold as a service by an Internet hosting service. A virtual private server runs its own copy of an operating system, and customers may have "superuser"-level access to that operating system instance, so they can install almost any software that runs on that operating system. It is the simplest form of a Public Cloud prepackaged with less flexibility and cheaper.

Virtual server .... A virtual server combines physical hardware that is broken down into separate systems with the help of software.

Virtualization... Virtualization is the process of running a virtual instance of a computer system in a layer abstracted from the actual hardware. Most commonly, it refers to running multiple operating systems on a computer system simultaneously.

Virus .... A computer virus is a self-propagating computer program that infiltrates other computer programs, a boot sector or RAM, thus reproducing itself. Once started, it can make changes to the operating system or other software, and indirectly cause damage to hardware. Data loss is possible as a typical effect.

Voice of IP (VoIP)................................... Voice over IP (abbreviated as "VoIP") refers to telephoning via the Internet.

Web hosting .... Web hosting is the provision of web space and the hosting of websites on the web server of an Internet Service Provider (ISP). Web hosting is an industry standard term for describing an offering by a web host (such as IONOS) which allows clients to build and run their own websites and applications for creating their own web presence. Web hosting comprises multiple services such as storage (webspace), an operating system and databases. A standard web hosting is commonly fully managed by the provider, so the user does not have to take care of its operation and administration.

White-label product .... A white-label product is a product which is offered without the brand or logo of the producer and instead uses the branding requested by the purchaser.

Wide Area Network (WAN) .... A Wide Area Network (abbreviated as "WAN") is a network that connects groups of computers over large distances. The contrary is a Local Area Network (abbreviated as LAN).

WordPress... The most common web-publishing platform and the most-used content management system, which is free and open source. Features include a plugin architecture and a template system, referred to within WordPress as "themes".

Worm.. Like a computer virus, a computer worm is a malicious program. Unlike a virus, the worm spreads without infecting foreign files or boot sectors with its code.