# Annual Financial Statements 2022

Group Management Report
Consolidated Financial Statements acc. to IFRS

# IONOS GROUP SE

# GROUP MANAGEMENT REPORT FOR FISCAL YEAR 2022

# CONTENTS



Note:

Due to rounding differences, figures in tables and cross-references may differ slightly from the actual figures (units of currency, percentages, etc.).

General:

A distinction is made in the group management report between auditable and non-auditable information, whereby “non-auditable information” cannot be assessed by the auditor due to the nature of the disclosures or the absence of suitable criteria.

In preparing its group management report, IONOS Group SE identified the following chapters or disclosures as “non-audited management report disclosures”:

- The disclosures made in the subsection “1.4 Main focus areas for products and innovations” are “non-audited management report disclosures.”

# GROUP MANAGEMENT REPORT FOR FISCAL YEAR 2022

## 1. Group Profile

### 1.1 Business model

#### Group structure

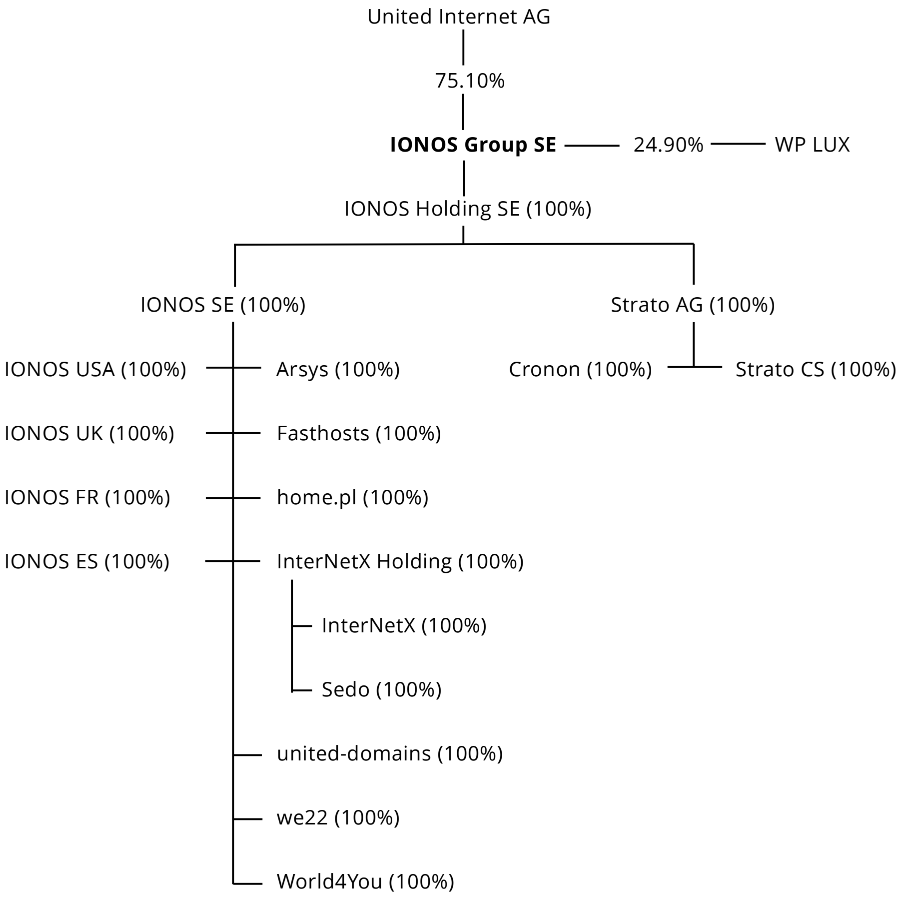
IONOS Group SE (hereinafter referred to as "IONOS Group SE" or the "Company"), having its head office in Montabaur, Germany, was first listed on February 8, 2023 and is a direct 75.10% subsidiary of the listed United Internet AG and the ultimate parent company of the IONOS Group (hereinafter referred to as the "IONOS Group," "IONOS" or the "Group"). Within IONOS Group, United Internet has bundled allbusinesses related to ited Internet Group's Business Applications segment.

Since Q2 2021, the remaining 24.90% of the shares have been held directly by WP XII Venture Holdings II SCSp, Luxembourg, Luxembourg ("WP Lux"), a subsidiary of private equity funds advised by Warburg Pincus LLC, Luxembourg, Luxembourg (collectively "Warburg Pincus"). WP Lux has held shares since Q1 2017. Until Q2 2021, it had a shareholding of 33.33%.

IONOS Group SE is solely a holding company. Business activities are operated by by the companies IONOS SE, Montabaur, and STRATO AG, Berlin, held by the intermediate holding company IONOS Holding SE, and their subsidiaries.

These include the subsidiaries of STRATO AG – Cronon GmbH, Berlin, and STRATO Customer Service GmbH, Berlin, – as well as the foreign subsidiaries of IONOS SE such as IONOS Inc. (formerly 1&1 IONOS Inc.), Chesterbrook, Pennsylvania/USA, IONOS Cloud Ltd. (formerly 1&1 IONOS Ltd.), Gloucester/UK, IONOS S.à r.l. (formerly 1&1 IONOS S.à r.l.), Sarreguemines/France, IONOS Cloud S.L.U. (formerly 1&1 IONOS España S.L.U.), Madrid/Spain, Arsys Internet S.L.U., Logroño/Spain, Fasthosts Internet Ltd., Gloucester/UK, home.pl S.A., Szczecin/Poland, and World4You Internet Services GmbH, Linz/Austria, as well as the domestic subsidiaries of IONOS SE such as InterNetX GmbH, Regensburg, Sedo GmbH, Cologne, united-domains AG, Starnberg, and we22 GmbH (formerly we22 AG), Cologne (since February 2021).

Below is a simplified presentation (as of December 31, 2022) of the Group structure with the Group's significant operating subsidiaries:




## Business operations

The IONOS Group is an international digitalization partner and reliable cloud enabler for small and medium-sized enterprises ("SMEs") as well as for individual users (e.g., freelancers) and larger corporate customers.  It offers a comprehensive product portfolio of Web Presence & Productivity and Cloud Solutions. This portfolio is supported by excellent customer support and infrastructure. The Group is thus mainly active in the market for web hosting and cloud applications.

In the Web Presence & Productivity business area, the IONOS Group offers professional design solutions for internet presence, such as domain registration, web hosting and website building. This is supported by additional productivity products (e.g., e-commerce applications, e-mail and office applications, dedicated servers) and additional services such as search engine optimization, business applications and storage and backup solutions).

The Cloud Solutions offering features both public cloud and private cloud solutions with a wide range of services in the Infrastructure-as-a-Service ("IaaS"), Platform-as-a-Service ("PaaS") and Software-as-a-Service ("SaaS") segments. IONOS's Cloud Solutions product range also includes a "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).

The products and solutions are developed in in-house development centers or in cooperation with partner companies and operated on over 100,000 servers in 32 data centers, including 11 fully owned data centers.

Besides the primary international brand IONOS, the product portfolio is marketed to specific target groups through differently positioned brands such as STRATO, arsys, fasthosts, home.pl and World4You. In addition, we work with several domain expert brands including United Domains, InterNetX and sedo, which offer professional services around active domain management in the aftermarket business, as well as the we22 brand, which specializes in website builders.

## Management

The Management Board of IONOS Group SE comprised two members as of December 31, 2022:

- Achim Weiß (Chief Executive Officer, Chairman of the Management Board)
- Britta Schmidt (Chief Financial Officer)

Resigned in 2022:

- Hüseyin Dogan (Operations/Customer Care)

The Supervisory Board of the Company comprised six members as of December 31, 2022:

- Max Fowinkel (chairman)
- Issam Abedin (deputy chairman)
- Markus Langer
- Markus Kadelke
- Lutz Laffers
- Lysander Ammann

Since January 26, 2023, the Supervisory Board of the Company has had the following six members:

- Ralph Dommermuth (chairman)
- René Obermann (deputy chairman)
- Dr. Claudia Borgas-Herold
- Martin Mildner
- Vanessa Stützle
- Kurt Dobitsch

## Main markets and competitive standing

### Main markets

Next to the home market Germany,

- North America (including Canada and Mexico)
- the UK,
- Spain,
- France,
- and Poland

are the most important markets of the IONOS Group.

### Competitive positioning

IONOS is the European leader in web hosting in terms of the number of hosted domains (approximately 11.5 million in Europe as of December 31, 2022)[1] with operations in 18 countries in Europe and North America, including the aforementioned core markets, but also a strong presence in other markets such as Austria and the Netherlands.

Further target markets outside Europe are the North American countries USA, Canada and Mexico. In the most important of these markets, the USA, the Group is also one of the leading players in this segment – based on the number of hosted country domains. Thus, the Group is also one of the leading companies in the web hosting business globally.

## Main locations

As of December 31, 2022, the IONOS Group had a total of 4,247 active employees (December 31, 2021: 3,998 active employees).

The Group's most important locations are:

- Berlin, Germany
- Bucharest, Romania
- Cebu City, Philippines
- Philadelphia, Pennsylvania, USA
- Gloucester, UK
- Karlsruhe, Germany
- Cologne, Germany
- Linz, Austria
- Logroño, Spain
- Madrid, Spain
- Montabaur, Germany
- Regensburg, Germany
- Starnberg, Germany
- Szczecin, Poland
- Zweibruecken, Germany

# 1.2 Objectives and strategies

The Group's business model is based predominantly on customer contracts (electronic subscriptions) with fixed monthly amounts and contractually agreed terms. Such a business model ensures stable and predictable revenue and cash flows, protects against macroeconomic effects and provides the financial scope to grasp opportunities in new business fields and new markets – organically, or via selected acquisitions and investments.

The large number of customer relationships allows the Group to utilize economies of scale: the more customers demand the products created by our development teams and operated at our own or third-party data centers, the greater our profit will be. These profits can then be invested in new customers, new products and new business fields.

The IONOS Group operates in the large, robust and fast-growing market for digital platforms and cloud solutions for SMEs. Growth is driven by structural megatrends such as digitalization, leveraging significant

[1] HostSens

catch-up potential in web presence, and an ongoing shift from on-premise to cloud environments. The catch-up potential is particularly high for smaller SMEs.

According to numerous studies (e.g., Gartner), the market for cloud solutions will be one of the major growth markets of the next few years. Having clearly positioned itself in this market, IONOS is strategically well set up to harness the expected market potential.

In view of the dynamic development of the cloud applications and mobile internet markets, the Group's growth opportunities are evident: rising IT spending by SMEs, growth of e-commerce and universally accessible, increasingly powerful broadband connections that enable new, complex cloud applications. These web-based applications for end customers and companies will be the growth drivers for the Group in the years to come.

Drawing on its many years of experience as an application provider, its expertise in software development and data center operation, marketing, sales and customer support, as well as its strong brands and customer relationships with millions of home users, freelancers and small companies, the Group is excellently positioned.

In order to leverage this positioning for further sustainable growth, the Group companies will also invest heavily in new customers, new products and business fields in the future, as well as in the Group's further internationalization.

Further information on strategy, opportunities and targets is included in the "Risk, opportunity and forecast report" in chapter 3.

## 1.3 Control systems

The Group's internal control systems help management to monitor and steer the Group companies. The systems consist of plan figures, actual figures and forecasts based on the Group's annually revised strategic planning. Particular attention is paid to market developments, technological developments and trends, as well as their impact on the Group's own products and services and the Group's financial opportunities. The corporate control system's aim is the continuous and sustainable development of the Group.

The Group's reporting system comprises the monthly profit calculations and quarterly IFRS-compliant reports for all consolidated subsidiaries. It presents the asset, financial and earnings position of the Group and all divisions. Financial reporting also includes other detailed information which is required for the assessment and control of the operating business.

Quarterly reports on significant risks for the Group represent a further component of the control systems.

The abovementioned reports are discussed at meetings of the Management Board and Supervisory Board and provide the fundamental basis for assessments and decisions.

In order to steer the Group's performance, the IONOS Group uses in particular the key figures of the income statement (revenue and adjusted EBITDA (operating result before depreciation, amortization and impairment of property, plant and equipment and intangible assets and reversals of impairment of property, plant and equipment and intangible assets)), the cash flow statement (free cash flow) and the statement of financial position (asset items, financial liabilities). In addition, the Group is steered using non-financial indicators such as the number of paying customers and growth of the paying customer base.

The **key performance indicators** (KPIs) used by top management at Group level are revenue and adjusted EBITDA. These figures are also used for forecast reporting.

A comparison of the KPIs stated in the forecast and the actual figures is provided in this group management report in chapter 2.2 “Business development” in the section “Actual and forecast development” as well as in chapter 2.3 “Position of the Group.”

The analysis of the development of customer numbers along with the services and products used by customers, customer and service acquisitions and the related customer acquisition costs (CAC) – compared to the Group’s budget and forecasts – are used as an early warning system.

## 1.4 Main focus areas for products and innovations[2]

As an internet service provider, the IONOS Group does not engage in traditional research and development (R&D) on a scale comparable with manufacturing companies. Also within the context of its own sector, research and development expenditures play a fairly subordinate role. Against this backdrop, the IONOS Group does not disclose KPI related toR&D.

Nevertheless, the IONOS Group stands for innovative web-based products and applications. The success of the Group is rooted in an ability to enhance, combine and adapt innovative products and services and launch them on major markets.

Thanks to its own IT specialists, the IONOS Group is able to react swiftly and flexibly to new ideas and trends and to continuously enhance its established products by adapting them to changing market needs – a key success factor in the fast-moving internet market. The Group’s expertise in product development, enhancement and rollout minimizes its reliance on third-party development work and supplies in many areas and thus ensures decisive competitive and time-to-market advantages.

Its programmers work predominantly with open source codes and within the confines of defined and modeled development environments. Third-party programming services are also used to swiftly and efficiently implement specific projects. This enables the Company to quickly enhance the basic applications of products and adapt them to changing customer needs. The IONOS Group also procures solutions from partners, which are then modified according to needs and integrated into its systems. Building on integrated applications, the IONOS Group has a modular system whose modules can be combined into very different powerful and integrated applications featuring a product and country-specific user interface.

Due to the steady growth in customer figures, the demands placed on reliability, user friendliness and availability of offerings are constantly rising. In addition to the further development of existing products and continuous optimization of back-end operations (e.g., of the administration and configuration tools available to customers), the focus is also on unrelentingly enhancing existing processes in order to improve reliability and customer satisfaction.

[2] The disclosures in this chapter are non-audited management report disclosures.

### Focus areas in 2022

- Adding “Multi-Deployments” to “Deploy Now,” allowing multiple productive instances of an application to be administered centrally from a GitHub repository
- IONOS and codecentric launch Gitlab-as-a-Service, their first jointly developed offering for the use of DevOps for software development and versioning
- Launch of high-capacity storage server models catering to high storage requirements in the professional environment
- Launch of the “Presence Suite” as a new management interface for new customers of MyWebsite Now, integrating online marketing and e-commerce use cases
- Launch of Database-as-a-Service with managed PostgreSQL as an SQL-based database and with MongoDB as a document-based NoSQL database
- Launch of Managed Container Registry as a service for the integration of customers’ CI/CD pipelines, including combined use of the IONOS Managed Kubernetes service
- Launch of the first IONOS data center (co-location) in Paris with the IONOS Cloud product portfolio
- IONOS and Stackable unveil Managed Stackable, a first managed big data product, in early access (commercial launch to follow in 2023), which allows customers to define their preferred setup from a catalog of big data-relevant applications; the product is provided and operated by IONOS and Stackable
- IONOS receives IT-Grundschutz certification
- Development of IT platforms optimized for IONOS on new processor architectures, such as Intel Xeon 4th Generation, AMD Xen3 or ARM-based processors
- Continuous development work to reduce energy losses, improve cooling efficiency and effectively recover heat
- IT-Grundschutz certification of the STRATO Acronis & Dedicated Web Hosting Management Platform
- Introduction of Backup-as-a-Service (Acronis) for the STRATO Virtuozzo Platform
- In-product upsell of STRATO HiDrive
- Collabora-Office integration in the mobile STRATO HiDrive applications

# 2. Economic report

## 2.1 General economic and sector conditions

### General economic development

The International Monetary Fund (IMF) revised its forecast for 2022 downwards several times during the year as a result of the war in Ukraine and high inflation. In its latest World Economic Outlook (Update January 2023), the IMF reported growth of 3.4% for the global economy in 2022, based on preliminary calculations. Growth was thus significantly below the prior-year level (6.2%) and also 1.0 percentage points lower than the IMF’s original outlook in January 2022 (4.4%).

Growth in the IONOS Group’s North American target countries also fell well short of the prior year and lagged behind the IMF’s original expectations (with the exception of Mexico). The IMF anticipates growth of 2.0% for the USA (prior year: 5.9%) and thus 2.0 percentage points lower than in its January outlook. The forecast of 3.5% for Canada (prior year: 5.0%) is 0.6 percentage points lower than originally expected. And for Mexico, the IMF forecasts an increase in economic output of 3.1% (prior year: 4.7%) and thus 0.3 percentage points more than at the beginning of the year.

The picture is similar in the IONOS Group’s important eurozone region. The IMF now expects growth of 3.5% (prior year: 5.3%) and thus 0.4 percentage points less than it forecast in January. Growth of 2.6% was calculated for France (prior year: 6.8%), 3.9% for Italy (prior year: 6.7%) and 5.2% for Spain (prior year:

5.5%). This corresponds to a decrease of 0.9 percentage points for France and 0.6 percentage points for Spain, but an increase of 0.1 percentage points for Italy compared to the January outlook.

For the UK, the IMF now expects growth of 4.1% (prior year: 7.6%) and thus 0.6 percentage points less than at the beginning of the year.

Economic development in Germany, the IONOS Group's most important market by far, also fell well short of the prior year and lagged behind the IMF's original expectation. The IMF has calculated that economic output increased by 1.9% (prior year: 2.6%) and thus 1.9 percentage points less than expected at the beginning of the year.

The IMF's calculations for Germany are in line with the preliminary figures of the country's Federal Statistical Office (Destatis), which – at its "GDP 2022" press conference on January 13, 2023 – announced a 1.9% increase in (price-adjusted) gross domestic product (GDP) for 2022. This is down 0.7 percentage points versus 2021 (2.6%). According to the Federal Statistical Office, the macroeconomic situation in Germany in 2022 was shaped by the consequences of the war in Ukraine, with the surge in energy prices having a major impact. This was exacerbated by material and supply shortages, huge increases in food prices, for example, as well as the shortage of skilled workers and the ongoing coronavirus pandemic, although this subsided in the course of the year. Against this background, the Federal Statistical Office sees the German economy as having held up well overall in 2022.

Changes in growth forecasts made during 2022 for the IONOS Group's key target countries and regions:

| | January forecast 2022 | April forecast 2022 | June forecast 2022 | October forecast 2022 | Actual 2022 | Change on January forecast |
|---|---|---|---|---|---|---|
| World | 4.4% | 3.6% | 3.2% | 3.2% | 3.4% | -1.0 percentage points |
| USA | 4.0% | 3.7% | 2.3% | 1.6% | 2.0% | -2.0 percentage points |
| Canada | 4.1% | 3.9% | 3.4% | 3.3% | 3.5% | -0.6 percentage points |
| Mexico | 2.8% | 2.0% | 2.4% | 2.1% | 3.1% | +0.3 percentage points |
| Eurozone | 3.9% | 2.8% | 2.6% | 3.1% | 3.5% | -0.4 percentage points |
| France | 3.5% | 2.9% | 2.3% | 2.5% | 2.6% | -0.9 percentage points |
| Spain | 5.8% | 4.8% | 4.0% | 4.3% | 5.2% | -0.6 percentage points |
| Italy | 3.8% | 2.3% | 3.0% | 3.2% | 3.9% | +0.1 percentage points |
| UK | 4.7% | 3.7% | 3.2% | 3.6% | 4.1% | -0.6 percentage points |
| Germany | 3.8% | 2.1% | 1.2% | 1.5% | 1.9% | -1.9 percentage points |

Source: International Monetary Fund, World Economic Outlook (Update), January 2023

Multi-period overview: GDP trend in the IONOS Group's key target countries and regions

| | 2018 | 2019 | 2020 | 2021 | 2022 | YoY change |
|---|---|---|---|---|---|---|
| World | 3.6% | 2.8% | -3.1% | 6.2% | 3.4% | -2.8 percentage points |
| USA | 2.9% | 2.2% | -3.4% | 5.9% | 2.0% | -3.9 percentage points |
| Canada | 1.9% | 1.9% | -5.2% | 5.0% | 3.5% | -1.5 percentage points |
| Mexico | 2.1% | -0.1% | -8.2% | 4.7% | 3.1% | -1.6 percentage points |
| Eurozone | 1.9% | 1.3% | -6.4% | 5.3% | 3.5% | -1.8 percentage points |
| France | 1.7% | 1.5% | -8.0% | 6.8% | 2.6% | -4.2 percentage points |
| Spain | 2.4% | 2.0% | -10.8% | 5.5% | 5.2% | -0.3 percentage points |
| Italy | 0.8% | 0.3% | -8.9% | 6.7% | 3.9% | -2.8 percentage points |
| UK | 1.3% | 1.4% | -9.4% | 7.6% | 4.1% | -3.5 percentage points |
| Germany | 1.5% | 0.6% | -4.6% | 2.6% | 1.9% | -0.7 percentage points |

Source: International Monetary Fund, World Economic Outlook (Update), January 2023

Multi-period overview: development of price-adjusted GDP in Germany

| | 2018 | 2019 | 2020 | 2021 | 2022 | YoY change |
|---|---|---|---|---|---|---|
| GDP | 1.0% | 1.1% | -3.7% | 2.6% | 1.9% | -0.7 percentage points |

Source: Destatis, January 2023

## Development of the sector/core markets

At its annual press conference on January 10, 2023, the industry association Bitkom assumed growth of 4.0% (prior year: 5.9%) to € 196.1 billion for the German ICT market in 2022. At the beginning of 2022, the association had anticipated revenue growth of 3.6% for 2022. The digital industry thus proved to be very robust in a macroeconomic environment marked by war, disrupted supply chains and inflation.

The increase in the overall ICT market resulted in particular from strong growth in information technology revenue. According to Bitkom's 2022 forecast, revenue in this largest submarket rose by 6.6% (prior year: 9.1%) to € 118.9 billion – after growth of 5.9% had been expected at the beginning of the year. All segments of this submarket made good progress, especially the software and IT hardware segments – of particular importance for the IONOS Group's cloud business (Infrastructure-as-a-Service/IaaS and Software-as-a-Service/SaaS). Software grew by 9.4% (prior year: 11.3%), IT hardware by 5.4% (prior year: 11.8%) and IT services by 5.5% (prior year: 5.3%).

There was also good progress in the telecommunications submarket for which the industry association expects an increase of 1.3% (prior year: 2.5%) to € 68.9 billion in 2022 – compared to its forecast of 0.9% at the beginning of 2022. The development of the individual segments of the telecommunications market was varied, with the infrastructure business (driven by the expansion of the 5G network) growing strongly by 7.3% (prior year: 2.0%), while user devices grew moderately by 1.8% (prior year: 9.2%), as did telecommunications services, up 0.3% (prior year: 1.1%).

The smallest submarket, consumer electronics (of no significance for the IONOS Group) is still in decline and decreased by 8.2% (prior year: -4.3%) to € 8.2 billion.

The most important market for the IONOS Group's business model is the global cloud computing market.

## Global cloud computing market

There was further dynamic growth in the cloud computing market in 2022. In its "Public Cloud Services, Worldwide, 2020-2026, 3Q22 Update" study (October 2022), Gartner Inc. forecasts global growth in public cloud services of 18.8% from USD 412.63 billion to USD 490.33 billion in 2022.

Over recent years, cloud technology has evolved from a useful and competitive business tool to a key enterprise enabler.

The coronavirus pandemic, macroeconomic conditions and high inflationary pressure have been significantly accelerating the digitalization process across numerous sectors since 2020. Most companies now regard new technologies as essential tools for coping with crises. Within just a short period of time, for example, thousands of employees working from home were connected, new digital channels for sales and support were opened and a large number of systems and data were moved to the cloud.

As a result, the migration of data, applications and infrastructure to the cloud has become an integral part of most digital transformation strategies, with the aim of creating more agile and adaptable operations.

IaaS, in particular, is growing rapidly as organizations fast-track their IT modernization initiatives to mitigate risk and optimize costs. Moving operations to the cloud reduces current capital expenditures by spreading investments over the life of a cloud subscription – a key advantage in an environment where liquidity can be critical to maintaining operations.

Key market figures: cloud computing worldwide
(in USD billion)

| in USD billion | 2022 | 2021 | Change |
|---|---|---|---|
| Global revenue from public cloud services | 490.33 | 412.63 | +18.8% |
| thereof Application Infrastructure Services (PaaS) | 110.68 | 89.91 | +23.1% |
| thereof Application Services (SaaS) | 167.11 | 146.33 | +14.2% |
| thereof Business Process Services (BPaaS) | 60.13 | 54.95 | +9.4% |
| thereof Desktop-as-a-Service (DaaS) | 2.54 | 2.06 | +23.3% |
| thereof Management and Security Services | 34.14 | 28.49 | +19.8% |
| thereof System Infrastructure Services (IaaS) | 115.74 | 90.89 | +27.3% |

Source: Gartner, October 2022

## Legal conditions/significant events

The legal parameters for the IONOS Group's business activities remained largely unchanged from the previous year in 2022 and thus had no significant influence on business development.

Significant events in fiscal year 2022:

Significant external events in fiscal year 2022 were the Russian war in Ukraine and the associated increase in energy prices, as well as the continuously high inflation rates. While both effects had a slightly negative impact on the Company's profitability, they did not have a material impact on its business development, as the IONOS Group is only active to an insignificant extent in the affected countries and Russia, Belarus and Ukraine are not target countries.

There were no other significant events in fiscal year 2022 which had a material effect on the development of business.

## 2.2 Business development

### Actual and forecast development

For fiscal year 2022, the Management Board of IONOS Group SE forecasted external revenue growth in the high single-digit percentage range. Adjusted EBITDA was predicted to decline by a low single-digit percentage for fiscal year 2022 despite rising revenue. The aim was to increase the number of contracts to slightly above the 2021 level of 330 thousand.

The figures of IONOS Group SE show a 17.4% increase in revenue from contracts with customers for fiscal year 2022 (fiscal year 2022: € 1,244,490k; fiscal year 2021: € 1,059,990k). The Group's adjusted EBITDA decreased by 2.7% from € 355,176k in the prior year to € 345,646k in 2022. The increase in paid contracts amounted to 260 thousand in fiscal year 2022 (prior year: 330 thousand).

Thus, the revenue forecast for fiscal year 2022 was surpassed. The overachievement of the revenue forecast was driven by better-than-expected growth in our domain aftermarket business and by the very good development of our core business with Web Presence & Productivity products in our core brands, partly supported by the appreciation of the US dollar against the euro.

The adjusted EBITDA forecast was achieved. The achievement of the adjusted EBITDA target was driven by the higher earnings contributions from the aftermarket business and the positive effects of efficiency measures on marketing and personnel expenses. By contrast, there were the negative effects from higher purchase prices for electricity due to the Russian war in Ukraine and the associated increase in energy prices, which offset the aforementioned positive effects.

The forecast for the increase in contract numbers was not achieved. The lower growth in contracts was mainly due to a normalization of demand for our services in 2022 as many COVID-19 restrictions in our customers' everyday lives were lifted and returned to a pre-pandemic level, but also due to generally weaker demand – especially in the Polish market – as a result of the Russian war against Ukraine.

## 2.3 Position of the Group

### Group's earnings position

The number of paying customers increased to 6.0 million as of December 31, 2022, representing an increase of 110 thousand customers versus prior year.

Total revenue (total revenue from contracts with customers and revenue from related parties) of the IONOS Group increased by 17.2% in fiscal year 2022, up from € 1,103,297k in the prior year to € 1,292,961k. The increase is mainly attributable to a positive development of new customer business as well as higher revenue from cross-selling and upselling to existing customers, especially of e-mail and cloud/VPS server products. In addition, higher revenue from the domain aftermarket business and the continuous expansion of the cloud infrastructure and services business contributed to the increase in revenue.

Of the IONOS Group's revenue from third parties, € 623,248k (prior year: € 511,283k) is attributable to other countries.

Revenue from affiliated companies in the amount of € 48,471k (prior year: € 43,307k) originate mainly from internal cost allocations. The IONOS Group provides general development, sales, data center and product management services for Group companies of the United Internet Group.

In the fiscal year, revenue from contracts with customers of € 1,244,490k (prior year: € 1,059,990k) breaks down into product revenue from the Web Presence & Productivity business area of € 1,112,676k (prior year: € 950,130k) and product revenue from the Cloud Solutions business area of € 131,814k (prior year: € 109,860k).

Cost of sales rose at a disproportionately high rate compared with revenue from € 535,401k (48.5% of total revenue) in the prior year to € 698,247k (54.0% of total revenue) in fiscal year 2022. The gross margin declined slightly from 51.5% to 46.0% due to the sale of domains and in particular the higher share of low-margin parking revenue. Gross profit rose by 4.7% from € 567,896k to € 594,714k.

Selling expenses of € 296,168k (22.9% of total revenue) rose at a slightly lower rate than total revenue compared to the prior-year figure of € 265,132k (24.0% of total revenue). The change is mainly due to an increase in personnel expenses to € 112,293k (prior year: € 110,984k) and an increase in marketing expenses for new customer acquisition and investments in the expansion of the product portfolio, especially in the cloud business, to € 112,417k (prior year: € 81,326k).

Administrative expenses increased in line with total revenue from € 77,037k in the prior year (7.0% of total revenue) to € 87,616k (6.8% of total revenue), among other things as a result of the higher personnel expenses associated with the increased headcount and the rise in legal and consulting fees related to the preparation of the IPO.

Other operating expenses amounted to € 18,229k in fiscal year 2022 (prior year: € 15,904k) and mainly include expenses from foreign currency translation of € 13,862k (prior year: € 10,587k) and expenses relating to other periods of € 1,102k (prior year: € 330k).

At € 8,603k, impairment losses on receivables and contract assets in 2022 are roughly on a par with 2021 (€ 8,523k).

Other operating income rose to € 23,923k in fiscal year 2022 (prior year: € 12,351k). The 93.7% increase in other operating income is mainly due to the € 6,940k increase in income from foreign currency translation and the gain of € 1,910k from the sale of the shares in Intellectual Property Management Company Inc.

The operating result fell by 2.6% from € 213,651k in the prior year to € 208,021k. The different percentage decline as compared to EBITDA is explained by higher depreciation of right-of-use assets.

Financing costs fell to € 105,968k in fiscal year 2022 (prior year: € 115,433k). The decrease in financing costs is mainly due to the subsequent measurement of the put option on the minority interests in InterNetX Holding GmbH. In 2022, the expense from the measurement of the put option amounted to € 98k (prior year: € 8,163k). In the reporting year, the liability from the put option was settled by payments to minority shareholders for increased shareholdings (from 95.6% to 100%). The subsequent measurement therefore relates to the adjustment of the liability to the exercise price of the put option.

The pre-tax result rose from € 98,141k in the prior year to € 112,008k in fiscal year 2022.

The increase in tax expenses from € 36,203k to € 37,636k had a slightly negative impact on overall net income.

The net income attributable to shareholders of the IONOS Group of € 60,923k in the prior year rose by 21.1% to € 73,772k. The main effects here are the increase in other operating income by € 11,572k and the rise in gross profit of € 26,818k, offset mainly by the € 31,036k increase in selling expenses.

Despite increasing revenue, Group EBITDA fell by 1.8% from € 326,301k in the prior year to € 320,353k in full year 2022, in particular due to a significant increase in investments in customer acquisition, ongoing investments in the expansion of the product portfolio and higher expenses for energy as well as adjusted special items, in particular the establishment of standalone activities and expenses in connection with the IPO of IONOS Group SE.

The Company's adjusted EBITDA in fiscal year 2022 was slightly down on the prior year at € 345,646k (prior year: € 355,176k).

Adjusted EBITDA is calculated as follows:

| €k | 2022 | 2021 | 2020 |
|---|---|---|---|
| Operating result | 208,021 | 213,651 | 229,367 |
| Depreciation and amortization of intangible assets and property, plant and equipment | 112,332 | 112,650 | 110,890 |
| Write-up of brand | 0 | 0 | 0 |
| **EBITDA** | **320,353** | **326,301** | **340,257** |
| Adjustment for LTIP | 4,208 | 12,788 | 9,468 |
| Adjustment for standalone activities | 13,048 | 11,833 | 4,249 |
| Adjustment for IPO costs | 8,829 | 2,951 | 0 |
| Adjustment for consulting fees incurred for one-off projects | 1,118 | 1,303 | 440 |
| Adjustment for severance payments | 0 | 0 | 688 |
| Adjustment for the sale of shares | -1,910 | 0 | 0 |
| **Total adjustments** | **25,293** | **28,875** | **14,845** |
| **Adjusted EBITDA** | **345,646** | **355,176** | **355,102** |

Adjustments to EBITDA in fiscal year 2022 relate to:

- LTIP expenses of € 4,208k (prior year: € 12,788k). Under IONOS's Long-Term Incentive Plan (LTIP), eligible employees are allocated Management Incentive Plan (MIP) units.
- Expenses for the establishment of standalone activities of € 13,048k (prior year: € 11,833k). These are costs in connection with the preparation of our carve-out from the United Internet Group – in particular for the billing systems operated by 1&1 Telecommunication SE and the associated services – and the establishment of IONOS Group as an independent group (Billing Carve-Out project).
- Costs for the preparation of the IPO in the amount of € 8,829k (prior year: € 2,951k). Includes all external costs incurred in connection with the IPO.
- Consulting costs for one-time projects of € 1,118k (prior year: € 1,303k) incurred for external consulting firms that support special projects. Special projects, including but not limited to, projects on the topics of M&A/capital markets and restructuring, and complex accounting projects.
- Income from the sale of minority or majority interests of € 1,910k (prior year: € 0k). This solely comprises the accounting income from the deconsolidation of the minority interest in Intellectual Property Management Inc.

Other comprehensive income was also down, from € 9,579k in the prior year to € -5,307k in fiscal year 2022, and relates exclusively to currency translation adjustments of € -5,307k in 2022 (prior year: € 9,579k).

## Group's financial position

Cash flow from operating activities decreased slightly from € 187,716k in the prior year to € 176,741k in fiscal year 2022 due to a decline in gross profit caused by the larger share of lower-margin parking revenue. This decline could not be fully offset by operating expenses, which rose at a slower rate than revenue overall.

Cash flow from operating activities decreased from € 200,547k in the prior year to € 188,340k in fiscal year 2022. This was mainly attributable to a slower increase in other financial liabilities compared with the prior year and higher prepayments from operating business.

Cash flow from investing activities in fiscal year 2022 led to a net outflow of € 110,568k (prior year: € 88,591k). The change is mainly due to a higher amount of cash payments to acquire property, plant and equipment and intangibles of € 97,060k (prior year: € 93,018k) and the higher cash outflow within the framework of cash pooling of € 19,326k (prior year: cash inflow of € 25,370k). Cash flow from investing activities was impacted in the prior year by a payment of € 21,197k (net of cash received) for the acquisition of the shares in we22 GmbH (formerly we22 AG); there was no comparable effect in fiscal year 2022.

The cash flow from financing activities in fiscal year 2022 (net cash outflow of € 101,921k) was impacted not only by the repayment of loans in the amount of € 70,302k (prior year: € 153,141k) but also by the redemption of lease liabilities in the amount of € 15,931k, which is roughly on a par with the prior year (€ 15,963k). In addition, the liability from the put option to increase the shareholding (from 95.6% to 100%) in InterNetX Holding GmbH of € 15,182k was settled.

Cash and cash equivalents amounted to € 26,440k as of December 31, 2022, compared to € 49,520k on the same date in the prior year.

IONOS Holding SE has significant non-current liabilities to related parties of € 1,245,000k (prior year: € 1,315,000k) that are owed to United Internet AG. As of December 31, 2022, non-current liabilities to related parties include a vendor loan of € 819,000k 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 ability of the IONOS Group to meet the payment obligations related to the loans from United Internet AG is ensured by the positive operating cash flow and by the United Internet Group's internal cash pooling system.

## Group's asset position

Total assets in the Group rose from € 1,471,668k as of December 31, 2021 to € 1,513,554k as of December 31, 2022.

Current assets increased from € 161,587k as of December 31, 2021 to € 176,362k as of December 31, 2022, while cash and cash equivalents, reported under current assets, decreased from € 49,520k to € 26,440k.

Receivables from related parties increased from € 15,830k to € 27,964k in fiscal year 2022, mainly as a result of the increase in receivables from the cash pool with United Internet AG.

Trade receivables were up by € 17,102k to € 66,628k as of the reporting date (prior year: € 49,526k) in line with the increase in revenue. Income tax receivables rose from € 5,141k in the prior year to € 9,918k.

Non-current assets increased from € 1,310,081k as of December 31, 2021 to € 1,337,192k as of December 31, 2022.

Investments in associated companies decreased from € 3,589k in the prior year to € 2,423k as of December 31, 2022 as a result of the sale of the shares in Intellectual Property Management Company Inc. and the development of existing equity investments.

Property, plant and equipment rose from € 271,782k to € 322,286k, mainly due to the capitalization of right-of-use assets from leases in the amount of € 52,807k and a general increase in capital expenditure.

Intangible assets decreased from € 201,437k to € 178,826k, chiefly as a result of amortization of software and the customer base. Goodwill declined from € 825,261k in the prior year to € 820,844k as of December 31, 2022 due to exchange rate effects.

Current liabilities increased from € 277,611k as of December 31, 2021 to € 299,258k as of December 31, 2022, with current trade payables rising from € 63,427k to € 80,324k due to closing-date effects.

Current contract liabilities of € 74,375k (December 31, 2021: € 71,629k) mainly relate to payments from customer contracts for which the service has not yet been fully delivered.

Other current financial liabilities decreased from € 100,262k in 2021 to € 97,657k in 2022, mainly due to the settlement of the put option (€ -15,884k), which was partially offset by the € 9,149k increase in sales and marketing commissions.

Non-current liabilities decreased from € 1,425,765k as of December 31, 2021 to € 1,376,476k on December 31, 2022, with deferred tax liabilities declining from € 25,209k in the prior year to € 10,519k. Viewed together with deferred tax assets, net deferred tax liabilities decreased by € 14,746k year on year. This change was mainly due to the following factors:

- Increase of € 16,150k in deferred tax assets on interest carryforwards.
- Decrease in deferred tax assets and increase in deferred tax liabilities of € 5,595k on valuation differences in the tax base of various items of property, plant and equipment and intangible assets.
- Decrease of € 7,154k in deferred tax liabilities from the amortization of intangible assets in connection with business combinations.
- Increase of € 2,062k in deferred tax assets from provisions for the LTIP.

Non-current liabilities to related parties decreased from € 1,315,000k in the prior year to € 1,245,000k in fiscal year 2022 as a result of the repayment of a portion of a loan granted by United Internet AG for the acquisition of the shares in IONOS SE.

Other non-current financial liabilities rose from € 82,651k as of December 31, 2021 to € 115,655k as of December 31, 2021, mainly due to the increase in lease liabilities.

Consolidated equity attributable to shareholders of the parent company increased from € -234,303k as of December 31, 2021 to € -162,303k as of December 31, 2022. The equity ratio rose from -15.7% to -10.7%. 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. The vendor loan amounts to € 819,000k as of December 31, 2022 (prior year: € 889,000k).
The negative equity of IONOS Group SE is not caused by past losses of IONOS Group SE, but primarily originates from a non-cash distribution to the controlling shareholder United Internet AG as part of the reorganization of the Group in 2017 in connection with its acquisition by funds managed by Warburg Pincus LLC.

Despite the negative equity, the IONOS Group prepares its consolidated financial statements on a going concern basis, since

- the IONOS 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 Group will also be profitable in the future; and
- the IONOS 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 Group is able to meet its financial obligations at all times.

No disclosure pursuant to Sec. 160 (1) No. 2 AktG is required as the IONOS Group does not hold any treasury shares as of the reporting date.

### Management Board's overall assessment

In light of the continued macroeconomic growth, as forecast by the IMF, in the core markets of the IONOS Group in general and advancing digitalization in particular, the Management Board of IONOS Group SE continues to be optimistic about the future, also in view of the stable business model built predominantly on electronic subscriptions.

The Group's development during the coronavirus pandemic and the Ukraine war has shown that the IONOS Group's business model is relatively independent of the economic cycle and that even the contact restrictions prevailing during the pandemic had no direct negative impact on the development of the Company. Indeed, in 2022, the Group companies succeeded in growing their customer base by around 110 thousand customers, while revenue from external third parties increased by around 17%. The increase in certain cost types as a result of a global supply shortage and rising inflation rates is only temporarily impacting the Group's profitability and will be passed on to customers in the medium term through targeted price increases. Despite higher revenue, the Company's adjusted EBITDA in fiscal year 2022 was slightly down on the prior year at € 345,646k (prior year: € 355,176k). This slight decline is due in particular to a significant increase in investments in customer acquisition, temporarily higher energy prices and spending on growth initiatives.

IONOS Group SE will continue to pursue its current business policy in the coming years. In fiscal year 2023, today's target markets in the Web Presence & Productivity and Cloud Solutions business areas will be developed further. The focus will be on marketing web hosting and website builder products as well as e-mail and e-shop products, along with the expansion of our Cloud product portfolio, targeting both SMEs and the public sector. This, in conjunction with the further development of existing customer relationships by explicitly promoting the activation of certain products specifically tailored to customer profiles, will generate further growth, through both new and existing customers.

As of the reporting date for the 2022 financial statements and at the time of preparing this management report, the Management Board believes that the IONOS Group as a whole is very well placed for its further development.

## 2.4 Key non-financial performance indicators

The IONOS Group's Management Board and Supervisory Board consider it their responsibility to ensure the Group's continued existence and create sustainable value through responsible corporate management that takes a long-term perspective. For the Group, running a business involves more than pursuing economic goals – it also has an obligation to society, the environment, employees and other stakeholders.

The Group is addressing this responsibility in a variety of ways. The most important aspects are summarized in the following sections.

## Sustainable business policy

The IONOS Group is committed to a sustainable business policy, being made particularly evident by its high level of investment in customer relationships.

The number of paying customers increased by a further 110 thousand in fiscal year 2022. This growth resulted from 60 thousand additional customers in Germany and 50 thousand customers abroad. As a result, the total number of customers rose to 6.00 million.

Group: development of customer base in fiscal year 2022
(in millions)

| | Dec. 31, 2022 | Dec. 31, 2021 | Change |
|---|---|---|---|
| Total customers | 6.00 | 5.89 | +0.11 |
| thereof in Germany | 3.12 | 3.07 | +0.05 |
| thereof abroad | 2.88 | 2.82 | +0.06 |

In addition to winning new customers, retaining existing customers is the most important factor contributing to the expansion of the customer base. The most important instrument for this purpose in the IONOS Group is customer satisfaction, which is why structures and processes have been established to gage the satisfaction of customers and find out their wants and needs. The insights gained are used to identify potential for improvement and are then implemented in concrete measures to improve customer satisfaction (such as in the area of service or product quality).

In terms of customer satisfaction, for example, since October 2018 all customers of the IONOS brand have been able to communicate free of charge with a personal consultant to whom they can address all their questions relating to products, their contract and business success on the internet. IONOS provides support to companies through all of their development phases – from the website to shop systems and setting up their own servers through to using the internally developed enterprise cloud infrastructure. In addition, companies have the opportunity to use an array of cloud applications that support their business.

## Employees

The internet industry is characterized by fast-paced change, short innovation cycles and global connectivity. Together with the United Internet Group, the IONOS Group has risen to these challenges with great success for many years now.

As of December 31, 2022, the IONOS Group had a total of 4,247 active employees (December 31, 2021: 3,998 active employees).

## Green IT

Amid the global climate debate and steadily rising energy consumption, “green IT” has become a buzzword in the computer industry. The term “green IT” encompasses all activities that contribute to reducing a company’s carbon emissions and energy consumption.

Today, the ITC sector is a major contributor to global output and a strong economic factor. At the same time, it is also a significant carbon emitter and uses a lot of electricity. For web service providers such as the IONOS Group, this applies in particular to data centers, where many millions of cloud applications for private individuals and businesses are managed and which are facing growing demand amid the advancing digitalization of the economy and society as a whole.

Since 2022, the IONOS Group has been sourcing electricity for its own data centers worldwide exclusively from directly purchased renewable energy. In addition, the IONOS Group attaches great importance to the fact that the renewable energy is produced close by – i.e., usually in the same country or in a nearby region. Furthermore, IONOS has been a VMware certified Zero Carbon Committed partner since the end of 2021. This initiative recognizes cloud providers that have committed to developing their services emission-free and to powering their data centers with 100% renewable energy by 2030.

In 2018, the decision was made to introduce an energy management system (EnMS) according to ISO 50001. The EnMS covers the data centers of the IONOS Group which it operates itself and in which it can therefore control energy consumption. The deployment of the EnMS enables progress toward energy efficiency goals to be tracked continuously and creates transparency. This means that the EnMS can be used to detect and eliminate energy waste, thereby saving costs, as well as to identify and meet external requirements such as for a regular energy audit. The EnMS thus makes an important contribution to sustainability management and can have a positive effect on reputation and market position. The EnMS was most recently audited and recertified in 2022. The next regular recertification is scheduled for 2025.

Important steps toward saving energy in the global data centers include:

- Steadily increasing capacity utilization per server, thus reducing the number of servers required.
- Retiring old servers early and replacing them with newer and more energy-efficient hardware.
- Some server hardware is built to order for IONOS, dispensing with superfluous components and using energy-saving processors and power supplies with low heat loss, among other features.
- The web hosting system used by IONOS is a highly optimized, proprietary, Linux-based system that enables data from thousands of customers to be managed on a single server and thus makes efficient use of resources.
- Thanks to virtualization, more and more bare metal servers can be replaced by virtual servers.
- The use of containers does away with the need for the redundant operation of the operating system kernel, which is instead shared by all instances. This allows better elastic load-based scaling of the IT resources provided.

# 3. Risks, opportunity and forecast report

The risk and opportunity policy of the IONOS Group is based on the objective of maintaining and sustainably enhancing the Company's value by utilizing opportunities while at the same time recognizing and managing risks from an early stage in their development.

Having a risk and opportunity management system which is lived in practice ensures that the Company can carry on its business activities in a controlled company environment. The risk and opportunity management system regulates the responsible handling of uncertainties which are always associated with economic activity.

## 3.1 Risk report

### Risk management

The design, organization and tasks of the IONOS Group's risk management system are centrally coordinated by the parent company United Internet AG and documented in a risk management strategy which is valid for and available to all members of the Group and in the risk management manual. These requirements are regularly adapted to changing legal conditions and are continuously enhanced. Corporate Risk Management coordinates the implementation and ongoing development of the risk management system and is responsible for the centrally managed risk management process. Operational risk management, which is the responsibility of the IONOS Group's Chief Financial Officer, is aimed at managing the risks of the entire IONOS Group and also addresses risk topics specific to the IONOS Group.

In order to facilitate the exchange and comparison of risk information, regular Risk Manager Meetings are held between the various risk managers and with the Company-wide, cross-functional managers.

The Corporate Audit department of United Internet AG regularly audits the functioning and effectiveness of the risk management system. The system complies with statutory requirements for risk early recognition systems as well as the German Corporate Governance Code. Its design is based on the specifications of the international standard ISO 31000:2018.

### Methods and objectives of risk management

The risk management system comprises those measures which enable the Company to identify, classify according to monetary effects and scenarios, steer and monitor from an early stage all possible risks to the attainment of its corporate objectives with the aid of assessments and early warning systems. The aim of the risk management system is to provide maximum transparency for management regarding the actual risk situation, its changes and the available options for action so that a conscious decision can be taken to accept or avoid such risks.

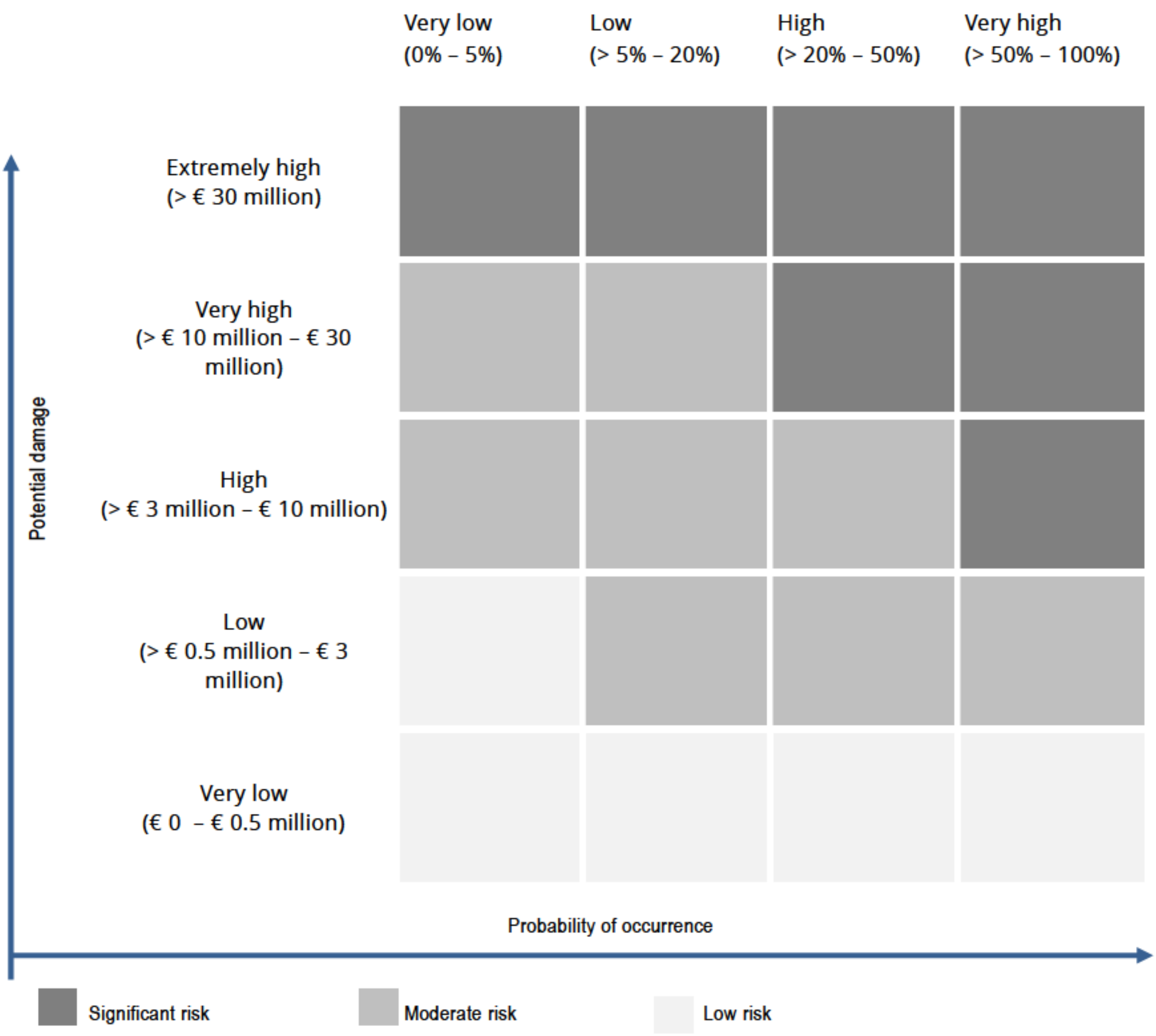
The current status of the main risks is communicated to the Management Board and Supervisory Board four times per year. Identified important risks with an immediate impact or significant changes in the risk situation trigger an internal ad hoc reporting obligation. The respective risk is then communicated immediately to the CFOs of IONOS Group SE and United Internet AG, who in turn report it to the Supervisory Board where necessary. In this way, significant risks can be addressed as quickly as possible.

Risks are assessed in terms of their net impact, i.e., effects from mitigating measures are only considered in the risk assessment after implementation.

## Risks for the IONOS Group

The assessment of the overall risk situation is the result of a consolidated examination of all known material risks. Of the total risks identified for the IONOS Group, the following sections describe the main risk categories from the Group's point of view.

Assessing the materiality of risks starts with the dimensions of "probability of occurrence" and "potential damage." Based on the combination of probability of occurrence and potential damage, the risks are assigned as follows to one of three risk categories: "significant," "moderate" and "low" risks.




Specific assessments of the Group's Management Board regarding the risk situation as well as the probability of occurrence, potential damage and resulting categorization of the risks described below are provided at the end of this risk report.

## Strategy

### Shareholdings and investments

The acquisition and holding of shares in other companies as well as the execution of strategic investments represent a key success factor for the IONOS Group. In addition to improved access to existing and new growth markets, as well as to new technologies and know-how, investments also serve to exploit synergy and growth potential. However, these opportunities involve risks. For example, there is a risk that the targeted potential cannot be exploited as planned or that acquired shareholdings will not develop as expected (write-downs/impairments, disposal losses, absence of dividends or reduction of hidden reserves).

All investments are therefore subject to a continuous monitoring process by Subsidiary Management and are supported promptly if required. The value of investments is continuously monitored by management and the Controlling division.

The IONOS Group is not aware of any significant risks in this field at present.

#### Business development and innovations
A further key success factor for the IONOS Group is the development of new and constantly improved products and services in order to enhance revenue and earnings, attract new customers and expand existing customer relationships. There is always a risk, however, that new developments might be launched too late on the market or not be accepted by the target group as expected.

The IONOS Group counters such risks by constantly and closely observing market, product and competition trends as well as by undertaking product development which constantly responds to customer feedback.

#### Cooperation and outsourcing
The IONOS Group works with specialized cooperation and outsourcing partners in certain operating areas. The focus here is on objectives such as focusing on the actual core business, reducing costs or leveraging the expertise of partners. These opportunities also involve risks in the form of dependencies on external service providers as well as contractual and default risks.

In order to reduce these risks, detailed market analyses and due diligence reviews are carried out before major contracts are concluded with external service providers, and close and cooperative relationships are maintained with the cooperation and outsourcing partners after the contracts have been concluded.

#### Organizational structure and decision-making
The choice of the appropriate organizational structure is essential for the efficiency and success of the Company. In addition to the organizational structure, business success depends to a large extent on making the right decisions. The basis for such decisions can be negatively influenced by various factors, such as limited flexibility offered by existing business processes and structures, or misunderstandings caused by ambiguities in the definition of key figures. If efficiency is jeopardized by one or several factors, this represents a strategic risk for the IONOS Group which should be avoided wherever it makes economic sense.

Due to the high degree of agility within the organization, the IONOS Group considers itself to be generally well positioned in this respect and undertakes a number of measures to standardize and optimize processes, structures and key figures.

Thanks to the improvements in organizational structures, the organizational structure and decision-making risk was reduced from moderate to low.

The IONOS Group is not aware of any significant risks in this field at present.

#### Personnel development and retention
Highly skilled and well trained employees form the basis for the economic success of the IONOS Group. In addition to the successful recruitment of qualified personnel (see also the “personnel recruitment” risk), personnel development and the long-term retention of top performers within the Company are strategically important. If the Company fails to develop and retain executives and employees with

specialist or technological knowledge, there is a risk that the IONOS Group may not be able to effectively conduct its business and achieve its growth targets. The concentrated accumulation of strategic knowledge and skills (head monopoly) can have a considerable impact on the performance of the Group if the corresponding employee is no longer available.

The IONOS Group counteracts this risk by continuously nurturing employee and management skills. For example, it offers targeted measures for professional development, mentoring and coaching programs as well as special offers for high potentials geared to talent development and leadership skills.

## Market

### Sales market and competition

The markets in which the IONOS Group operates are characterized by strong and sustained competition. Depending on the strategy of the parties involved in the market, different effects may occur which may involve adjustments to the Company's own business models or pricing policy. The entry of new competitors might also jeopardize market shares, growth targets or margins. In addition, the IONOS Group itself occasionally enters new, additional markets with large competitors. Such an entrepreneurial decision is always associated with new risks.

The IONOS Group attempts to minimize these risks by means of detailed planning based on internal experience and external market studies as well as by constantly monitoring the market and the competition.

### Procurement market

A gap in the procurement or delivery of resources required for business operations may also lead to bottlenecks or outages at the IONOS Group. This applies both to the purchase of hardware and the purchase of wholesale services. Increases in the price of purchased products and services represent a risk for the targeted margins. Planned positive effects from contractually fixed price adjustments can become a risk for the achievement of the Company's periodic targets due to time delays.

The IONOS Group counters these risks by cooperating with several long-term service providers and suppliers, contractual obligations, and – where it makes economic sense – by expanding its own value chain. Preventive measures such as rapid stockpiling cannot fully eliminate the effects of significant and unpredictable developments on the procurement market, such as the Ukraine war, but they can mitigate them.

### Financial market

The IONOS Group's activities are generally exposed to risks on the financial market. In particular, these include risks from changes in exchange rates.

The currency risk for the IONOS Group mainly results from operations (if revenue and/or expenses are in a currency other than the Group's functional currency) and its net investments in foreign subsidiaries.

### Personnel recruitment

It is essential for the IONOS Group that human resources are effectively controlled so that the Company can secure its short- and long-term staffing needs and the requisite expertise. If the IONOS Group is not able to attract managers and employees with specialist and technological knowledge, it will not be able to effectively conduct its business and achieve its growth targets.

As an employer, the IONOS Group believes it is well placed to hire highly skilled specialists and managers with the potential to drive its business success in the future. As in previous years, this was confirmed by the Top Employers Institute, which awarded us the accolade "Top Employer 2023."

## Provision of services

### Work processes

In view of the ever-increasing complexity and interoperability of the products offered, there are steadily growing demands placed on the development of internal work processes. This also involves an ever-higher degree of coordination. The particular challenge is, besides upholding quality standards, adapting to fast-changing market events – and doing so on numerous different domestic and foreign markets.

The Group counters these risks by continuously developing and enhancing its internal processes, pooling and retaining its experts and key personnel and continuously optimizing its organizational structures.

### Information security

The IONOS Group generates its earnings largely in the internet environment. In order to provide products and services, the Group uses information and telecommunication technologies (data centers, transmission systems, connection nodes, etc.) in its business processes which are closely linked to the internet and whose availability may be endangered by threats from the internet.

In order to constantly increase the speed of our response to such risks, the existing monitoring and alarm system, together with the necessary processes and documentation, is continuously optimized.

There is also the risk of hacker attacks with the aim of stealing or deleting customer data, or using services fraudulently. In fiscal year 2022, the attackers and their attack methods once again became more professional. According to the German Federal Office for Information Security (BSI), the number of new malicious program variants increased by around 116.6 million in the period June 1, 2021 to May 31, 2022.

The IONOS Group counters this risk with the aid of virus scanners, firewalling concepts, self-initiated tests and various technical monitoring mechanisms.

The threat potential of the internet is one of the largest threat groups for the IONOS Group with regard to its effects, which are all monitored by numerous technical and organizational measures. Of particular relevance in this respect are the operation and continuous improvement of the security management system and the steady enhancement of system resilience.

### Capacity bottlenecks

Due to temporary or permanent shortages of technical resources, e.g., due to the temporary overloading of systems or a lack of resources to operate data centers, the planned delivery of services could be jeopardized, threatening a corresponding loss of revenue. Risks from the procurement of resources, such as products or services on the market, are not taken into account here. These risks are part of the "procurement market" risk.

In order to counter these risks, several internal stores are maintained. In addition, the Company is in close contact with energy suppliers in order to coordinate emergency plans for the data centers. In the case of outages, these can be compensated for at short notice by implementing the aforementioned measures.

### Projects

The classic project objectives of quality, time and budget are defined before or at the start of a project and are thus the subject of entrepreneurial planning. If potential risks already become apparent in the course of a project's implementation, these are recorded as risks. Moreover, projects may also involve risks that do not affect the project itself but arise after the project has been completed (e.g., security vulnerabilities in new software code).

In addition to maintaining the current professional project management, the Company reduces the aforementioned risks by holding regular specialist project management training courses, in order to improve such aspects as security or data privacy requirements. The project objectives of quality, time and budget are also closely monitored by management and the Controlling division.

#### Technical plant operation

The IONOS Group's products and related business processes are based on a complex technical infrastructure and a number of success-critical software systems (servers, customer relationship databases and statistics systems, etc.). Constantly adapting this infrastructure to changing customer needs leads to greater complexity and regular changes. In addition to major events, like the migration of databases, this may lead to various disruptions or defects. Should this affect our performance systems, for example, the Group may (temporarily) be unable to provide its customers with the promised service or only be able to provide a reduced service.

The Group addresses these risks by making targeted adjustments to the architecture, introducing quality assurance measures, and establishing spatially separated (geo-redundant) core functionalities.

In order to counter this risk, the Company uses a wide variety of software- and hardware-based safeguards to protect the infrastructure and its availability. For instance, activities or business transactions involving risks are not carried out by single employees but on the basis of the principle of dual control. Manual and technical access restrictions also ensure that employees may only operate within their particular area of responsibility. As an additional precautionary measure against data loss, all data are regularly backed up and stored in separate, i.e., geo-redundant, data centers.

### Compliance

#### Data privacy

The IONOS Group stores the data of its customers on servers according to international security standards (ISO 27001) at its own and at rented data centers. The handling of these data is subject to extensive legal regulations.

It can never be fully ruled out that data privacy regulations may be contravened, e.g., by human error or technical weaknesses. In such cases, the IONOS Group faces fines and the loss of customer confidence.

The Group is aware of this great responsibility and attaches a high degree of importance and care to data privacy. By using state-of-the-art technologies, continuously monitoring all data privacy and other legal regulations, providing extensive staff training on data protection regulations and involving data protection aspects and requirements as early as possible in product development, the IONOS Group continuously invests in improving the standard of its data privacy.

By taking responsive action, such as expanding the data privacy organization or data privacy processes, the level of data protection risk was lowered from significant to moderate.

#### Misconduct and irregularities

Non-compliance or non-observance of social norms, trends and mindsets can lead to misconduct and bad decisions and thus to a loss of revenue. As an internationally operating company, the IONOS Group also faces the challenge of countering such negative factors through adequate management in the area of internal processes and procedures. Not every decision or business practice that is unobjectionable from a legal point of view is also acceptable in the respective cultural, ethical or social context.

The IONOS Group counters the risks arising from misconduct and breaches of rules with its "culture of togetherness," the provision of a Code of Conduct, country-specific management and compliance as an integral part of corporate culture.

The current fiscal year saw an increase in misconduct and irregularities risks from low to moderate. This increase is explained by greater risk awareness, which has led to the identification of more risks in this field. In addition, tighter legal requirements, for example as introduced by the German IT Security Act 2.0, have also led to higher internal standards.

### Legislation and regulation

Changes in existing legislation, the enactment of new laws and changes in government regulation may have unexpected negative effects on the business models pursued by the IONOS Group and their further development. Price increases could have a negative impact on the profitability of products. In the same way, there is also the possibility that a lack of regulation may lead to a deterioration of market conditions for the IONOS Group.

The IONOS Group endeavors to counter this regulation risk by cooperating actively with various partners.

Compared to December 31, 2021, the legislation and regulation risk rose from moderate to significant following a general increase in legal requirements, for example the German Act on Corporate Due Diligence in Supply Chains or the German IT Security Act 2.0. Apart from leading to additional expenses, new laws also come with the risk of fines.

### Litigation

The IONOS Group is currently involved in various legal disputes and arbitration proceedings arising from its normal business activities. The outcome is by definition uncertain and thus represents a risk. Provided the amount of the obligation can be reliably estimated, provisions are recognized for such risks from litigation, where required.

### Tax risks

As an internationally operating group, the IONOS Group is subject to the tax laws applicable in the respective countries. Risks may arise from changes in tax laws or case law as well as from differences in the interpretation of existing regulations.

## Finance

### Financing

The Group's liabilities stem directly from its business activities and from its long-term loan of € 1,245,000k from the parent United Internet AG as of December 31, 2022. The IONOS Group is not aware of any significant risks in this field at present.

In addition, there are derivative financial instruments in the IONOS Group which are mainly contingent purchase price liabilities (€ 38,219k as of December 31, 2022). These are measured at fair value through profit or loss. Option pricing models are largely used to measure derivatives.

### Fraud and credit default

In order to meet the requirements of dynamic customer growth and provide services as quickly as possible, the IONOS Group has largely automated its order and provision processes – as have many other companies in such mass market businesses. The nature of such automated processes creates opportunities for attacks by fraudsters. Due to the strong appeal of the products and services offered, not only the number of customers is increasing but also the risk of a larger number of non-payers and fraudsters.

The Group attempts to prevent such fraud attacks – or at least to recognize and end them at an early stage – by permanently expanding its fraud management capabilities, working closely with partners and taking account of such risks in the design of its products.

### Liquidity

The general liquidity risk of the IONOS Group consists of the possibility that the Company may not be able to meet its financial obligations, such as the repayment of financial liabilities. The Company's objective is to continuously cover its financial needs and secure flexibility, for example by using overdraft facilities and loans.

Group-wide cash requirements and surpluses are managed centrally by the cash management system. By netting these cash requirements and surpluses within the Group, the amount of external bank transactions can be minimized. This is managed, e.g., by using cash pooling processes. The Group 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.

## Force Majeure

External events such as natural disasters (earthquakes, floods, tsunamis, etc.), personnel crises (pandemics, strikes, etc.), infrastructure crises (power outages, road damage, etc.) or violent incidents (rampage, terrorist attacks, war, etc.) may affect the Group's operations.

The IONOS Group counters these risks as far as possible with a variety of measures, such as enforcing building access restrictions, operating geo-redundant data centers, taking hygiene precautions and developing contingency plans.

## Management Board's overall assessment of the risk position

The assessment of the overall risk situation is the outcome of a consolidated analysis of all significant risk categories and individual risks.

From the current perspective, the biggest challenges are information security, legislation and regulation, technical plant operation and acts of God.

The continuous expansion of its risk management system enables the IONOS Group to keep risks to a minimum, where it makes economic sense, by implementing specific measures.

The overall risk situation of the IONOS Group is unchanged on the prior year.

The existing opportunities for the IONOS Group were not taken into consideration in the assessment of the overall risk situation. There were no risks which directly jeopardized the continued existence of the IONOS Group in fiscal year 2022, nor as of the preparation date of this management report, neither from individual risk positions nor from the overall risk situation.

Probability of occurrence, potential damage and classification of risks:

| | Probability of occurrence | Potential damage | Risk classification | Change over previous year |
|---|---|---|---|---|
| **Risks in the field of "Strategy"** | | | | |
| Shareholdings and investments | Currently no significant risks | | Low | → |
| Business development and innovations | Low | Low | Moderate | → |
| Cooperation and outsourcing | Low | Very High | Moderate | → |
| Organizational structure and decision-making | Currently no significant risks | | Low | ↘ |
| Personnel development and retention | High | High | Moderate | → |
| **Risks in the field of "Market"** | | | | |
| Sales market and competition | Low | Very high | Moderate | → |
| Procurement market | High | High | Moderate | → |
| Financial market | Very high | Low | Moderate | → |
| Personnel recruitment | High | Low | Moderate | → |
| **Risks in the field of "Service Provision"** | | | | |
| Work processes | Low | High | Moderate | → |
| Information security | Very low | Extremely high | Significant | → |
| Capacity bottlenecks | Low | Low | Moderate | → |
| Projects | Very high | Low | Moderate | → |
| Technical plant operation | Very low | Extremely high | Significant | → |
| **Risks in the field of "Compliance"** | | | | |
| Data privacy | Low | Very high | Moderate | ↘ |
| Misconduct and irregularities | Low | Very high | Moderate | ↗ |
| Legislation and regulation | Low | Extremely high | Significant | ↗ |
| Litigation | High | Low | Moderate | → |
| Tax risks | High | Low | Moderate | → |
| **Risks in the field of "Finance"** | | | | |
| Financing | Very low | Low | Low | → |
| Fraud and credit default | High | High | Moderate | → |
| Liquidity | High | High | Moderate | → |
| **Risks in the field of "Acts of God"** | | | | |
| Acts of God | Very low | Extremely high | Significant | → |

↘ Improved → Unchanged ↗ Worsened

## 3.2 Opportunity report

### Opportunity management

Opportunity management is based on strategic planning and the resulting measures for the development of products and their positioning for various target groups, markets and countries during the product lifecycle.

The Management Board, as well as the operative management level of the respective business areas, have the direct responsibility for the early and ongoing identification, assessment and management of opportunities.

The management team of the IONOS Group makes extensive use of detailed evaluations, models and scenarios on current and future trends regarding sectors, technologies, products, markets/market potential and competitors in the Group's fields of activity. The potential opportunities identified during these strategic analyses are then examined with regard to the critical success factors and existing external conditions and possibilities of the IONOS Group in planning discussions between the Management Board, Supervisory Board and operational managers before being implemented in the form of specific measures, targets and milestones.

The progress and success of these measures is continuously monitored by operational management as well as the members of the Management Board and managing directors of the respective companies.

## Opportunities for the IONOS Group

The IONOS Group's stable and largely non-cyclical business model ensures predictable revenues and cash flows, thus providing the financial flexibility to grasp opportunities in new business fields and markets – organically or via investments and acquisitions.

## Broad strategic positioning in growth markets

The IONOS Group has a strategic presence in a total of 18 markets in Europe and North America through a globally accessible platform. As a digitalization partner for small and medium-sized enterprises, IONOS offers technology solutions in a large, robust and fast-growing markets. In addition, IONOS is increasingly upscaling its business in cloud solutions, thus expanding its product portfolio and creating additional growth opportunities.
Growth is driven by structural megatrends such as digitalization, leveraging significant catch-up potential in web presence, and an ongoing shift from on-premise to cloud environments. The catch-up potential is particularly high for smaller SMEs.

## Participation in market growth

Despite the uncertain macroeconomic conditions, the IONOS Group – as well as many of the sector's leading analysts – expects further progress in the most important markets of the Group. The IONOS Group is one of the leading providers in these markets. With its highly competitive cloud applications, its strong and specialized brands, its high sales strength and already established business relationships with around six million customers (and the related cross-selling and upselling potential), the IONOS Group is well positioned to participate in the expected market growth.

## Expansion of market positions

Today, the IONOS Group is one of the leaders in web hosting in Europe and North America. Based on its existing technological know-how, its high level of product and service quality, its business relationships with millions of customers and its high customer retention ratio, the IONOS Group sees good opportunities to build on its current market shares. In particular, investments in the IONOS brand have bolstered the Company's market position and laid the foundation for further growth.

## Expansion of business fields

One of the IONOS Group's core competencies is the ability to recognize customer wishes, trends and thus new markets at an early stage. With its broadly based value chain (from product management, development and data center operation to effective marketing, a powerful sales organization and active customer support), the IONOS Group is often faster at placing innovations on the market and – thanks to the high level of cash generation in its existing business fields – capable of providing them with strong marketing support.

The IONOS Group leverages the strong cash flow generated in its established business areas to invest in new areas and take advantage of emerging additional opportunities. In recent years, the new top-level domains (nTLDs), the cloud server, the Marketing Toolbox or Managed Cloud Hosting were just some of the notable investments in future growth.

### Creating value across the digitalization sector

The IONOS Group spans the entire value chain with its wide range of Web Presence & Productivity and Cloud Solutions services. Products and solutions are developed in in-house "internet factories" or in cooperation with partner firms and operated on servers in the Company's own data centers. This enables the IONOS Group to maintain high quality standards while responding quickly and flexibly to customers' digitalization needs or changing market situations in order to win new customers and retain existing ones.

### Internationalization

Web Presence & Productivity products and Cloud Solutions can be used anywhere in the world and work on the same principle in Frankfurt as they do in London, Rome, or New York. In the past, the IONOS Group has already successfully adapted cloud products – such as MyWebsite – to various languages and country-specific features and gradually rolled them out in different nations. Thanks to the high degree of exportability which these products offer, the IONOS Group is already active in numerous European countries (Germany, France, the UK, Italy, Spain, the Netherlands, Austria, Switzerland, Poland, Hungary, Romania, Bulgaria, the Czech Republic, Slovakia and Sweden) as well as in North America (Canada, Mexico, USA). Further countries and product rollouts will gradually follow.

### Management Board's overall assessment of opportunities

In view of the fast-paced growth in the internet access and cloud computing markets, the Group's growth opportunities are obvious: Available everywhere and at all times, increasingly powerful broadband connections are facilitating new and more complex cloud applications. From today's perspective, these web-based applications for home users, freelancers and small and medium-sized enterprises will be the growth drivers for the IONOS Group in the coming years.

The business model, which is primarily based on subscriptions – with fixed monthly amounts and contractually agreed terms – guarantees stable and plannable revenue and cash flows, protects against cyclical effects and provides the financial scope to grasp opportunities in new business fields and new markets – either organically or by way of acquisitions and investments.

## 3.3 Forecast report

In its global economic outlook published on January 30, 2023, the International Monetary Fund (IMF) updated its forecasts for the development of the global economies in 2023 and 2024. The IMF now expects the global economy to cope with the effects of the Russian war in Ukraine and the persistently high inflation somewhat better than initially feared. Nevertheless, in its World Economic Outlook for 2023, the IMF is predicting global growth of just 2.9% (after 3.4% in 2022), but sees the outlook as "less gloomy" than in October 2022. In this respect, the IMF does not expect the global economy to slide into recession in 2023 – a possibility that economists had not ruled out in the fall. For 2024, the IMF forecasts global economic growth of 3.1%.

However, the IMF report also lists a number of risks that would cloud the economic climate: a deterioration of the coronavirus situation in China, an escalation of the Russian war in Ukraine and a debt crisis unleashed by the central banks' strict monetary policy.

The latest IMF forecasts for IONOS's target markets in North America (USA, Canada, and Mexico) are as follows: The US economy is set to grow by 1.4% in 2023 and 1.0% in 2024 (after 2.0% in 2022). Canada is predicted to grow by 1.5% in both 2023 and 2024 (after 3.5% in 2022). Mexico's economy is expected to grow by 1.7% in 2023 and 1.6% in 2024 (after 3.1% in 2022).

The IMF anticipates growth of 0.7% and 1.6% in the eurozone for 2023 and 2024 (after 3.5% in 2022).

The IMF is forecasting only minor growth for the economies of IONOS's main European target countries within the EU, these being France, Spain and Italy. For France, economists are forecasting growth of 0.7% in 2023 and 1.6% in 2024 (after 2.6% in 2022). Spain is expected to grow by 1.1% and 2.4%, respectively, in 2023 and 2024 (after 5.2% in 2022), and for Italy, the IMF anticipates growth in 2023 and 2024 of 0.6% and 0.9% (after 3.9% in 2022).

For the UK, a non-EU country, the IMF anticipates a contraction in economic output of -0.6% in 2023 followed by growth of 0.9% in 2024 (after 4.1% in 2022).

For IONOS's most important market, Germany, the IMF forecasts economic growth of 0.1% in 2023 and 1.4% in 2024 (after 1.9% in 2022). With expected growth of 0.1% and 1.4% for 2023 and 2024, respectively, the IMF is slightly below the German government's own forecast of 0.2% growth in price-adjusted GDP in 2023 and 1.8% in 2024, as published in its Annual Economic Report 2023 on January 25, 2023.

The German government is thus somewhat more confident in its assessment of the economic situation than it was a few months ago and is now expecting marginal growth for 2023 instead of a recession. The German government cites the resilience of the German economy, which has proven to be stable in the face of supply chain shortages, sanctions against Russia and the suspension of Russian gas supplies, as the reason for the slightly brighter outlook.

Market forecast: GDP development of the most important economies for the IONOS Group

| | 2024e | 2023e | 2022 |
|---|---|---|---|
| World | 3.1% | 2.9% | 3.4% |
| USA | 1.0% | 1.4% | 2.0% |
| Canada | 1.5% | 1.5% | 3.5% |
| Mexico | 1.6% | 1.7% | 3.1% |
| Eurozone | 1.6% | 0.7% | 3.5% |
| France | 1.6% | 0.7% | 2.6% |
| Spain | 2.4% | 1.1% | 5.2% |
| Italy | 0.9% | 0.6% | 3.9% |
| UK | 0.9% | -0.6% | 4.1% |
| Germany | 1.4% | 0.1% | 1.9% |

Source: International Monetary Fund, World Economic Outlook (Update), January 2023

## Market/sector expectations

Despite the challenges posed by the war, supply bottlenecks, inflation and the shortage of skilled workers, the industry association Bitkom expects the German ICT market as a whole to grow by 3.8% (prior year: 4.0%) in 2023. At € 203.4 billion, revenue is expected to top the € 200 billion mark for the first time.

As in the previous year, the IT market is expected to grow at an above-average rate in 2023 and will continue to strengthen its importance as the largest segment of the industry. According to Bitkom calculations, revenue is expected to rise by 6.3% (prior year: 6.6%) to € 126.4 billion in 2023. Driven in particular by the cloud business, software is again likely to be the fastest-growing segment with a strong increase of 9.3% (prior year: 9.4%) to € 38.8 billion. Revenues from IT hardware are also expected to increase significantly by 5.3% (prior year: 5.4%) to € 39.7 billion. Stable growth of 4.7% (prior year: 5.5%) to € 47.8 billion is expected for the IT services business, which also includes IT consulting.

The global cloud computing market is central to the IONOS Group's business model. Following the very strong growth in 2022 (18.8%), Gartner forecasts global growth for public cloud services of 20.7% from USD 490.33 billion to USD 591.79 billion in 2023.

Market forecast: cloud computing worldwide
(in USD billion)

| in USD billion | 2023e | 2022 | Change |
|---|---|---|---|
| Global revenue from public cloud services | 591.79 | 490.33 | +20.7% |
| thereof Application Infrastructure Services (PaaS) | 136.41 | 110.68 | +23.2% |
| thereof Application Services (SaaS) | 195.21 | 167.11 | +16.8% |
| thereof Business Process Services (BPaaS) | 65.15 | 60.13 | +8.3% |
| thereof Desktop-as-a-Service (DaaS) | 3.10 | 2.54 | +22.0% |
| thereof Management and Security Services | 41.68 | 34.14 | +22.1% |
| thereof System Infrastructure Services (IaaS) | 150.25 | 115.74 | +29.8% |

Source: Gartner, October 2022

## Expectations for the Company

### Forecast for fiscal year 2023

For fiscal year 2023, the IONOS Group expects its key performance indicators to develop as follows:

For fiscal year 2023, IONOS Group SE forecasts a currency-adjusted increase in revenue of around 10% year on year to around € 1.4 billion (actual prior-year revenue: around € 1.293 billion). The anticipated increase in revenue will be achieved on the back of positive growth contributions from both the Web Presence & Productivity and the Cloud Solutions business areas.

For fiscal year 2023, the Group is forecasting an adjusted EBITDA margin of around 27% (prior year: 26.7%), representing an increase of adjusted EBITDA of at least 10% versus 2022.

### Management Board's overall assessment

In light of the continued macroeconomic growth, as forecast by the IMF, in the core sales markets of the IONOS Group in general and advancing digitalization in particular, the Management Board of IONOS Group SE continues to be optimistic about the future, also in view of the stable business model built predominantly on electronic subscriptions. The Group's development during the coronavirus pandemic and the Ukraine crisis has shown that the business model of IONOS Group SE is relatively independent of the economic cycle and that – because the IONOS companies' business does not require physical presence – even the contact restrictions prevailing during the pandemic had no direct negative impact on its performance. The increase in a number of cost types as a result of a global supply shortage and rising inflation rates is having only a temporary effect and will be passed on to customers in the medium term through targeted price increases. This assessment is supported by the fact that SMEs in the 21st century need an internet presence and that IONOS Group SE is the market leader with a scalable business model.

In addition, the investments made in customer relationships in recent years – in particular through large-scale TV campaigns in the European core markets, supplemented by localized marketing activities in the Group's other sales markets –, the further expansion of new business fields and the launch of new products driven by organic and non-organic growth have created a broad foundation for the planned increase in revenue and earnings.

The IONOS Group will continue to pursue this sustainable business policy in the coming years. In fiscal year 2023, today's target markets will be developed further with Web Presence & and Productivity products as well as Cloud products. The focus will be on marketing Web Presence & Productivity products such as web hosting and website builders, and on e-mail and e-shop products, along with the expansion of our Cloud product portfolio, targeting both SMEs and the public sector. This, in conjunction with the further development of existing customer relationships by offering products specifically tailored to customer profiles, should contribute to a sustainable and broad foundation for growth in future fiscal years.

After a good start to the year, at the time of preparing this management report the Management Board of the IONOS Group is very confident that the goals set out in the plan will be achieved. Overall, the Management Board considers the Company to be very well positioned for its further development and is generally optimistic about the future.

### Forward-looking statements

This group management report contains forward-looking statements based on current expectations, assumptions and projections of the Management Board of the IONOS Group and currently available information. The forward-looking statements cannot be construed as guarantees of the future developments and results specified therein, which will depend on a variety of factors. They entail various risks and uncertainties and are based on assumptions that may prove to be inaccurate in the future. The IONOS Group assumes no obligation to adjust or update the forward-looking statements made in this report.

Montabaur, March 28, 2023

Achim Weiß Britta Schmidt

# IONOS GROUP SE (FORMERLY IONOS TOPCO SE)

*Translation from the German language*

# CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2022

*Translation from the German language*

IONOS Group SE (formerly IONOS TopCo SE), Montabaur
Consolidated statement of financial position as of December 31, 2022 in €k

| | Note | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 18 | 26,440 | 49,520 |
| Trade accounts receivable | 19 | 66,628 | 49,526 |
| Receivables from related parties | 20/41 | 27,964 | 15,830 |
| Contract assets | 21 | 8,128 | 7,894 |
| Inventories | | 162 | 14 |
| Prepaid expenses | 22 | 23,779 | 18,127 |
| Other financial assets | 23 | 12,377 | 15,390 |
| Other non-financial assets | 23 | 966 | 145 |
| Income tax claims | 24 | 9,918 | 5,141 |
| | | **176,362** | **161,587** |
| **Non-current assets** | | | |
| Investments in associated companies | 25 | 2,423 | 3,589 |
| Finance lease receivables | 44 | 3,178 | 0 |
| Other financial assets | 26 | 903 | 1,946 |
| Property, plant and equipment | 27 | 322,286 | 271,782 |
| Intangible assets | | | |
| Other intangible assets | 28 | 178,826 | 201,437 |
| Goodwill | 29 | 820,844 | 825,261 |
| Contract assets | 21 | 1 | 2 |
| Prepaid expenses | 22 | 8,573 | 5,962 |
| Deferred tax assets | 16 | 28,109 | 102 |
| | | **1,365,143** | **1,310,081** |
| **Total assets** | | **1,541,505** | **1,471,668** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade accounts payable | 30 | 80,324 | 63,427 |
| Liabilities to related parties | 31/41 | 6,570 | 5,935 |
| Income tax liabilities | 32 | 19,471 | 14,046 |
| Contract liabilities | 33 | 74,375 | 71,629 |
| Other provisions | 34 | 594 | 314 |
| Other financial liabilities | 35 | 97,657 | 100,262 |
| Other non-financial liabilities | 35 | 20,267 | 21,998 |
| | | **299,258** | **277,611** |
| **Non-current liabilities** | | | |
| Liabilities to related parties | 31/41 | 1,245,000 | 1,315,000 |
| Deferred tax liabilities | 16 | 38,470 | 25,209 |
| Contract liabilities | 33 | 1,099 | 561 |
| Other provisions | 34 | 4,203 | 2,344 |
| Other financial liabilities | 35 | 115,655 | 82,651 |
| | | **1,404,427** | **1,425,765** |
| **Total liabilities** | | **1,703,685** | **1,703,376** |

*Translation from the German language*

| | Note | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| **EQUITY** | | | |
| Issued capital | 37 | 360 | 360 |
| Reserves | 38 | -136,644 | -213,903 |
| Currency translation adjustment | 38 | -26,019 | -20,760 |
| Equity attributable to shareholders of the parent company | | **-162,303** | **-234,303** |
| Non-controlling interests | 39 | 123 | 2,595 |
| **Total equity** | | **-162,180** | **-231,708** |
| **Total liabilities and equity** | | **1,541,505** | **1,471,668** |

*Translation from the German language*

IONOS Group SE (formerly IONOS TopCo SE), Montabaur
**Consolidated statement of comprehensive income**
for the period from January 1 to December 31, 2022 in €k

| | Note | 2022 January - December | 2021 January - December |
|---|---|---|---|
| Revenue from contracts with customers | 5 | 1,244,490 | 1,059,990 |
| Revenue from contracts with related parties | 6 | 48,471 | 43,307 |
| **Total revenue** | | **1,292,961** | **1,103,297** |
| Cost of sales | 7 | -698,247 | -535,401 |
| **Gross profit** | | **594,714** | **567,896** |
| Selling expenses | 8 | -296,168 | -265,132 |
| General and administrative expenses | 9 | -87,616 | -77,037 |
| Impairment losses on receivables and contract assets | 10 | -8,603 | -8,523 |
| Other operating expenses | 11 | -18,229 | -15,904 |
| Other operating income | 11 | 23,923 | 12,351 |
| **Operating result** | | **208,021** | **213,651** |
| Finance costs | 14 | -105,968 | -115,433 |
| Finance income | 15 | 9,843 | 707 |
| Share of the profit or loss of associates accounted for using the equity method | 25 | 112 | -784 |
| **Pre-tax result** | | **112,008** | **98,141** |
| Income taxes | 16 | -37,636 | -36,203 |
| **Net income** | | **74,372** | **61,938** |
| thereof attributable to | | | |
| non-controlling interests | 39 | 600 | 1,015 |
| shareholders of IONOS Group SE | | 73,772 | 60,923 |
| Earnings per share of shareholders of IONOS Group SE (in €) | 17 | | |
| basic | | 204.92 | 169.23 |
| diluted | | 204.92 | 169.23 |
| Weighted average number of shares outstanding (in thousands) | | | |
| basic | | 360 | 360 |
| diluted | | 360 | 360 |
| **Reconciliation to total comprehensive income** | | | |
| **Net income** | | **74,372** | **61,938** |
| Items that may be reclassified subsequently to profit or loss | | | |
| Currency translation adjustment – unrealized | | -5,307 | 9,579 |
| Items that are not reclassified subsequently to profit or loss | | | |
| **Other comprehensive income** | | **-5,307** | **9,579** |
| **Total comprehensive income** | | **69,065** | **71,517** |
| thereof attributable to | | | |
| non-controlling interests | | 600 | 1,068 |
| shareholders of IONOS Group SE | | 68,465 | 70,449 |

IONOS Group SE (formerly IONOS TopCo SE), Montabaur
Consolidated statement of changes in equity
for the period from January 1 to December 31, 2022

| | Issued capital | Reserves | Currency translation adjustment | Equity attributable to shareholders of the parent company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| | €k | €k | €k | €k | €k | €k |
| Note | 38 | 1/39 | 39 | | 40 | |
| **Balance as of January 1, 2021** | **360** | **-298,725** | **-30,286** | **-328,651** | **2,485** | **-326,166** |
| Net income | 0 | 60,923 | 0 | 60,923 | 1,015 | 61,938 |
| Other comprehensive income | 0 | 0 | 9,526 | 9,526 | 53 | 9,579 |
| **Total comprehensive income** | **0** | **60,923** | **9,526** | **70,449** | **1,068** | **71,517** |
| Employee stock ownership program | 0 | 22,645 | 0 | 22,645 | 5 | 22,650 |
| Profit distributions | 0 | -16 | 0 | -16 | -963 | -979 |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 1,270 | 0 | 1,270 | 0 | 1,270 |
| **Balance as of December 31, 2021** | **360** | **-213,903** | **-20,760** | **-234,303** | **2,595** | **-231,708** |
| **Balance as of January 1, 2022** | **360** | **-213,903** | **-20,760** | **-234,303** | **2,595** | **-231,708** |
| Net income | 0 | 73,772 | 0 | 73,772 | 600 | 74,372 |
| Other comprehensive income | 0 | 0 | -5,307 | -5,307 | 0 | -5,307 |
| **Total comprehensive income** | **0** | **73,772** | **-5,307** | **68,465** | **600** | **69,065** |
| Employee stock ownership program | 0 | 442 | 0 | 442 | 0 | 442 |
| Profit distributions | 0 | -9 | 0 | -9 | -799 | -808 |
| Transactions with non-controlling interests | 0 | 3,054 | 48 | 3,102 | -2,273 | 829 |
| **Balance as of December 31, 2022** | **360** | **-136,644** | **-26,019** | **-162,303** | **123** | **-162,180** |

*Translation from the German language*

IONOS Group SE (formerly IONOS TopCo SE), Montabaur
**Consolidated cash flow statement**
for the period from January 1 to December 31, 2022 in €k

| | €k | 2022 January - December | 2021 January - December |
|---|---|---|---|
| Net income | | 74,372 | 61,938 |
| **Adjustments to reconcile net income to net cash provided by operating activities** | | | |
| Depreciation and amortization of intangible assets and property, plant and equipment | 12 | 87,124 | 82,646 |
| Depreciation and amortization of assets resulting from business combinations | 12 | 25,208 | 30,004 |
| Employee expenses from employee stock ownership programs | 36 | 4,208 | 12,788 |
| Interest expense from the unwinding of the discount on lease liabilities | 44 | 3,575 | 2,433 |
| Share of the profit or loss of associates accounted for using the equity method | 25 | -112 | -216 |
| Distributed profits of associated companies | 25 | 206 | 229 |
| Income from the sale of associated companies | 11 | -1,910 | 0 |
| Other non-cash items from changes in deferred tax position | 16 | -18,073 | -22,161 |
| Loss/income from the sale of intangible assets and property, plant and equipment | 11 | 19 | -481 |
| Other non-cash items | | 2,124 | 20,536 |
| **Operative cash flow** | | **176,741** | **187,716** |
| Change in assets and liabilities | | | |
| Change in receivables and other assets | 19/23/26 | -20,807 | -5,286 |
| Change in inventories | | -148 | -1 |
| Change in contract assets | 21 | -233 | 1,994 |
| Change in prepaid expenses | 22 | -8,263 | -3,437 |
| Change in trade accounts payable | 30 | 16,897 | 10,679 |
| Change in receivables from/liabilities to related parties | 20/31/41 | 7,829 | -1,811 |
| Change in other provisions | 34 | 1,600 | -38 |
| Change in income tax liabilities | 16 | 6,854 | -3,825 |
| Change in other liabilities | 35 | 4,587 | 14,745 |
| Change in contract liabilities | 33 | 3,283 | -189 |
| **Change in assets and liabilities, total** | | **11,599** | **12,831** |
| **Cash flow from operating activities** | | **188,340** | **200,547** |

*Translation from the German language*

| | €k | 2022<br>January - December | 2021<br>January - December |
|---|---|---|---|
| **Cash flow from investing activities** | | | |
| Cash payments to acquire property, plant and equipment and intangibles | 28/29 | -97,060 | -93,018 |
| Cash receipts from sales of property, plant and equipment and intangibles | | 1,796 | 2,276 |
| Cash payments for business combinations, net of cash acquired | 4 | 0 | -21,197 |
| Payments for the acquisition of associated companies | 25 | -62 | -2,394 |
| Cash receipts from the sale of associated companies | 25 | 3,043 | 0 |
| Cash receipts from the sale of other financial assets | 26 | 1,050 | 372 |
| Payments within the framework of cash pooling | | -19,326 | 25,370 |
| Payments related to other financial assets | | -9 | 0 |
| **Cash flow from investing activities** | | **-110,568** | **-88,591** |
| **Cash flow from financing activities** | | | |
| Dividend payments to non-controlling interests | | -799 | -963 |
| Payments to minority shareholders for increased shareholdings in InterNetX Holding GmbH | 35 | -15,182 | 0 |
| Cash proceeds from loans | 45 | 302 | 0 |
| Repayment of loans | 45 | -70,302 | -153,141 |
| Redemption of lease liabilities | 44 | -15,931 | -15,963 |
| Dividend payments to shareholders | | -9 | -16 |
| **Cash flow from financing activities** | | **-101,921** | **-170,083** |
| **Net decrease in cash and cash equivalents** | | **-24,149** | **-58,127** |
| **Cash and cash equivalents at beginning of fiscal year** | | **49,520** | **105,805** |
| **Currency translation adjustments of cash and cash equivalents** | | **1,069** | **1,842** |
| **Cash and cash equivalents at end of fiscal year** | | **26,440** | **49,520** |

# IONOS GROUP SE (FORMERLY IONOS TOPCO SE)

*Translation from the German language*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2022

## TABLE OF CONTENTS

*Translation from the German language*

*Translation from the German language*

# BASIS OF PREPARATION AND ACCOUNTING POLICIES

## 1. General information on the Company and the financial statements

The consolidated 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, Deutschland, and is registered there at the District Court under HRB 25386.

As of December 31, 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.

The consolidated financial statements of IONOS Group 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, 2022. The fiscal year is the calendar year.

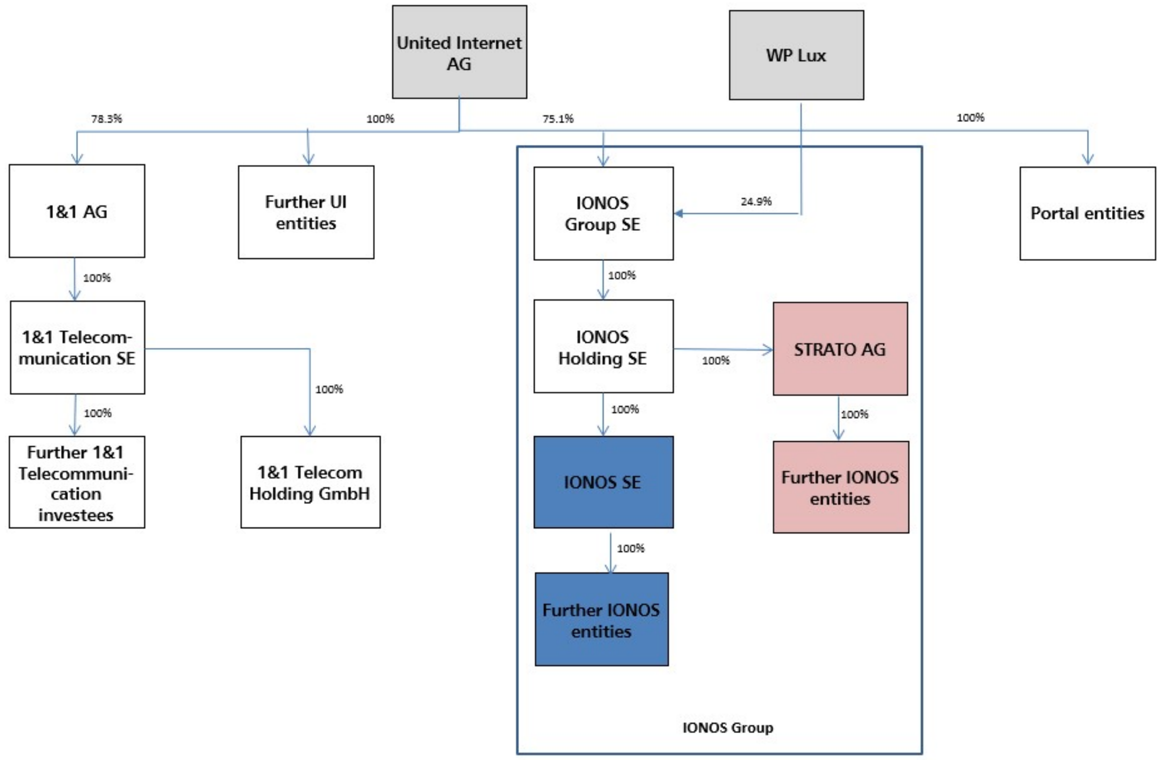
The consolidated financial statements were prepared by the Management Board of IONOS Group SE on March 28, 2023 and subsequently submitted to the Supervisory Board. Theoretically, there may still be changes before the consolidated financial statements are approved by the Supervisory Board. However, the Management Board expects that the consolidated financial statements will be approved in the present version.

Group SE prepares consolidated financial statements for the smallest group of companies and publishes them in the German Federal Gazette (“Bundesanzeiger”). The consolidated financial statements for the largest group of companies are prepared by United Internet AG and are published in the German Federal Gazette (“Bundesanzeiger”).

*Translation from the German language*

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

The following chart illustrates the corporate structure of the United Internet Group and the IONOS Group as of December 31, 2022:




## Basis of consolidation

## Determination of the basis of consolidation

As of December 31, 2022, the Group comprises the following subsidiaries in which IONOS Group 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, Montabaur (100.0%)**

- STRATO AG, Berlin (100.0%)
  - Cronon GmbH, Berlin (100.0%)
  - STRATO Customer Service GmbH, Berlin (100.0%)

- IONOS SE, Montabaur (100.0%)
  - IONOS Datacenter SAS, Niederlauterbach/France (100.0%)
  - 1&1 Internet Development SRL, Bucharest/Romania (100.0%)
  - IONOS Cloud S.L.U., Madrid/Spain (100.0%)
  - 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., Gloucester/UK (100.0%)

*Translation from the German language*

- IONOS S.à r.l., Sarreguemines/France (100.0%)
- IONOS Service GmbH, Montabaur (100.0%)
- 1&1 IONOS (Philippines) Inc., Cebu City/Philippines (100.0%)
- IONOS Cloud 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 (100.0%)
  - 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%)
- 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., 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 comprise the following main companies:

- DomainsBot S.r.l, Rome/Italy (49.0%)
- Stackable GmbH, Wedel (25.1%)

## Changes in the IONOS Group

No additional companies were acquired in fiscal year 2022.

The following company was sold in fiscal year 2022:
- Intellectual Property Management Company Inc., Dover, Delaware/USA (49.0%)

The following companies were liquidated in fiscal year 2022:
- Immobilienverwaltung NMH GmbH, Montabaur (100.0%)

*Translation from the German language*

### Going concern

In its separate financial statements prepared in accordance with German commercial law as of December 31, 2022, IONOS Group SE reports positive equity.

The consolidated equity (including amounts attributable to non-controlling interests) of the IONOS Group is negative, at € -162,180k (prior year: € -231,708k). The negative equity of the IONOS Group is not due to losses in the past but mainly to a non-cash distribution to the majority shareholder United Internet AG as part of a group reorganization in 2017 in connection with the acquisition of a 33.33% interest in IONOS Group SE by Warburg Pincus OOC, New York/USA ("WP").

Until the end of 2016, United Internet AG held all common stock and preferred shares in 1&1 Internet SE (now renamed IONOS SE) and its subsidiaries. In 2017, several reorganization steps were undertaken as part of the acquisition of a 33.33% interest in this group (1&1 Internet SE and its subsidiaries) by WP. United Internet AG initially contributed all common stock and preferred shares in IONOS SE, Montabaur, 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. In a second step, all common shares in IONOS Holding SE were contributed to the newly established IONOS Group SE in return for 66.67% of the issued capital. The remaining shares (33.33%) were acquired by WP. WP committed to cash contributions and further deferred purchase price payments of € 369 million. As a result of the restructuring, IONOS Group SE was established as the new ultimate holding company and became the new parent of the IONOS Group. Neither IONOS Group SE nor IONOS Holding SE were identified as acquirers in accordance with IFRS 3 during the reorganization of the Group. IONOS Group SE therefore did not apply the acquisition method pursuant to IFRS 3 but included the assets and liabilities at the original carrying amounts of IONOS SE in the consolidated financial statements of IONOS Group SE. Consequently, the new vendor loans between United Internet AG as lender and IONOS Holding SE as borrower (€ 1,569 million) were effectively considered as distributions and the WP commitment (€ 369 million) was recognized as a contribution. The net effect of the restructuring was a reduction in net equity of the IONOS Group SE Group by € 1,200 million. Before the group reorganization in 2017, the IONOS SE Group did not have any material financial liabilities. To adapt the Group's financing structure to a higher leverage ratio, vendor loans were raised under the restructuring.

The vendor loan amounts to € 819 million as of December 31, 2022 (prior year: € 889 million). On May 1, 2021, United Internet AG increased its shareholding in IONOS Group 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 Group were prepared on a going concern basis as

- the IONOS 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 Group will also be profitable in the future; and
- the IONOS 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 Group is expected to be able to meet its financial obligations at all times.

## 2. Accounting and measurement principles

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

*Translation from the German language*

## 2.1 Significant accounting policies

### Consolidation principles

The consolidated financial statements comprise the annual financial statements of IONOS Group 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

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

*Translation from the German language*

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 Group 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 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 Group 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 Group. SaaS refers to the customer’s use of software (e.g., to create websites) hosted on servers of the IONOS 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.

*Translation from the German language*

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 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 would have to be included in the allocation of the transaction price according to its expected utilization. This substantive right is not material and is therefore not included in the allocation of the transaction price.

In connection with the conclusion of contracts, the IONOS 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.

Group 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, the IONOS Group 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 Group companies of the United Internet Group that are not included in the basis of consolidation of the IONOS 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

*Translation from the German language*

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 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, 2022 | Dec. 31, 2021 | 2022 | 2021 |
| US dollar | 1.068 | 1.133 | 1.052 | 1.183 |
| UK pound | 0.887 | 0.840 | 0.852 | 0.860 |
| Polish zloty | 4.686 | 4.600 | 4.685 | 4.565 |

## 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.

*Translation from the German language*

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 business combinations, 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 acquisition-date 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

*Translation from the German language*

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; the IONOS Group 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 € 2,289k (prior year: € 1,529k) 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 over the period of expected future benefit in the expense category consistent with the function of the intangible asset. 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.

*Translation from the German language*

The useful lives are summarized below:

| | Useful life in years |
|---|---|
| Trademarks | indefinite |
| Customer base | 3 to 11 |
| 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.

*Translation from the German language*

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 from the customer. If a customer provides consideration before the Group has transferred goods or services to the customer, a contract liability is recognized at the time of payment or at the latest at the time when the payment becomes due. Contract 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 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.

*Translation from the German language*

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 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 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 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 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.

*Translation from the German language*

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.

## 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 14 |
| 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.

*Translation from the German language*

**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 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.

*Translation from the German language*

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

*Translation from the German language*

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 19. 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 19)
- Contract assets (Note 21)
- Objectives and methods of financial risk management (Note 42)

### 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.

*Translation from the German language*

## 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 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 Group, is entitled to use liquidity to finance its ongoing business. As a result, the cash pooling transactions are considered by the IONOS 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 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.

*Translation from the German language*

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 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 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.

Provisions are measured at the present value based on the best estimate by management of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate for calculating the present value is a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognized as interest expense.

## 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 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.

For obligations from cash-settled share-based payments to employees, the fair value of the liability is recalculated as of each reporting date and at the date of disbursement. 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

*Translation from the German language*

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 equity-settled payment agreements is measured at the fair value of such equity instruments on the date of grant. The fair value is determined by using a suitable option pricing model, in this case the Black-Scholes model and Monte Carlo simulation. On every measurement date, the expected exercise volume is reassessed, with a corresponding adjustment to fair value. Any necessary adjustments are made in the period in which new information about the exercise volume becomes available. The cost of granting equity-settled and cash-settled payment agreements is recognized over the period in which the related service is rendered (vesting period). This period ends on the date on which all exercise conditions (service and performance conditions) are fulfilled, i.e., the date on which the employee concerned has gained an irrevocable entitlement. The cumulative expenses recognized on each reporting date until the vesting date reflect the extent to which the vesting period has expired and the number of promised rights which, according to the Group's best estimate, will actually vest after the vesting period. They were recognized using a turnover probability of 0%. The income or expense recognized under expenses in profit or loss for the period represents the development of cumulative expenses recognized at the beginning and end of the reporting period.

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

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

## Finance income

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

## Current and deferred taxes

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

Current taxes are measured at the amount at which a refund from the tax authorities or a payment to the tax authorities is expected. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

The liability method is used to recognize deferred taxes on all temporary differences existing on the reporting date between the carrying amount of an asset or a liability in the statement of financial position and the tax carrying amount.

*Translation from the German language*

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

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

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

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

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

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

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

## 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.

## Earnings per share

Undiluted or basic earnings per share are calculated by dividing the result attributable to the holders of registered shares by the weighted average number of shares outstanding during the period.

*Translation from the German language*

Diluted earnings per share are calculated similarly to basic earnings per share with the exception that the average number of shares outstanding increases by the portion which would result if the exercisable subscription rights resulting from employee stock participation programs had been exercised.

## 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 |
| Finance lease receivables | 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 |

*Translation from the German language*

## 2.3 Effects of new or amended IFRS

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 |
|---|---|---|---|
| IFRS 3 | Amendment: Reference to the Conceptual Framework | Jan. 1, 2022 | yes |
| IAS 37 | Amendment: Onerous Contracts – Cost of Fulfilling a Contract | Jan. 1, 2022 | yes |
| IAS 16 | Amendment: Property, Plant and Equipment – Proceeds before Intended Use | Jan. 1, 2022 | yes |
| 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 consolidated financial statements and are not expected to have a material impact on the Group in the future.

## 2.4 Accounting standards already published but not yet mandatory

Apart from the IFRS mentioned above whose application is mandatory, the IASB has issued further IFRS and IFRICs, some of which have already been endorsed by the EU endorsement but which will become effective at a later date. IONOS Group 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 |
|---|---|---|---|
| IAS 1 | Amendments: Guidance on disclosures of accounting policies in the financial statements | Jan. 1, 2023 | yes |
| IAS 8 | Amendment: Distinction between changes in accounting policies and changes in accounting estimates | Jan. 1, 2023 | yes |
| IAS 12 | Amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transaction | Jan. 1, 2023 | yes |
| IFRS 17 | Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information | Jan. 1, 2023 | yes |
| IAS 1 | Amendment: Clarification as to the Criteria for the Classification of Liabilities as Current or Non-current | Jan. 1, 2024 (originally 2023) | no |
| IFRS 16 | Lease Liability in a Sale and Leaseback | Jan. 1, 2024 | no |

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

*Translation from the German language*

# 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.

**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 29).

## 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.

## War in Ukraine and overall economic situation

Significant external events in fiscal year 2022 were the Russian war in Ukraine and the associated increase in energy prices, as well as the generally still high inflation. The IONOS Group does not actively pursue any business activities in the countries involved in the war. Ukraine, Russia and Belarus are not target countries for IONOS companies and there are no locations in the aforementioned countries. Against this background, the war did not have a direct impact on the business performance or the position of the Group.

## 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

*Translation from the German language*

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.

The guiding principle for assessing whether an entity is a principal or an agent is whether it controls the specified good or service before transferring it to the customer. Entities will often need to make significant judgments when assessing control. This relates in particular to website marketing services and the sale of third-party products and services by the Group.

## 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 € 16,153k as of December 31, 2022 (prior year: € 12,018k).

## 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 € 820,844k (prior year: € 825,261k). As of December 31, 2022, the carrying amount of intangible assets with indefinite useful lives amounts to € 51,164k (prior year: € 51,830k).

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

For share-based payment agreements, the cost of equity-settled payment is measured at the fair value of such equity instruments on the date of grant. For agreements accounted for as cash-settled share-based payment transactions, the fair value of the liability is recalculated as of each reporting date and at the date of disbursement. 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 € 4,208k (prior year: € 12,788k) were incurred.

*Translation from the German language*

## 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, 2022, the carrying amount of income tax liabilities was € 20,900k (prior year: € 14,824k), most of which was attributable to current income taxes for fiscal year 2022.

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, 2022, deferred tax assets on interest carryforwards of € 36,069k (prior year: € 19,919k) 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, 2022, the carrying amount of trade accounts receivable totaled € 66,628k (prior year: € 49,526k). The carrying amount of contract assets was € 8,129k as of December 31, 2022 (prior year: € 7,896k).

## 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, 2022, the carrying amount of property, plant and equipment and intangible assets with finite useful lives, excluding payments on account, is € 440,649k (prior year: € 397,665k).

## 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 leases for the business premises at the locations in Montabaur and Karlsruhe include renewal options. In order to determine the term of these leases, they were assumed to run until 2033 due to their strategic significance for the Group, except for two agreements on buildings leased in Karlsruhe in 2020, whose terms were assumed to end in 2035. For the leases on office buildings in the other locations, renewal options are not considered in most cases when determining terms as these assets could be replaced by the Group without significant cost.

*Translation from the German language*

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

## Accounting for business combinations

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

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

*Translation from the German language*

# 4. Business combinations and investments

## Business combinations in the fiscal year

In fiscal year 2022, the IONOS Group did not acquire any shares in subsidiaries or equity investments.

## Business combinations in the prior year: Acquisition of shares in we22 Aktiengesellschaft

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 Group and builds on its strategy of making acquisitions to complement organic growth.

The products and services of the we22 Group are available to customers of all IONOS Group companies. The company's expertise is used 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. These obligations have since been settled. Furthermore, an additional payment obligation was agreed in the form of a pro rata participation in the appreciation of IONOS Group SE until the end of 2024 or any earlier change of control at IONOS Group SE. This payment obligation was also subject to specific conditions and had a fair value of € 2,762k as of December 31, 2021. The consideration related to the additional payment obligations was 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 Group SE for the first time as of the acquisition date. First-time consolidation of the we22 Group was in accordance with IFRS 3 Business Combinations and uses the acquisition method.

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

*Translation from the German language*

| | €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.

*Translation from the German language*

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 comprised the tax effect of the accelerated depreciation for tax purposes of intangible assets.

The goodwill, which was not tax deductible, mainly contained 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 Group 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.

# NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

## 5. Revenue from contracts with customers/segment reporting

Under IFRS 8, reportable operating segments are identified according to the management approach. External reporting is thus based on the Group's internal organizational and management structure as well as on internal financial reporting to the chief operating decision maker. 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 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 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.

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 third parties breaks down by region as follows:

| €k | 2022 | 2021 |
|---|---|---|
| Domestic | 621,243 | 548,707 |
| Foreign | 623,247 | 511,283 |
| **Total** | **1,244,490** | **1,059,990** |

In fiscal year 2022, revenue from contracts with customers breaks down into product revenue from the business areas Web Presence & Productivity of € 1,112,676k (prior year: € 950,130k) and Cloud of € 131,814k (prior year: € 109,860k).

*Translation from the German language*

Contract balances developed as follows in fiscal year 2022:

| €k | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Trade accounts receivable (Note 19) | 66,628 | 49,526 |
| Contract assets (Note 21) | 8,129 | 7,896 |
| Contract liabilities (Note 33) | 75,474 | 72,190 |

In fiscal year 2022, revenue of € 71,630k (prior year: € 71,238k) 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 € 5,404k as of December 31, 2022 (prior year: € 4,991k). 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, 2022 | 2023 | 2024 | >2024 |
|---|---|---|---|
| €k | €k | €k | €k |
| 5,404 | 3,200 | 1,728 | 476 |

| Total as of Dec. 31, 2021 | 2022 | 2023 | >2023 |
|---|---|---|---|
| €k | €k | €k | €k |
| 4,991 | 3,010 | 1,523 | 458 |

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.

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

The EBITDA margin is calculated as follows:

| €k | 2022 | 2021 | 2020 |
|---|---|---|---|
| Revenue from contracts with customers and revenue from contracts with related parties | 1,292,961 | 1,103,297 | 988,281 |
| EBITDA (€k) | 320,353 | 326,301 | 340,257 |
| EBITDA margin (%) | 24.8% | 29.7% | 34.5% |
| Adjusted EBITDA (€k) | 345,646 | 355,176 | 355,102 |
| Adjusted EBITDA margin (%) | 26.7% | 32.3% | 36.0% |

*Translation from the German language*

Adjusted EBITDA is calculated as follows:

| €k | 2022 | 2021 | 2020 |
|---|---|---|---|
| Operating result | 208,021 | 213,651 | 229,367 |
| Depreciation and amortization of intangible assets and property, plant and equipment | 112,332 | 112,650 | 110,890 |
| EBITDA | 320,353 | 326,301 | 340,257 |
| Adjustment for LTIP[(1)] | 4,208 | 12,788 | 9,468 |
| Adjustment for standalone activities[(2)] | 13,048 | 11,833 | 4,249 |
| Adjustment for IPO costs[(3)] | 8,829 | 2,951 | 0 |
| Adjustment for consulting fees incurred for one-off projects[(4)] | 1,118 | 1,303 | 440 |
| Adjustment for the sale of shares [(5)] | -1,910 | 0 | 0 |
| Adjustment for severance payments[(6)] | 0 | 0 | 688 |
| Total adjustments | 25,293 | 28,875 | 14,845 |
| Adjusted EBITDA | 345,646 | 355,176 | 355,102 |

[(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 SE 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 gain on sale of the 49% equity investment in Intellectual Property Management Company Inc., USA

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

The following tables show 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 | 2021 | 2020 |
|---|---|---|---|
| Germany | 621,242 | 548,707 | 489,171 |
| USA | 284,879 | 190,133 | 158,151 |
| UK | 129,689 | 123,454 | 112,905 |
| Spain | 104,889 | 98,452 | 91,829 |
| France | 55,126 | 52,528 | 47,781 |
| Poland | 34,785 | 33,726 | 32,084 |
| Austria | 13,880 | 12,990 | 12,452 |
| **Total** | **1,244,490** | **1,059,990** | **944,373** |

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

*Translation from the German language*

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

| €k | 2022 | 2021 | 2020 |
|---|---|---|---|
| Germany | 858,499 | 830,714 | 779,575 |
| Poland | 143,719 | 147,342 | 151,092 |
| Spain | 127,474 | 125,681 | 131,951 |
| UK | 97,551 | 94,889 | 77,518 |
| Austria | 73,079 | 74,721 | 77,265 |
| USA | 28,190 | 25,260 | 24,978 |
| France | 4,349 | 5,574 | 7,486 |
| Romania | 2,032 | 2,458 | 2,866 |
| Philippines | 1,239 | 1,395 | 1,609 |
| **Total** | **1,336,132** | **1,308,034** | **1,254,339** |

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.

# 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 Group, come to € 48,471k (prior year: € 43,307k) and mainly stem from internal cost allocations. The entities of the IONOS Group provide general development, sales, data center, administrative and product management services for Group companies not included in the basis of consolidation.

The IONOS Group's total revenue with related parties breaks down by region as follows:

| €k | 2022 | 2021 |
|---|---|---|
| Domestic | 39,462 | 35,194 |
| Foreign | 9,009 | 8,113 |
| **Total** | **48,471** | **43,307** |

# 7. Cost of sales

| €k | 2022 | 2021 |
|---|---|---|
| Cost of services | 444,858 | 303,910 |
| Personnel expenses | 109,095 | 100,308 |
| Depreciation and amortization | 80,534 | 76,665 |
| Costs for data center operation | 59,963 | 52,443 |
| Other | 3,797 | 2,075 |
| **Total** | **698,247** | **535,401** |

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

*Translation from the German language*

# 8. Selling expenses

| €k | 2022 | 2021 |
|---|---|---|
| Personnel expenses | 112,293 | 110,984 |
| Purchased marketing/advertising services | 112,417 | 81,326 |
| Depreciation and amortization | 26,301 | 29,489 |
| Commissions paid to third parties | 19,293 | 17,241 |
| Customer care | 15,626 | 15,013 |
| Product management | 2,171 | 2,524 |
| Other selling expenses | 8,067 | 8,555 |
| **Total** | **296,168** | **265,132** |

# 9. General and administrative expenses

| €k | 2022 | 2021 |
|---|---|---|
| Personnel expenses | 26,028 | 23,662 |
| Services provided by third parties | 17,899 | 19,692 |
| Legal and consulting fees | 11,422 | 5,200 |
| Payment transaction costs | 10,287 | 9,082 |
| Depreciation and amortization | 5,497 | 6,496 |
| Financial statement costs | 2,884 | 1,784 |
| Lease expenses | 2,558 | 2,586 |
| Accounts receivable management | 1,233 | 1,368 |
| Other | 9,808 | 7,167 |
| **Total** | **87,616** | **77,037** |

# 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 | 2022 | 2021 |
|---|---|---|
| Trade accounts receivable | 8,606 | 8,539 |
| Contract assets | -3 | -16 |
| **Total** | **8,603** | **8,523** |

*Translation from the German language*

# 11. Other operating expenses/income

## Other operating expenses

| €k | 2022 | 2021 |
|---|---:|---:|
| Expenses from foreign currency translation | 13,862 | 10,587 |
| Other taxes | 1,553 | 2,320 |
| Expenses relating to other periods | 1,102 | 330 |
| Losses from the disposal of property, plant and equipment and intangible assets | 450 | 945 |
| Other | 1,262 | 1,722 |
| **Total** | **18,229** | **15,904** |

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 € 579k (prior year: net loss of € 4,244k). The expenses relating to other periods in fiscal year 2022 include of € 433k for revenue adjustments due to failure to take account of special conditions in prior-year billings.

## Other operating income

| €k | 2022 | 2021 |
|---|---:|---:|
| Income from foreign currency translation | 13,283 | 6,343 |
| Income from dunning/return debit charges | 2,247 | 2,172 |
| Gain on the sale of entities accounted for using the equity method | 1,910 | 0 |
| Income from the reversal of a provision | 1,878 | 0 |
| Project grants | 1,616 | 244 |
| Income relating to other periods | 1,217 | 319 |
| Income from allocations to affiliated companies | 484 | 739 |
| Income from the disposal of property, plant and equipment and intangible assets | 432 | 1,426 |
| Other | 856 | 1,108 |
| **Total** | **23,923** | **12,351** |

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

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

*Translation from the German language*

# 12. Depreciation and amortization

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

| €k | 2022 | 2021 |
|---|---|---|
| Cost of sales | 80,534 | 76,665 |
| Selling expenses | 26,301 | 29,489 |
| General and administrative expenses | 5,497 | 6,496 |
| **Total** | **112,332** | **112,650** |

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

| €k | 2022 | 2021 |
|---|---|---|
| **Intangible assets** | | |
| Customer base | 20,777 | 23,812 |
| Software | 4,157 | 6,192 |
| Trademark | 274 | 0 |
| **Total** | **25,208** | **30,004** |

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

| €k | 2022 | 2021 |
|---|---|---|
| STRATO | 13,680 | 15,874 |
| Arsys | 2,732 | 3,653 |
| IONOS SE | 1,694 | 2,904 |
| home.pl | 2,801 | 3,105 |
| World4You | 1,880 | 2,248 |
| we22 | 2,409 | 2,208 |
| ASCI | 12 | 12 |
| **Total** | **25,208** | **30,004** |

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

| €k | 2022 | 2021 |
|---|---|---|
| Selling expenses | 20,777 | 23,812 |
| Cost of sales | 4,157 | 6,192 |
| General and administrative expenses | 274 | 0 |
| **Total** | **25,208** | **30,004** |

*Translation from the German language*

# 13. Personnel expenses

Personnel expenses for fiscal year 2022 come to € 247,416k (prior year: € 234,954k) and break down by function as follows:

| €k | 2022 | 2021 |
|---|---|---|
| Selling expenses | 112,293 | 110,984 |
| Cost of sales | 109,095 | 100,308 |
| General and administrative expenses | 26,028 | 23,662 |
| **Total** | **247,416** | **234,954** |

Personnel expenses include expenses for wages and salaries of € 211,215k (prior year: € 202,539k), social security costs of € 35,268k (prior year: € 31,586k) and pension costs of € 933k (prior year: € 829k).

The average headcount came to 4,177 in the fiscal year (prior year: 3,946) and is divided between domestic and foreign employees as follows:

| | 2022 | 2021 |
|---|---|---|
| Domestic | 2,295 | 2,173 |
| Foreign | 1,882 | 1,773 |
| **Total** | **4,177** | **3,946** |

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 2022, they totaled € 11,532k (prior year: € 12,235k).

# 14. Finance costs

| €k | 2022 | 2021 |
|---|---|---|
| Intercompany interest and similar expenses | 90,702 | 91,844 |
| Subsequent measurement of a purchase price liability | 10,908 | 11,373 |
| Finance costs from leases | 3,575 | 2,433 |
| Subsequent measurement of the put option liabilities | 98 | 8,163 |
| Interest expense from the tax audit | 95 | 1,279 |
| Other | 590 | 341 |
| **Total** | **105,968** | **115,433** |

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 IONOS Group. For further information, please refer to Note 41.

The expenses from the subsequent measurement of a purchase price liability of € 10,908k (prior year: € 11,373k) stem from the subsequent measurement of the purchase price liability for the purchase of STRATO AG. For further information, please refer to Note 35.

*Translation from the German language*

The expenses from the subsequent measurement of the put option liabilities of € 98k (prior year: € 8,163k) stem from the subsequent measurement of the put option for the minority interests in InterNetX Holding GmbH. In the reporting year, the liability from the put option was settled by payments to minority shareholders for increased shareholdings (from 95.6% to 100%). The subsequent measurement therefore relates to the adjustment of the liability to the exercise price of the put option. For further information, please refer to Note 35.

# 15. Finance income

| €k | 2022 | 2021 |
|---|---|---|
| Subsequent measurement of a purchase price liability | 8,786 | 0 |
| Interest income from the tax audit | 627 | 499 |
| Interest and similar income from related parties | 70 | 25 |
| Income from equity investments | 9 | 113 |
| Interest income from discounting non-current provisions | 0 | 29 |
| Other finance income | 351 | 41 |
| **Total** | **9,843** | **707** |

The income from the subsequent measurement of a purchase price liability of € 8,786k (prior year: € 0) stems from the subsequent measurement of the purchase price liability for the purchase of STRATO AG. For further information, please refer to Note 35.

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 Group. For further information, please refer to Note 41.

In the prior year, income from equity investments arose almost exclusively from dividends from Afilias Inc., Horsham, Pennsylvania, USA.

*Translation from the German language*

## 16. Income taxes

Income taxes of € 37,636k (prior year: € 36,203k) of the IONOS Group are comprised as follows:

| €k | 2022 | 2021 |
|---|---|---|
| Germany | -42,122 | -45,728 |
| Outside Germany | -13,587 | -12,636 |
| **Total current taxes** | **-55,709** | **-58,364** |

| €k | 2022 | 2021 |
|---|---|---|
| Due to tax interest carryforwards | 16,150 | 9,019 |
| Due to tax loss carryforwards | 0 | 0 |
| Tax effect on temporary differences | 3,183 | 12,989 |
| Due to tax rate changes | -1,260 | 153 |
| **Total deferred taxes** | **18,073** | **22,161** |
| **Total tax expense** | **-37,636** | **-36,203** |

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 2022 for the tax group of IONOS Holding SE amounted to approx. 14.93% (prior year: 14.60%).

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 relating to other periods of € 2,915k (prior year: € 1,201k).

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 2022, as in the prior year, there was no deferred tax expense from the utilization of deferred tax assets on tax loss carryforwards.

The loss carryforwards in Germany, for which no deferred taxes were recognized, relate to IONOS Group SE and amount to € 2,286k for corporate income tax and € 2,294k for trade tax. There are no 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 € 89,847k (prior year: € 112,962k).

*Translation from the German language*

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 € 16,150k in the fiscal year (prior year: € 9,019k). Of this amount, deferred tax assets of € 6,321k relate to interest carryforwards from prior years.

Deferred taxes resulted from the following items:

| | | Dec. 31, 2022 | | Dec. 31, 2021 |
|---|---|---|---|---|
| | Deferred tax assets | Deferred taxes liabilities | Deferred tax assets | Deferred taxes liabilities |
| Trade accounts receivable | 1,011 | 316 | 678 | 172 |
| Inventories | 88 | 5 | 83 | 0 |
| Contract assets * | 0 | 2,228 | 0 | 2,039 |
| Other financial assets - current | 748 | 0 | 2,164 | 0 |
| Other financial assets - non-current | 27 | 539 | 28 | 915 |
| Prepaid expenses | 15,328 | 4,244 | 15,066 | 3,157 |
| Property, plant and equipment | 1,492 | 6,805 | 1,219 | 5,449 |
| Right-of-use assets from leases | 131 | 36,656 | 49 | 25,924 |
| Intangible assets | 3,133 | 62,110 | 4,090 | 65,438 |
| Other provisions | 29,378 | 14 | 31,080 | 0 |
| Contract liabilities | 15,433 | 38,623 | 14,631 | 38,045 |
| Lease liabilities | 38,371 | 12 | 26,709 | 59 |
| Other liabilities | 71 | 89 | 717 | 268 |
| **Gross value** | **105,211** | **151,641** | **96,514** | **141,466** |
| Tax interest carryforwards | 36,069 | 0 | 19,919 | 0 |
| Adjustments for consolidation | 0 | 0 | 0 | 74 |
| Offsetting | -113,171 | -113,171 | -116,331 | -116,331 |
| **Consolidated statement of financial position** | **28,109** | **38,470** | **102** | **25,209** |

*: The prior-year amount was restated by offsetting deferred tax assets against deferred tax liabilities.

The net balance of deferred tax liabilities of € 25,107k in the prior year decreased to a net balance of deferred tax liabilities of € 10,361k. As a result, the total change in the net balance of deferred taxes amounted to € 14,746k (prior year: € 28,017k). This change was mainly due to the following factors:

- Increase of € 16,150k in deferred tax assets on interest carryforwards.
- Decrease in deferred tax assets and increase in deferred tax liabilities of € 5,595k on valuation differences in the tax base of various items of property, plant and equipment and intangible assets.
- Decrease of € 7,154k in deferred tax liabilities from the amortization of intangible assets in connection with business combinations.
- Increase of € 2,062k in deferred tax assets from provisions for the LTIP.

The deferred tax liabilities on intangible assets of € 62,110k (prior year: € 65,438k) largely arose from the different treatment of intangible assets recognized in connection with acquisitions in the consolidated financial statements and the tax accounts.

*Translation from the German language*

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

| €k | 2022 | 2021 |
|---|---|---|
| Deferred tax income | 18,073 | 22,161 |
| Addition in connection with the acquisition of we22 Aktiengesellschaft | 0 | -3,878 |
| Deferred tax effects recognized in equity | -3,327 | 9,734 |
| **Change in the net balance of deferred taxes** | **14,746** | **28,017** |

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:

| | 2022<br>% | 2021<br>% |
|---|---|---|
| **Anticipated tax rate** | **30.9** | **30.4** |
| Current and deferred taxes for prior years | 2.5 | 1.7 |
| Effect from tax rate changes | 1.1 | -0.2 |
| Tax effects in connection with group-internal dividends and disposals | 0.7 | 1.1 |
| Write-downs on intangible assets deductible for tax purposes only | 1.8 | 0.1 |
| Effect from tax rate differences | -3.9 | -5.9 |
| Transaction costs in connection with acquisitions that must be capitalized for tax purposes | 0.0 | 0.6 |
| Non-deductible write-downs on financial assets | 0.6 | 6.1 |
| First-time capitalization of interest carryforwards that can be used in the future | -4.4 | -2.2 |
| Tax losses and non-deductible interest of the fiscal year for which no deferred taxes were recognized | 0.3 | 0.2 |
| Impairment of deferred tax assets | 0.0 | 0.0 |
| Trade tax add-back | 2.1 | 2.8 |
| Balance of other tax-free income and non-deductible expenses | 1.9 | 2.2 |
| **Effective tax rate** | **33.6** | **36.9** |

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 group parent IONOS Group SE.

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 Group 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. Earnings per share

Issued capital comprises 360,001 shares including one preferred share. The subsidiaries' employee stock ownership programs are not dilutive as of the reporting date as the vesting conditions had not been met as of that date.

*Translation from the German language*

| €k | 2022 | 2021 |
|---|---|---|
| **Earnings attributable to the shareholders of IONOS Group SE** | **73,772** | **60,923** |
| | | |
| **Earnings per share of shareholders of IONOS Group SE (in €)** | | |
| basic | 204.92 | 169.23 |
| diluted | 204.92 | 169.23 |
| **Weighted average number of shares outstanding (in thousands)** | | |
| basic | 360 | 360 |
| diluted | 360 | 360 |

# NOTES TO THE STATEMENT OF FINANCIAL POSITION

## 18. 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.

## 19. Trade accounts receivable

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

| €k | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Trade accounts receivable | 76,434 | 58,530 |
| Less bad debt allowances | -9,806 | -9,004 |
| **Trade accounts receivable, net** | **66,628** | **49,526** |

The development of bad debt allowances can be seen below:

| €k | 2022 | 2021 |
|---|---|---|
| As of January 1 | 9,004 | 8,541 |
| Utilization | -4,295 | -3,867 |
| Additions charged to profit or loss | 5,972 | 4,983 |
| Reversals | -929 | -807 |
| Exchange rate differences | 54 | 154 |
| **As of December 31** | **9,806** | **9,004** |

*Translation from the German language*

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

As of December 31, 2022, the age structure of trade accounts receivable net of the abovementioned allowances was as follows:

| €k | 2022 | 2021 |
|---|---|---|
| 0-5 days | 57,168 | 43,536 |
| 6-15 days | 2,770 | 1,943 |
| 16-30 days | 2,351 | 2,065 |
| 31-180 days | 2,425 | 1,215 |
| 181-365 days | 1,313 | 729 |
| > 365 days | 601 | 38 |
| **Total** | **66,628** | **49,526** |

# 20. Receivables from related parties

As of the reporting date, receivables from related parties amounted to € 27,964k (prior year: € 15,830k) and relate to Group entities of the United Internet Group that do not belong to the basis of consolidation of the IONOS Group.

For information on transactions with related parties, please refer to Note 41.

# 21. Contract assets

| €k | 2022 | 2021 |
|---|---|---|
| Contract assets | 8,137 | 7,904 |
| Less bad debt allowances | -8 | -8 |
| **Contract assets, net** | **8,129** | **7,896** |
| thereof contract assets – current | 8,128 | 7,894 |
| thereof contract assets – non-current | 1 | 2 |

# 22. Prepaid expenses

Current prepaid expenses of € 23,779k (prior year: € 18,127k) consist mainly of costs to obtain a contract of € 9,279k (prior year: € 7,215k) and prepayments for wholesale fees, which are deferred and charged to the income statement on the basis of the underlying contractual period.

*Translation from the German language*

Non-current prepaid expenses of € 8,573k (prior year: € 5,962k) consist mainly of non-current prepaid costs to obtain a contract of € 6,874k (prior year: € 4,803k).

The amortization of capitalized costs to obtain a contract came to € 11,343k in fiscal year 2022 (prior year: € 10,002k).

# 23. Other current assets

## Other current financial assets

Other current financial assets come to € 12,377k as of December 31, 2022 (prior year: € 15,390k) and are comprised as follows:

| €k | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Payments on account | 5,723 | 6,422 |
| Additional payment obligation II deposited in notary escrow accounts | 2,076 | 2,076 |
| Denic reimbursement | 1,702 | 1,846 |
| Creditors with debit balances | 1,252 | 1,895 |
| Security deposits | 950 | 826 |
| Miscellaneous | 674 | 2,325 |
| **Other financial assets, net** | **12,377** | **15,390** |

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 € 966k (prior year: € 145k) primarily relate to VAT receivables.

# 24. Income tax claims

Income tax claims totaling € 9,918k (prior year: € 5,141k) mainly relate to IONOS Holding SE (€ 7,660k) and IONOS Cloud Ltd. (€ 1,127k) (prior year: IONOS Holding SE (€ 2,700k) and Fasthosts Internet Ltd. (€ 1,209k).

*Translation from the German language*

## 25. Investments in associated companies

Investments in associated companies amount to € 2,423k (prior year: € 3,589k) and developed as follows as of the reporting date:

| €k | 2022 | 2021 |
|---|---|---|
| As of January 1 | 3,589 | 2,208 |
| Disposal due to sale | -1,134 | 0 |
| Addition due to acquisition | 62 | 2,394 |
| Impairment | 0 | -1,000 |
| Distributions | -206 | -229 |
| Earnings contributions | 112 | 216 |
| **As of December 31** | **2,423** | **3,589** |

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

| €k | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| DomainsBot S.r.l. | 1,310 | 1,288 |
| Stackable GmbH | 1,113 | 1,343 |
| Intellectual Property Management Company Inc. | 0 | 958 |
| **Investments in associated companies** | **2,423** | **3,589** |

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, 2022 | Dec. 31, 2021 |
|---|---|---|
| Current assets | 2,835 | 2,994 |
| Non-current assets | 135 | 132 |
| Current liabilities | 594 | 484 |
| Non-current liabilities | 0 | 0 |
| **Equity** | **2,377** | **2,642** |
| | | |
| Revenue | 1,972 | 4,006 |
| Net profit/loss | -668 | 419 |

As of October 25, 2022, the 49% equity investment in Intellectual Property Management Company Inc., Dover, Delaware, USA, was sold for a price of € 3,043k. The gain on the sale of the equity investment amounts to € 1,910k and is recognized under other operating income.

In the prior year, 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.

*Translation from the German language*

# 26. Other non-current financial assets

The development of other non-current financial assets for the 2022 and 2021 reporting years was as follows:

| €k | Jan. 1, 2022 | Additions | Currency effects | Change in fair value | Disposal | Dec. 31, 2022 |
|---|---|---|---|---|---|---|
| Other non-current assets | 1,946 | 11 | -2 | 0 | -1,052 | 903 |
| | **1,946** | **11** | **-2** | **0** | **-1,052** | **903** |

| €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** |

When the minority interests in InterNetX Holding GmbH were acquired in fiscal year 2022, the loan to the minority shareholders was settled in full (prior year: € 999k).

# 27. Property, plant and equipment

Property, plant and equipment amounted to € 322,286k as of the reporting date (prior year: € 271,782k) and are comprised as follows:

| €k | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| **Cost before depreciation** | | |
| Land and buildings | 25,028 | 11,804 |
| Operating and office equipment | 532,830 | 470,632 |
| Payments on account | 3,024 | 19,346 |
| Right-of-use assets from leases (IFRS 16) | 165,335 | 122,825 |
| | **726,217** | **624,607** |
| **Less** | | |
| Accumulated depreciation | -403,931 | -352,825 |
| **Property, plant and equipment, net** | **322,286** | **271,782** |

Right-of-use assets from leases relate to land and buildings with an acquisition cost of € 155,976k (prior year: € 113,431k) and a net carrying amount of € 117,348k as of December 31, 2022 (prior year: € 86,430k) and operating and office equipment with an acquisition cost of € 9,359k (prior year: € 9,394k) and a carrying amount of € 2,186k as of December 31, 2022 (prior year: € 3,254k).

An alternative presentation of the development of property, plant and equipment in fiscal year 2022 can be found in the exhibit to the notes to the consolidated financial statements (development of intangible assets and property, plant and equipment).

*Translation from the German language*

# 28. Intangible assets (without goodwill)

Intangible assets without goodwill amounted to € 178,826k as of December 31, 2022 (prior year: € 201,437k) and are comprised as follows:

| €k | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| **Cost before amortization** | | |
| Software/licenses | 94,557 | 122,885 |
| Trademarks | 52,474 | 52,886 |
| Customer base | 302,158 | 303,536 |
| Internally generated intangible assets | 4,901 | 4,745 |
| Other intangible assets | 3,224 | 3,522 |
| Payments on account | 2,720 | 1,014 |
| | **460,034** | **488,588** |
| **Less** | | |
| Accumulated amortization | -281,208 | -287,151 |
| **Intangible assets, net** | **178,826** | **201,437** |

An alternative presentation of the development of intangible assets in fiscal year 2022 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 € 51,164k (prior year: € 51,830k). 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 business combinations:

| €k | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| STRATO | 80,970 | 94,512 |
| World4You | 15,937 | 17,784 |
| home.pl | 8,318 | 11,299 |
| we22 | 1,604 | 1,748 |
| Arsys | 0 | 2,458 |
| Other | 25 | 38 |
| **Customer base** | **106,854** | **127,839** |

The residual amortization period for the customer base from the acquisition of STRATO AG amounts to 1 to 8 years depending on the product groups (prior year: 1 to 9 years), with 6 years applicable to most product groups (prior year: 7 years). The residual amortization period for the customer base of the home.pl transaction amounts to 3 years (prior year: 4 years), for World4You 8 years (prior year: 10 years) and for we22 11 years (prior year: 12 years).

*Translation from the German language*

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, 2022 | Dec. 31, 2021 |
|---|---|---|
| STRATO | 20,071 | 20,071 |
| home.pl | 10,326 | 10,519 |
| Arsys | 7,278 | 7,553 |
| united-domains | 4,198 | 4,198 |
| Fasthosts | 3,903 | 4,121 |
| World4You | 3,494 | 3,494 |
| Cronon | 462 | 462 |
| **Trademarks** | **49,732** | **50,418** |

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.

*Translation from the German language*

Goodwill as of December 31, 2022 is allocated to the cash-generating units as follows:

| €k | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| STRATO | 401,823 | 401,823 |
| home.pl | 116,484 | 117,469 |
| Arsys | 100,496 | 100,496 |
| Fasthosts | 61,394 | 64,822 |
| World4You | 51,250 | 51,250 |
| united-domains | 35,925 | 35,925 |
| IONOS | 43,138 | 28,565 |
| we22 * | 0 | 14,577 |
| InterNetX | 5,237 | 5,237 |
| Sedo (domain marketing) | 5,097 | 5,097 |
| **Goodwill** | **820,844** | **825,261** |

*: The cash-generating units of we22 and IONOS were merged in fiscal year 2022.

## Scheduled impairment test as of December 31, 2022

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 2023. Due to the manageable consequences of the coronavirus pandemic in 2022, 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 revenue and EBITDA of 1.0% to 2.4% (prior year: 0.1% 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 6.9% and 9.5% (prior year: between 5.3% and 6.8%).

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:

*Translation from the German language*

| | Reporting year | Total proportion of goodwill | Long-term growth rate | Discount rate after taxes |
|---|---|---|---|---|
| STRATO | 2022 | 48.9% | 1.0% | 7.0% |
| | 2021 | 48.7% | 0.1% | 5.3% |
| home.pl | 2022 | 14.2% | 1.7% | 8.4% |
| | 2021 | 14.2% | 0.5% | 6.2% |
| Arsys | 2022 | 12.2% | 2.4% | 9.5% |
| | 2021 | 12.2% | 0.8% | 6.8% |
| Fasthosts | 2022 | 7.5% | 1.5% | 8.0% |
| | 2021 | 7.9% | 0.3% | 6.0% |
| World4You | 2022 | 6.2% | 1.3% | 7.6% |
| | 2021 | 6.2% | 0.2% | 5.7% |
| united-domains | 2022 | 4.4% | 1.0% | 7.0% |
| | 2021 | 4.4% | 0.1% | 5.3% |
| IONOS | 2022 | 3.5% | 1.2% | 7.4% |
| | 2021 | 3.5% | 0.2% | 5.6% |
| we22 | 2022 | n/a | n/a | n/a |
| | 2021 | 1.8% | 0.1% | 7.3%* |
| InterNetX | 2022 | 0.6% | 1.0% | 6.9% |
| | 2021 | 0.6% | 0.1% | 5.3% |
| Sedo (domain marketing) | 2022 | 0.6% | 1.0% | 6.9% |
| | 2021 | 0.6% | 0.1% | 5.3% |

*: 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 4.4% and 8.0% (prior year: between 3.4% and 11.8%).

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 0.5% and 3.0% were assumed (prior year: between 0.3% and 3.0%).

In the IONOS Group, trademarks recognized amount to € 49,732k (prior year: € 50,418k). 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 the World4You cash-generating unit, an increase in the discount rate (before taxes) of 2.0 percentage points and a decline in the EBITDA margin of 5.4 percentage points were assumed. These assumptions would give rise to an impairment of € 8.7 million. Based on the information currently available, management does not expect a significant deviation in the EBIDTA margin. The assumptions on the possible development of the cost of capital are founded on the sharp

*Translation from the German language*

increase in interest rates caused by external factors in 2022. The sensitivity analysis does not take into account any opportunities from possible price adjustments in response to higher operating expenses.

In the course of analyzing sensitivity for the remaining cash-generating units, an increase in the discount rates (after taxes) equal to their year-on-year change and a decline in the long-term growth rates in perpetuity or, alternatively, a decline in the EBITDA margins in perpetuity appropriate for each CGU were assumed. These assumptions would not result in any changes to the impairment tests for the remaining cash-generating units.

In addition, 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 € 80,324k as of the reporting date (prior year: € 63,427k). 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.

## 31. Liabilities to related parties

Current and non-current liabilities to related parties amount to € 1,251,570k as of the reporting date (prior year: € 1,320,935k) and relate to Group entities of the United Internet Group that do not belong to the basis of consolidation of the IONOS Group. They include three long-term loans from United Internet AG of € 819,000k (prior year: € 889,000k), € 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 41.

*Translation from the German language*

# 32. Income tax liabilities

Income tax liabilities amount to € 19,471k as of the reporting date (prior year: € 14,046k) and are comprised as follows:

| €k | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| **Trade tax** | | |
| Germany | 10,519 | 6,728 |
| | **10,519** | **6,728** |
| **Corporate income tax** | | |
| Germany | 6,984 | 6,228 |
| Spain | 517 | 0 |
| USA | 490 | 0 |
| Poland | 466 | 356 |
| UK | 402 | 0 |
| France | 80 | 61 |
| Philippines | 13 | 38 |
| Austria | 0 | 33 |
| Romania | 0 | 602 |
| | **8,952** | **7,318** |
| **Income tax liabilities** | **19,471** | **14,046** |

# 33. Contract liabilities

| €k | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| **Contract liabilities** | **75,474** | **72,190** |
| thereof current | 74,375 | 71,629 |
| thereof non-current | 1,099 | 561 |

*Translation from the German language*

# 34. Other provisions

Provisions amount to € 4,797k as of December 31, 2022 (prior year: € 2,658k) and developed as follows in the fiscal year:

| €k | Special remuneration | Litigation risks | Asset retirement obligation | Onerous contracts | Total |
|---|---|---|---|---|---|
| **As of January 1** | **669** | **118** | **1,616** | **255** | **2,658** |
| Utilization | 0 | 85 | 0 | 5 | 90 |
| Reversals | 0 | 16 | 0 | 1 | 17 |
| Interest effects | 0 | 0 | 458 | 0 | 458 |
| Addition | 520 | 226 | 0 | 20 | 766 |
| Reclassification | 0 | 158 | 887 | 0 | 1,045 |
| Currency effects | 0 | -4 | -18 | -1 | -23 |
| **As of December 31** | **1,189** | **397** | **2,943** | **268** | **4,797** |

For information on provisions for special remuneration, please refer to Note 36.

Provisions for asset retirement obligations of € 2,943k (prior year: € 1,616k) are non-current provisions with terms of more than five years (prior year: two to five years). An asset retirement obligation of € 887k was recognized under other current financial liabilities in the prior year and was reclassified to non-current provisions in the reporting year 2022 on account of the long-term maturity and the indefinite amount of the obligation.

Litigation risks comprise various legal disputes involving different entities of the IONOS Group, all of which are classified as current as of December 31, 2022, as in the prior year.

Of the provisions for onerous contracts, an amount of € 75k (prior year: € 58k) is non-current.

*Translation from the German language*

# 35. Other liabilities

## Other current financial liabilities

Other current financial liabilities are comprised as follows:

| €k | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Contingent purchase price liabilities | 38,219 | 36,096 |
| Marketing and selling expenses/commissions | 16,897 | 7,748 |
| Personnel-related liabilities | 16,836 | 16,448 |
| Lease liabilities | 13,787 | 10,228 |
| Legal and consulting fees, financial statement costs | 5,107 | 4,811 |
| Debtors with credit balances | 3,906 | 3,564 |
| Service/maintenance | 37 | 844 |
| Purchase price liability | 0 | 2,076 |
| Put option liabilities (InterNetX) | 0 | 15,884 |
| Other | 2,868 | 2,563 |
| **Other current financial liabilities** | **97,657** | **100,262** |

The contingent purchase price liabilities refer to variable purchase price components from the acquisition of STRATO AG amounting to € 33,803k (prior year: € 31,680k) 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 liabilities 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 liability from the put option (prior year: € 15,884k) was settled in fiscal year 2022 to increase the shareholding in InterNetX Holding GmbH (from 95.6% to 100%). Thus, all minority interests in InterNetX Holding GmbH have been acquired by IONOS SE. The adjustment to the present value of the purchase price of the put option recognized in profit or loss amounted to € 98k (prior year: € 8,163k).

Please refer to Note 44 for information on current lease liabilities.

## Other current non-financial liabilities

Other current non-financial liabilities of € 20,267k (prior year: € 21,998k) mainly relate to liabilities to tax authorities in connection with VAT and sales tax of € 16,042k (prior year: € 14,934k) and wage and church tax of € 3,537k (prior year: € 3,384k).

## Other non-current financial liabilities

| €k | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Lease liabilities | 115,281 | 82,298 |
| Miscellaneous | 374 | 353 |
| **Other non-current financial liabilities** | **115,655** | **82,651** |

The lease liabilities stem from lease accounting under IFRS 16. For further information, please refer to Note 44.

*Translation from the German language*

## 36. 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 Group. The LTIP is designed to align the long-term interests of the members of management (Management Board and executives) 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.

Under the LTIP, qualifying employees are allocated Management Incentive Plan (MIP) units (appreciation rights). 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 time of occurrence of a trigger event defined under the terms of the LTIP. This would be an outright sale of the shares in IONOS Group SE held by Warburg Pincus.

The sale of a portion of the shares held by Warburg Pincus in 2021 is no such trigger event. However, 25% of the entitlements under the LTI Hosting are fixed at the business value as of April 30, 2021.

Should a trigger event occur, the MIP units represent an entitlement equal to the difference between the individually defined strike price and the business value of IONOS Group SE. The strike price is increased or reduced by equity contributions and repayments, respectively.

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:

| | Jan. 1, 2021 | Apr. 1, 2021 | Jun. 1, 2021 | Aug. 1, 2021 |
|---|---|---|---|---|
| Number of MIP units granted | 42,950 | 5,146 | 1,000 | 37,500 |
| Strike price | € 256.39 | € 305.60 | € 307.10 | € 331.60 |
| Fair value at time of issue | €74.20 | € 30.30 | € 44.01 | € 26.11 |
| Volatility | around 44% | around 41% | around 43% | around 41% |
| Maturity at time of issue | up to 1 year | up to 1 year | up to 1 year | up to 1 year |
| Dividend yield | 0% | 0% | 0% | 0% |
| Risk-free interest | 0% | 0% | 0% | 0% |

To determine the fair values, the options are measured using the Black-Scholes model based on the individual strike price, the business value as of the grant date and the residual term until the trigger event, taking into account the other assumptions mentioned above.

As equity repayments have already been included in the strike prices of the MIP units, a dividend yield does not have to be considered when measuring the entitlements.

The volatility used to determine fair value was calculated using the weighted average price fluctuations of the past 180 days (weighting of 1/3) or last 360 days (weighting of 2/3) of the peer group of IONOS Group SE.

*Translation from the German language*

The program had the following effects as of the reporting date:

| €k | 2022 | 2021 |
|---|---|---|
| Total expense from the program | 37,709 | 34,716 |
| Cumulative expense until December 31 | 36,501 | 32,813 |
| Expense for future years | 1,208 | 1,903 |
| Personnel expense in the fiscal year | 3,688 | 11,065 |
| Grant-date fair value of commitments awarded in the fiscal year | 0 | 4,367 |

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

| | MIP units | Average strike price (€) |
|---|---|---|
| **Outstanding as of 31, December 2020** | **380,225** | **146.42** |
| issued | 86,596 | 292.47 |
| Leaver status adjustment | 1,250 | 114.70 |
| **Outstanding as of December 31, 2021** | **468,071** | **173.36** |
| expired/forfeited | -8,000 | 162.31 |
| **Outstanding as of December 31, 2022** | **460,071** | **173.36** |
| Exercisable as of December 31, 2022 | 0 | n/a |
| Exercisable as of December 31, 2021 | 0 | n/a |

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 GmbH (formerly 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 Group SE.

Under the LTIP, qualifying employees of the we22 Group were allocated Management Incentive Plan (MIP) units valued at the business value of IONOS Group SE less a specified strike price. 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. Alternatively, in the event of a change of control at IONOS SE before the end of 2024, some of the eligible employees have to remain in service for another nine months after control has changed in order to be granted an entitlement. As such a change of control is currently unlikely, this option is not considered in measuring the plan. The entitlements are settled in the form of cash. Therefore, the entitlements are recognized as cash-settled share-based payment transactions.

*Translation from the German language*

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 | Feb. 1, 2021 |
|---|---|---|---|
| Number of MIP units granted | 64,238 | 2,500 | 3,600 |
| Strike price | € 161.56 | € 161.56 | 161.56 |
| Fair value at time of issue | € 34.00 | € 33.90 | 33.84 |
| Volatility | approx. 44% | approx. 43% | approx. 44% |
| Maturity at time of issue | approx. 4 years | 4 years | approx. 4 years |
| Dividend yield | 0% | 0% | 0 |
| Risk-free interest | 0% | 0% | 0% |

The volatility used to determine fair value was calculated using the weighted average price fluctuations of the past 180 days (weighting of 1/3) or last 360 days (weighting of 2/3) of the peer group of the Business Applications segment.

As equity repayments have already been included in the strike prices of the MIP units, a dividend yield does not have to be considered when measuring the entitlements.

The program for we22 had the following effects as of the reporting date:

| €k | 2022 | 2021 |
|---|---|---|
| Total expense from the program | 2,531 | 2,846 |
| Cumulative expense until December 31 | 1,189 | 669 |
| Expense for future years | 1,342 | 2,177 |
| Personnel expense in the fiscal year | 520 | 669 |
| Grant-date fair value of commitments awarded in the fiscal year | 0 | 2,846 |

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, 2021** | **66,738** | **161.56** |
| Issued (reported with retroactive effect) | 3,600 | 161.56 |
| **Outstanding as of December 31, 2022** | **70,338** | **161.56** |
| Exercisable as of December 31, 2022 | 0 | n/a |
| Exercisable as of December 31, 2021 | 0 | n/a |

### Stock appreciation rights (SAR IONOS Group SE)

In December 2022, a new incentive plan for the Management Board of IONOS Group SE was announced, to take effect if the IPO was successful. The SAR plan uses stock appreciation rights and is treated as an equity-settled share-based payment transaction. A stock appreciation right (SAR) refers to the commitment of IONOS Group SE to pay the beneficiaries a cash amount equivalent to the difference between the share price on the date of granting the option (agreed strike price) and the share price on exercising the option. The exercise hurdle is 110% of the strike price after three years, 115% after four years and 120% after five years. The strike price is the average closing price of the Company's share in

*Translation from the German language*

electronic trading (Xetra) of the Frankfurt Stock Exchange over the 10 trading days preceding issuance of the option. Payment of the appreciation to the beneficiary is limited – depending on the arrangements of the different tranches – to 100% of the determined share price (strike price) or 150% of the determined share price (strike price).

An SAR is a virtual right to subscribe for one share in IONOS Group SE. However, it is not a share right and thus not a (genuine) option to acquire shares in IONOS Group SE. Beneficiaries are not entitled to any dividend payment from the Company. Nevertheless, IONOS Group SE reserves the right to settle its commitment to pay the SAR in cash by transferring IONOS Group SE shares from its stock of treasury shares to the beneficiaries, at its own discretion. The program is recognized as an equity-settled plan because there is no present obligation to settle in cash.

Up to 33.33% of the option right may be exercised at the earliest 36 months after the date of issue of the option; up to 66.66% at the earliest 48 months after the date of issue of the option; the full amount may be exercised at the earliest 60 months after the date of issue of the option, provided that the respective beneficiary has not terminated their contract at the end of each year. One third of the option is thus earned over each of the periods mentioned above.

However, the SARs have a basic term of six years, i.e., all SARs not exercised after that time expire without compensation. In addition, the payout amounts can be curtailed in connection with predefined ESG goals. At the time the financial statements were prepared, these goals were yet not known. Therefore, as of December 31, 2022, this plan merely has a service commencement date instead of a grant date in order to recognize pro rata expenses at fair value and based on current expectations on the reporting date. If the ESG goals are not met, the entitlements can be reduced by up to 10%.

# 37. Issued capital

The issued capital of the ultimate parent IONOS Group SE stood at € 360k as of the reporting date December 31, 2022 (prior year: € 360k).

Issued capital comprises 360,001 shares including one preferred share. United Internet AG holds 270,361 of these shares including the preferred share (prior year: 270,361 shares including the preferred share). In fiscal year 2021, United Internet AG acquired an additional 30,360 shares from WP XII Venture Holdings II SCSp. The remaining shares are held by WP Lux II Venture Holdings II SCSp. The rights from the preferred share expired as of February 15, 2020.

€ 360k of the issued capital is attributable to the common shares (prior year: € 360k) and € 1 to the preferred share (prior year: € 1). The shares are no-par value shares with a notional share in the issued capital of EUR 1 each.

For explanations on changes in issued capital due to a capital increase after the reporting date of December 31, 2022, please refer to Note 46 Subsequent events.

# 38. Reserves

The change in reserves in fiscal year 2022 is mainly due to the net income of € 73,772k (prior year: € 60,923k) and the measurement of the LTIP of € 3,669k (prior year: € 12,114k). In addition, deferred tax assets of € 3,227k on the LTIP were reversed through reserves in the reporting year (prior year: allocation of € 10,531k).

*Translation from the German language*

### 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.

## 39. Non-controlling interests

As of December 31, 2022, non-controlling interests relate to the shares held by unrelated shareholders in premium.pl Sp. z o.o., Szczecin/Poland (25.00% of the issued capital). In the prior year, non-controlling interests also included the shares held by unrelated shareholders in InterNetX Holding GmbH, Regensburg (4.44% of the issued capital). In fiscal year 2022, the shareholding in InterNetX Holding GmbH was increased (from 95.6% to 100%) after a former unrelated shareholder exercised a put option. Thus, all minority interests in InterNetX Holding GmbH have been acquired by IONOS SE. The corresponding minority interests were reclassified to equity attributable to the shareholders of the parent company and, taking into account the dividend of € 2,273k, resulted in an increase of € 3,072k.

The following financial information comprises summarized details on consolidated assets, liabilities and profits or losses of the subsidiaries with material non-controlling interests. InterNetX Holding GmbH was included in the information on profit or loss until it was acquired by IONOS SE in the first half of reporting year 2022. In the reporting year 2022, a dividend of € 799k (prior year: € 963k) was paid to the minority shareholders of InterNetX Holding GmbH.

| €k | 2022 | 2021 |
|---|---|---|
| Current assets | 544 | 62,237 |
| Non-current assets | 21 | 20,010 |
| Current liabilities | 78 | 30,100 |
| Non-current liabilities | 0 | 8,795 |
| **Equity** | **487** | **43,352** |
| Revenue from contracts with customers | 111,734 | 178,479 |
| **Pre-tax result** | **18,993** | **32,440** |
| Income taxes | -5,761 | -9,861 |
| **Net income** | **13,232** | **22,579** |

*Translation from the German language*

# 40. Additional disclosures on financial instruments

The table below shows the carrying amounts for each category of financial assets and liabilities as of December 31, 2022:

| €k | Measurement category acc. to IFRS 9 | Carrying amount as of Dec. 31, 2022 | Amortized cost | Fair value through profit or loss | Measurement acc. to IFRS 16 | Fair value as of Dec. 31, 2022 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | ac | 26,440 | 26,440 | 0 | 0 | 26,440 |
| Trade accounts receivable | ac | 66,628 | 66,628 | 0 | 0 | 66,628 |
| Receivables from related parties | ac | 27,964 | 27,964 | 0 | 0 | 27,964 |
| Other current financial assets | ac | 12,377 | 12,377 | 0 | 0 | 12,377 |
| Other non-current financial assets | ac | 903 | 903 | 0 | 0 | 779 |

| €k | Measurement category acc. to IFRS 9 | Carrying amount as of Dec. 31, 2022 | Amortized cost | Fair value through profit or loss | Measurement acc. to IFRS 16 | Fair value as of Dec. 31, 2022 |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Trade accounts payable | flac | -80,324 | -80,324 | 0 | 0 | -80,324 |
| Liabilities to related parties | flac | -1,251,570 | -1,251,570 | 0 | 0 | -1,321,312 |
| Other financial liabilities | | | | | | |
| Lease liabilities | n/a | -129,068 | 0 | 0 | -129,068 | n/a |
| Contingent purchase price liability | fvtpl | -38,219 | 0 | -38,219 | | -38,219 |
| Other | flac | -46,025 | -46,025 | 0 | 0 | -46,025 |
| **Thereof aggregated acc. to measurement categories:** | | | | | | |
| Financial assets at amortized cost | ac | 134,312 | 134,312 | 0 | 0 | 134,188 |
| Financial liabilities at amortized cost | flac | -1,377,919 | -1,377,919 | 0 | 0 | -1,447,661 |
| Financial liabilities measured at fair value through profit or loss | fvtpl | -38,219 | 0 | -38,219 | 0 | -38,219 |

*Translation from the German language*

The following net results were stated for the individual categories of financial instruments according to IFRS 9 in fiscal year 2022:

| | | | Net profits and losses from subsequent measurement | | | | |
|---|---|---|---|---|---|---|---|
| €k | Measure-ment category acc. to IFRS 9 | From interest and dividends | At fair value | Currency translation | Allowance | Other | Net result |
| Financial assets at amortized cost | ac | 422 | 0 | -405 | -8,605 | 0 | -8,588 |
| Financial liabilities at amortized cost | flac | -90,783 | 0 | -174 | 0 | -98 | -91,055 |
| Financial liabilities measured at fair value | | | | | | | |
| - through profit or loss | fvtpl | 0 | -2,122 | 0 | 0 | 0 | -2,122 |
| | | -90,361 | -2,122 | -579 | -8,605 | -98 | -101,765 |

Income and expenses from the valuation of the liabilities measured at fair value are included in finance income or finance costs.

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 | 1,874* |

*: restated

*Translation from the German language*

| €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 |

*

*: restated

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 | Measure-ment 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 |
| | | | | | | | |
| **Total** | | **-91,856** | **-11,373** | **-4,244** | **-8,539** | **-8,163** | **-124,175** |

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

*Translation from the German language*

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 December 31, 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 Dec. 31, 2022 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Financial liabilities measured at fair value through profit or loss** | | | | |
| Contingent purchase price liability | -38,219 | 0 | 0 | -38,219 |

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 liability | -36,096 | 0 | 0 | -36,096 |

*Translation from the German language*

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, 2022 and as of December 31, 2021:

| Dec. 31, 2022 | Measurement method | Main non-observable inputs | Considered in measurement | Sensitivity of input on fair value | |
|---|---|---|---|---|---|
| Contingent purchase price liability | Black-Scholes | Maturity | 0.1 years | +0.25 years | n/a. |
| | | | | € -2.7 million | n/a. |
| | | Volatility | 39.29% | +1% | -1% |
| | | | | € -0.0 million | € +0.0 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 |

# 41. 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 board and supervisory board of IONOS Holding 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.

## Management Board and Supervisory Board

The members of the Management Board and Supervisory Board of IONOS Group SE and of the management board and supervisory board of IONOS Holding SE have key positions in the IONOS Group and are therefore considered related parties. The management board of IONOS Holding SE comprises the same members as the Management Board of IONOS SE.

### Management Board

In fiscal year 2022, the Management Board of IONOS Group SE (as the ultimate parent) and the management board of IONOS Holding SE had the following members:

**IONOS Group SE:**
- Achim Weiß
- Britta Schmidt (since November 1, 2022)
- Hüseyin Dogan (resigned as of October 31, 2022)

*Translation from the German language*

**IONOS Holding SE:**
- Hüseyin Dogan
- Dr. Martin Endress
- Anne Claudia Frese
- Hans-Henning Kettler
- Arthur Mai
- Britta Schmidt (until October 31, 2022)
- Achim Weiß (until October 31, 2022)

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 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 90% 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 Group SE and of the management boards of IONOS SE and IONOS Holding SE for fiscal year 2022 breaks down as follows according to fixed and variable compensation:

| €k | 2022 | 2021 |
|---|---|---|
| Fixed remuneration | 1,993 | 2,993 |
| Variable remuneration not including share-based payments | 1,150 | 1,885 |
| **Total** | **3,143** | **4,878** |

There are no retirement benefits from IONOS Group SE to members of the Management Board. Termination benefits amounted to € 0k in 2022 (prior year: € 946k).

The share-based payment expense for the Management Board members in connection with the LTIP recognized in the consolidated financial statements came to € 3,533k (prior year: € 8,789k).

The related remuneration within the meaning of IAS 24 (including current cost of share-based payments) amounted to € 6,676k (prior year: € 14,613k).

No new rights to share-based compensation in the form of LTIP were granted to the Management Board members in the fiscal year 2022. In the previous year, 75,000 MIP units with a fair value at the issue date of €4,799k were issued to members of the Management Board.

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 2022, came to € 1,044k in the fiscal year (prior year: € 10,585k).

See Note 36 Share-based payment for details of the LTIP.

### Supervisory Board
In fiscal year 2022, the Supervisory Board of IONOS Group SE and the supervisory board of IONOS Holding SE had the following members:

**IONOS Group SE:**
- Max Fowinkel (chair)

*Translation from the German language*

- Issam Abedin (deputy chair)
- Markus Kadelke
- Lutz Laffers
- Markus Langer
- Lysander Ammann

**IONOS Holding SE:**

- Ralph Dommermuth (chair)
- René Obermann (deputy chair)
- Kurt Dobitsch
- Martin Mildner
- Vanessa Stützle
- Dr. Claudia Borgas-Herold (since September 6, 2022)

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

**2022**

| €k | Fixed | Attendance fee | Total |
|---|---|---|---|
| Ralph Dommermuth | 0 | 0 | 0 |
| René Obermann | 0 | 0 | 0 |
| Dr. Claudia Borgas-Herold | 7 | 1 | 8 |
| Kurt Dobitsch | 20 | 3 | 23 |
| Martin Mildner | 0 | 0 | 0 |
| Vanessa Stützle | 20 | 2 | 22 |
| **Total** | **47** | **6** | **53** |

**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 |
| **Total** | **30** | **8** | **38** |

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

*Translation from the German language*

Current receivables from related parties are comprised as follows as of December 31, 2022 and December 31, 2021, respectively:

| €k | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| United Internet AG | 22,225 | 8,350 |
| 1&1 Mail & Media GmbH | 3,004 | 2930 |
| 1&1 Telecommunication SE | 1,070 | 3,377 |
| 1&1 AG | 828 | |
| 1&1 Mail & Media Inc. | 311 | 213 |
| 1&1 Telecom GmbH | 291 | 54 |
| United Internet Media GmbH | 118 | 13 |
| United Internet Corporate Services GmbH | 0 | 638 |
| Other | 117 | 255 |
| **Receivables from related parties** | **27,964** | **15,830** |

Receivables from related parties mainly comprise cash pool receivables (€ 23,596k; prior year: € 12,289k) and trade accounts receivable (€ 4,368k; prior year: € 3,541k). IONOS Group 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 2021 and 2022.

Current liabilities to related parties are comprised as follows as of December 31, 2022 and December 31, 2021, respectively:

| €k | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| United Internet Corporate Services GmbH | 3,777 | 1,677 |
| 1&1 Telecommunication SE | 1,496 | 586 |
| A1 Marketing, Kommunikation und neue Medien GmbH | 877 | 996 |
| rankingCoach International GmbH | 206 | 176 |
| United Internet Sourcing & Apprenticeship GmbH | 113 | 77 |
| 1&1 Mail & Media Development & Technology GmbH | 51 | 316 |
| United Internet AG | 31 | 21 |
| 1&1 Mail & Media GmbH | 3 | 69 |
| 1&1 Telecom GmbH | 2 | 1,171 |
| United Internet Media GmbH | 0 | 594 |
| Other | 14 | 252 |
| **Liabilities to related parties** | **6,570** | **5,935** |

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. In addition, there are liabilities to associated companies of € 245k as of December 31, 2022 (prior year: € 224k).

IONOS Holding SE has non-current liabilities to related parties of € 1,245,000k (prior year: € 1,315,000k) that are owed to United Internet AG. As of December 31, 2022, non-current liabilities to related parties include a vendor loan of € 819,000k (prior year: € 889,000k) 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 31, 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

*Translation from the German language*

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 2022 and 2021:

| Purchases/services from related parties 2022 | Sales/services to related parties 2022 | Purchases/services from related parties 2021 | Sales/services to related parties 2021 |
|---:|---:|---:|---:|
| €k | €k | €k | €k |
| 103,707 | 48,674 | 70,962 | 43,767 |

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 Group and marketing services purchased by the IONOS 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 Group. Since the 2022 reporting year, the rental expenses for the business premises leased from Ralph Dommermuth or companies related to him have been reported as services purchased from related parties. The Company elected not to restate the prior-year figures for reasons of materiality. The increase in purchases/services from related parties from € 70,962k in the prior year to € 103,707k in the 2022 reporting year is mainly attributable to a higher volume of advertising services purchased from A1 Marketing, Kommunikation und neue Medien GmbH, Montabaur.

IONOS Group 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 € 10,632k (prior year: € 6,843k), mainly relating to Ranking Coach GmbH (€ 4,281k; prior year: € 3,950k), Open Xchange GmbH (€ 3,733k; prior year: € 78k), uberall GmbH (€ 2,502k; prior year: € 2,557k) and Stackable GmbH (€ 46k; prior year: € 188k).

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

| Interest income 2022 | Interest expenses 2022 | Interest income 2021 | Interest expenses 2021 |
|---:|---:|---:|---:|
| €k | €k | €k | €k |
| 70 | 90,702 | 25 | 91,844 |

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.

## Other disclosures on transactions with related parties

In 2022, 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 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 February 2023 to September 2035. The related rental expenses are customary for the location and amounted to € 4,068k in fiscal year 2022 (prior year: € 3,732k).

*Translation from the German language*

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

| | Carrying amount as of Jan 1, 2022 | Addition in fiscal year | Disposal | Depreciation | Carrying amount as of Dec. 31, 2022 |
|---|---|---|---|---|---|
| Right-of-use assets | 34,458 | 8,629 | -2,045 | -3,431 | 37,611 |

| | 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 | -3573 | -3,284 | 34,458 |

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

| | Carrying amount as of Jan 1, 2022 | Addition in fiscal year | Disposal | Repayment/interest | Carrying amount as of Dec. 31, 2022 |
|---|---|---|---|---|---|
| Lease liability | 35,277 | 8,715 | -1,929 | -3,441 | 38,622 |

| | 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 | -3573 | -2,940 | 35,277 |

There is a contingent purchase price liability of € 4,416k from the acquisition of IONOS Cloud GmbH (prior year: € 4,416k) to Mr. Achim Weiß. The amount of the purchase price depends largely on the development of the entity's earnings. The liability is due within the next 12 months and is recognized under other current financial liabilities.

# 42. Objectives and methods of financial risk management

## Principles of risk management

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

The IONOS 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 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 Group is particularly subject to liquidity risk and market risk with regard to its assets, liabilities and planned transactions, as described below.

*Translation from the German language*

## 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 Group largely relates to the risk that the entities belonging to the Group cannot meet their financial obligations.

The IONOS 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 Group 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 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, 2022 and 2021. Liabilities to related parties include a loan of € 76,000k due as of December 31, 2023. The remaining loan liabilities to related parties of € 1,169,000k do not include any contractual redemption obligations before the end of 2026. The respective amounts include redemptions planned unilaterally by IONOS Group SE.

| | Carrying amount | Cash outflow for redemption and interest in the fiscal year | | | | | |
|---|---|---|---|---|---|---|---|
| €k | Dec. 31, 2022 | 2023 | 2024 | 2025 | 2026 | > 2026 | Total |
| Trade accounts payable | 80,324 | 80,324 | 0 | 0 | 0 | 0 | 80,324 |
| Lease liabilities | 129,068 | 17,834 | 16,669 | 14,561 | 14,126 | 88,209 | 151,399 |
| Other financial liabilities | 84,244 | 83,869 | 257 | 0 | 0 | 118 | 84,244 |
| Liabilities to related parties | 1,251,570 | 223,408 | 182,202 | 227,963 | 875,549 | 0 | 1,509,122 |

| | Carrying amount | Cash outflow for redemption and interest in the fiscal year | | | | | |
|---|---|---|---|---|---|---|---|
| €k | Dec. 31, 2021 | 2022 | 2023 | 2024 | 2025 | > 2025 | Total |
| Liabilities due to banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 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 |

## 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, 2022, the Group primarily had fixed-interest liabilities to related parties, which are not subject to any interest rate risk with an effect on income.

*Translation from the German language*

## 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 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 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 | 2022<br>Effect on net income (€k) | 2021<br>Effect on net income (€k) |
|---|---|---|
| +10% | 3,569 | 1,452 |
| -10% | -3,569 | -1,452 |

| Change in GBP rate | 2022<br>Effect on net income (€k) | 2021<br>Effect on net income (€k) |
|---|---|---|
| +10% | 1,660 | 3,321 |
| -10% | -1,660 | -3,321 |

| Change in PLN rate | 2022<br>Effect on net income (€k) | 2021<br>Effect on net income (€k) |
|---|---|---|
| +10% | 736 | 931 |
| -10% | -736 | -931 |

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 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 19, trade accounts receivable which

*Translation from the German language*

are not impaired as of the reporting date are categorized according to the time bands in which they become overdue.

The IONOS Group does not have any significant credit concentrations.

For potential risks relating to the coronavirus pandemic as well as the war in Ukraine and the overall economic situation, please refer to Note 3.

### Capital management

Above and beyond the requirements of stock corporation law, as the IONOS Group's ultimate parent, IONOS Group 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.

## 43. Contingent liabilities and other obligations

As of December 31, 2022, the Company had the following other financial obligations which do not represent a lease:

| €k | 2022 | 2021 |
|---|---|---|
| Up to 1 year | 3,008 | 3,463 |
| 1 to 5 years | 9,597 | 11,532 |
| Over 5 years | 3,520 | 4,842 |
| **Total*** | **16,125** | **19,837** |

*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 € 6,279k (prior year: € 9,245k) and intangible assets of € 964k (prior year: € 1,171k) in total.

The integration of IONOS Group 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.

*Translation from the German language*

# 44. Leases

## 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 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 | 2022 | 2021 |
|---|---|---|
| Depreciation of right-of-use assets | | |
| - Land and buildings | 14,151 | 11,987 |
| - Operating and office equipment | 1,390 | 1,684 |
| **Total depreciation of right-of-use assets** | **15,541** | **13,671** |
| Interest expense from lease liabilities | 3,575 | 2,433 |
| Expense for short-term leases | 44 | 280 |
| Expense for low-value leases | 235 | 98 |

As of December 31, 2022, the carrying amounts of right-of-use assets by class of underlying asset are as follows:

| €k | Carrying amount as of Dec. 31, 2022 | Carrying amount as of Dec. 31, 2021 |
|---|---|---|
| Land and buildings | 117,348 | 86,430 |
| Operating and office equipment | 2,186 | 3,254 |
| **Total right-of-use assets** | **119,534** | **89,684** |

As of December 31, 2022, lease obligations have the following terms:

| €k | Carrying amount as of Dec. 31, 2022 | Carrying amount as of Dec. 31, 2021 |
|---|---|---|
| Up to 1 year | 13,787 | 10,228 |
| 1 to 5 years | 46,918 | 28,526 |
| Over 5 years | 68,363 | 53,772 |
| **Total** | **129,068** | **92,526** |

*Translation from the German language*

As of December 31, 2022, lease obligations developed as follows:

| €k | 2022 | 2021 |
|---|---|---|
| As of January 1 | 92,526 | 66,738 |
| Additions | 56,543 | 57,541 |
| Additions from the change in the basis of consolidation | 0 | 1,684 |
| Interest effect | 3,575 | 2,433 |
| Payments | -15,931 | -15,963 |
| Disposals | -7,491 | -20,085 |
| Income from foreign currency translation | -154 | 178 |
| As of December 31 | 129,068 | 92,526 |
| thereof current | 13,787 | 10,228 |
| thereof non-current | 115,281 | 82,298 |

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

## Group as lessor

In the 2022 reporting year, the Group was for the first time a lessor under finance leases relating to subleases of office buildings. The current finance lease receivables are presented under trade receivables. The reconciliation of gross investments in the leases to the present value of the outstanding minimum lease payments and their maturity structure are shown below:

| €k | 2022 | 2021 |
|---|---|---|
| Gross investments | | |
| | | |
| thereof due in up to 1 year | 403 | 0 |
| thereof due in 1 to 5 years | 1,696 | 0 |
| thereof due in more than 5 years | 1,875 | 0 |
| | | |
| Unearned finance income | -393 | 0 |
| | | |
| Net investments | 3,581 | 0 |
| Accumulated impairment | 0 | 0 |
| **Carrying amount of finance lease receivables** | **3,581** | **0** |

*Translation from the German language*

# 45. Cash flow statement

In fiscal year 2022, cash flow from operating activities includes interest paid of € 86,924k (prior year: € 93,731k) and interest received of € 1,168k (prior year: € 310k). Income tax payments in fiscal year 2022 amounted to € 59,653k (prior year: € 60,660k), while cash receipts from income taxes came to € 4,543k (prior year: € 13,244k).

The change in cash receipts from the sale of associated companies in the fiscal year is due to cash receipts from the sale of the 49% equity investment in the associated company Intellectual Property Management Company Inc., Dover, Delaware, USA. The change in net cash outflows from investment activities in the prior year mainly related 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 (€ 70,000k; prior year: € 153,141k), the redemption of lease liabilities (€ 15,931k; prior year: € 15,963k) and payments to minority shareholders for increased shareholdings in InterNetX Holding GmbH (€ 15,182k; prior year: € 0).

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:

| | | | | Cash changes | Non-cash changes | | |
|---|---|---|---|---|---|---|---|
| | Jan. 1, 2022 | Raised | Repaid | Interest paid | Change | Interest | Dec. 31, 2022 |
| Vendor loan | 889,000 | 0 | -70,000 | -58,762 | 0 | 58,762 | 819,000 |
| Loan STRATO/ World4You | 426,000 | 0 | 0 | -27,823 | 0 | 27,823 | 426,000 |
| Lease liabilities | 92,526 | 0 | -15,931 | 0 | 48,898 | 3,575 | 129,068 |
| Other financial liabilities | 0 | 302 | -302 | 0 | 0 | 0 | 0 |
| **Total** | **1,407,526** | **302** | **-86,233** | **-86,585** | **48,898** | **90,160** | **1,374,068** |

*Translation from the German language*

| | | Cash changes | | Non-cash changes | | | |
|---|---|---|---|---|---|---|---|
| | Jan. 1, 2021 | Repaid | Interest paid | Change | Change in basis of consolida-tion | Interest | Dec. 31, 2021 |
| Vendor loan | 1,040,000 | -151,000 | -64,509 | 0 | 0 | 64,509 | 889,000 |
| Loan STRATO/ World4You | 426,000 | 0 | -27,823 | 0 | 0 | 27,823 | 426,000 |
| Lease liabilities | 66,738 | -15,963 | 0 | 37,634 | 1,684 | 2,433 | 92,526 |
| Other financial liabilities | 4 | -2,141 | 0 | 0 | 2,137 | 0 | 0 |
| **Total** | **1,532,742** | **-169,104** | **-92,332** | **37,634** | **3,821** | **94,765** | **1,407,526** |

# 46. Exemption pursuant to section 264 (3) and section 264b German Commercial Code (HGB)

The following subsidiaries of IONOS Group SE make use of the exemptions afforded by section 264 (3) HGB:

- IONOS Holding SE, Montabaur
- IONOS SE, Montabaur
- IONOS Service GmbH, Montabaur
- STRATO AG, Berlin
- STRATO Customer Service GmbH, Berlin
- Cronon GmbH, Berlin
- we22 GmbH, Cologne
- we22 Solutions GmbH, Berlin
- CM4all GmbH, Cologne

*Translation from the German language*

## 47. Subsequent events

At the Extraordinary General Meeting on January 26, 2023, Max Fowinkel, Issam Abedin, Lutz Laffers, Markus Kadelke, Markus Langer and Lysander Ammann resigned from the Supervisory Board and Ralph Dommermuth, René Obermann, Dr. Claudia Borgas-Herold, Martin Mildner, Vanessa Stützle and Kurz Dobitsch were appointed as new members of the Supervisory Board.

On the same day, the shareholders resolved to increase the capital of IONOS Group SE by € 139,639,999 from € 360,001 to € 140,000,000 using company funds. In addition, the preferred share of IONOS Group SE was converted to a common share.

On January 26, 2023, a new remuneration system was introduced and the service agreements of the members of the Company's Management Board and the management board of IONOS Holding SE were renewed, all subject to an IPO. The remuneration package comprises a long-term share-based payment component in the form of a Virtual Stock Appreciation Rights Plan (SAR Plan 2023), under which virtual share appreciation rights (SARs) are granted, and a replacement award for the existing LTIP. A total expense of approximately € 22 million is expected to be recognized over the vesting period for the SAR Plan 2023. For further information on the new SAR Plan 2023, please refer to Note 36 Share-based payment – employee stock ownership programs.

Under the terms of the replacement of the existing LTIP, all grants made under the existing LTIP vest on the first day of trading. This includes additional LTIP awards made to Mr. Weiß, the Company's CEO, on October 1, 2022. In addition, the payment of one third of the existing LTIP award depends on three new trigger events (IPO, 18 months and 24 months after the first day of trading), provided that the service agreement with the relevant participant has not been terminated at the time each trigger event occurs. The replacement is accounted for as a modification, with the previously recognized costs rolled forward. No significant additional expenses are expected to result from the replacement.

On January 17, 2023, IONOS Group SE officially announced concrete plans for an initial public offering (IPO) of IONOS in an intention to float (ITF) together with its shareholders United Internet (75.1%) and WP XII Venture Holdings II SCSp (24.9%), a company affiliated with Warburg Pincus (together "Warburg Pincus"). The market environment permitting, the shares will be listed on the regulated market of the Frankfurt Stock Exchange (Prime Standard) in the first quarter of 2023.

On January 27, 2023, United Internet AG and Warburg Pincus declared in an ad hoc announcement that they had defined the framework for the planned IPO of IONOS Group SE and the admission of its shares to trading on the regulated market of the Frankfurt Stock Exchange (Prime Standard). The IONOS Group SE shares will be offered in a price range of € 18.50 to € 22.50. United Internet and Warburg Pincus are each offering 15% of their shares (i.e., a total of 21,000,000 no-par value registered shares), comprising 15,771,000 no-par value registered shares held by United Internet and 5,229,000 no-par value registered shares held by Warburg Pincus. Up to 3,150,000 additional no-par value registered shares held by United Internet and Warburg Pincus may be offered to cover a greenshoe option.

On February 7, 2023, United Internet and Warburg Pincus declared in an ad hoc announcement that they had set the final placement price for IONOS Group SE shares at € 18.50 per share.

Since February 8, 2023, IONOS Group SE shares have been listed on the regulated market of the Frankfurt Stock Exchange (Prime Standard) under ISIN: DE000A3E00M1, WKN: A3E00M, ticker symbol: IOS. Following the IPO of IONOS Group SE, United Internet holds 63.8% and Warburg Pincus 21.2% of the shares. A further 15.0% is in free float.

Apart from the above, no further significant events having a substantial effect on the asset, financial and earnings position of the Company or the Group with consequences for their financial reporting occurred in the IONOS Group after the reporting date of December 31, 2022.

*Translation from the German language*

# 48. Auditor's fees

In fiscal year 2022, auditor's fees of € 2,837k were recognized in the consolidated financial statements. Of this amount, € 1,007k relates to audit services, € and € 1,830k to other services. The other services comprise audit-related services for the IPO of IONOS Group SE.

Montabaur, March 28, 2023

Achim Weiß Britta Schmidt

*Translation from the German language*

## Development of intangible assets and property, plant and equipment 2022

| | Acquisition and production cost | | | | | | | Accumulated amortization, depreciation and impairment | | | | | Carrying amounts | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jan. 1, 2022 | Additions | Disposals | Reclassi-fications | Additions from acquisitions | Exchange rate differences | Dec. 31, 2022 | Jan. 1, 2022 | Additions | Disposals | Exchange differences | Dec. 31, 2022 | Dec. 31, 2022 | Dec. 31, 2021 |
| | €k | €k | €k | €k | €k | €k | €k | €k | €k | €k | €k | €k | €k | €k |
| **I. Intangible assets** | | | | | | | | | | | | | | |
| 1. Software/licenses | 122,885 | 3,461 | 33,280 | 1,520 | 0 | -29 | 94,557 | 105,833 | 7,504 | 33,159 | -25 | 80,153 | 14,404 | 17,052 |
| 2. Trademarks | 52,886 | 0 | 0 | 0 | 0 | -412 | 52,474 | 2,468 | 274 | 0 | 0 | 2,742 | 49,732 | 50,418 |
| 3. Customer base | 303,536 | 0 | 46 | 0 | 0 | -1,332 | 302,158 | 175,697 | 20,777 | 46 | -1,124 | 195,304 | 106,854 | 127,839 |
| 4. Goodwill | 882,203 | 0 | 0 | 0 | 0 | -4,587 | 877,616 | 56,942 | 0 | 0 | -170 | 56,772 | 820,844 | 825,261 |
| 5. Internally generated intangible assets | 4,745 | 582 | 337 | 0 | 0 | -89 | 4,901 | 1,043 | 390 | 195 | -21 | 1,217 | 3,684 | 3,702 |
| 6. Other intangible assets | 3,522 | 11 | 355 | 0 | 0 | 46 | 3,224 | 2,110 | 0 | 355 | 37 | 1,792 | 1,432 | 1,412 |
| 7. Payments on account | 1,014 | 1,706 | 0 | 0 | 0 | 0 | 2,720 | 0 | 0 | 0 | 0 | 0 | 2,720 | 1,014 |
| **Total (I)** | **1,370,791** | **5,760** | **34,018** | **1,520** | **0** | **-6,403** | **1,337,650** | **344,093** | **28,945** | **33,755** | **-1,303** | **337,980** | **999,670** | **1,026,698** |
| **II. Property, plant and equipment** | | | | | | | | | | | | | | |
| 1. Land and buildings | 11,804 | 3,692 | 266 | 9,930 | 0 | -132 | 25,028 | 6,853 | 857 | 282 | -3 | 7,425 | 17,603 | 4,951 |
| 2. Operating and office equipment | 470,632 | 76,878 | 32,199 | 14,803 | 0 | 2,716 | 532,830 | 312,777 | 66,917 | 30,767 | 1,649 | 350,576 | 182,254 | 157,855 |
| 3. Payments on account | 19,346 | 10,732 | 139 | -26,253 | 0 | -665 | 3,021 | 54 | 72 | 0 | 0 | 126 | 2,895 | 19,292 |
| 4. Right-of-use assets | 122,825 | 52,807 | 10,446 | 0 | 0 | 149 | 165,335 | 33,141 | 15,541 | 2,955 | 74 | 45,801 | 119,534 | 89,684 |
| **Total (II)** | **624,607** | **144,109** | **43,050** | **-1,520** | **0** | **2,068** | **726,214** | **352,825** | **83,387** | **34,004** | **1,720** | **403,928** | **322,286** | **271,782** |
| **Sum total** | **1,995,398** | **149,869** | **77,068** | **0** | **0** | **-4,335** | **2,063,864** | **696,918** | **112,332** | **67,759** | **417** | **741,908** | **1,321,956** | **1,298,480** |

*Translation from the German language*

## 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 acqui-sitions | Exchange 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** |

*Translation from the German language*

## RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable accounting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Montabaur, March 28, 2023

The Management Board

Achim Weiß Britta Schmidt

**INDEPENDENT AUDITOR’S REPORT**

To IONOS Group SE, Montabaur

*Audit Opinions*

We have audited the consolidated financial statements of IONOS Group SE (formerly IONOS TopCo SE), Montabaur, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from 1 January to 31 December 2022, 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 Group SE for the financial year from 1 January to 31 December 2022. In accordance with German legal requirements, we have not audited the content of section "1.4 Main focus areas for products and innovations" of the group management report.

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 § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, 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 audit opinion on the group management report does not cover the content of the above-mentioned section of the group management report.

Pursuant to § 322 Abs. 3 Satz [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 Audit Opinions*

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards 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 audit 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 section "1.4 Main focus areas for products and innovations" of the group management report as a non-audited part of the group management report.

Our audit 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 audit opinion or any other form of assurance conclusion thereon.

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

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with 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 § 315e Abs. 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 audit 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 § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs 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 audit 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 controls.

- 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 audit 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 audit 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 § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit 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 audit 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.

Düsseldorf, 28 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Erik Hönig | Christian David Simon |
| *Wirtschaftsprüfer* | *Wirtschaftsprüfer* |
| (German Public Auditor) | (German Public Auditor) |

**IONOS Group SE**

Elgendorfer Straße 57
56410 Montabaur

www.ionos-group.com