

Annual Financial Statements 2022

MANAGEMENT REPORT FOR THE GROUP
AND PARENT COMPANY

CONSOLIDATED ANNUAL FINANCIAL
STATEMENTS ACC. TO IFRS

COMBINED MANAGEMENT REPORT

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Notice of unaudited sections in the Combined Management Report of United Internet AG for the Company and the Group as of December 31, 2022

In addition to regular management report disclosures, it is possible that reporting may also include non-management report-related disclosures (those not required by law) which are not subject to a substantive audit by the auditor. Moreover, certain information may not be verifiable by the auditor: such “non-auditable information” cannot be assessed by the auditor due to the nature of the disclosures or the absence of suitable criteria.

In the Combined Management Report of United Internet AG for the Company and the Group as of December 31, 2022, the following chapters or disclosures were identified 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”, as the content of “non-management report-related disclosures” is not audited.
- The “quarterly development” tables contained in the subsections “2.2 Business development” and “2.3 Position of the Group” with key financial figures on a quarterly basis for the segments and the Group are “non-audited management report disclosures” as United Internet does not subject its Interim Financial Statements to a review or audit. The quarterly figures are marked accordingly as “unaudited”.
- The German Corporate Governance Code (the “Code”) recommends disclosures on the internal control and risk management system. These go beyond the statutory requirements for the management report and are not included in the auditor’s review of the content of the management report (“non-management report-related disclosures”). In chapter 5 “Internal control and risk management system”, they are thematically assigned to the main elements of the internal control and risk management system and are separated from the disclosures to be audited by separate paragraphs and marked accordingly as “unaudited”.
- The disclosures made in chapter “7. Declaration on Company Management” are “non-audited management report disclosures” as an audit of the disclosures contained in the Declaration on Company Management in accordance with section 317 (2) sentence 6 German Commercial Code (“Handelsgesetzbuch” – HGB) is limited to the fact that the information has been provided and the Corporate Governance Report in chapter 7 constitutes a “non-management report-related disclosure” which is not subject to a substantive audit.

1. GROUP AND COMPANY PROFILE

1.1 Business model

Group structure

Founded in 1998 and based in Montabaur, Germany, United Internet AG is the **parent company** (hereinafter also referred to as “the Company”) of the United Internet Group.

Together with its service company United Internet Corporate Services GmbH, United Internet AG focuses mainly on centralized functions in the areas of Finance, Corporate Controlling & Accounting, Tax, Investment Management, Press Relations, Investor Relations, Legal, Corporate Governance, Compliance & Sustainability, Risk Management, Corporate Audit, HR Management, Facility Management, Procurement, and Corporate IT.

Compared to the previous year, the Group structure as of December 31, 2022 is largely unchanged from the previous year.

Operating activities in the **Consumer Access segment** are mainly managed by the companies Drillisch Online GmbH and 1&1 Telecom GmbH under the umbrella of 1&1 AG.

In its **Business Access segment**, United Internet mainly operates via 1&1 Versatel Germany GmbH, held by 1&1 Versatel GmbH.

Operating activities in the **Consumer Applications segment** are primarily managed via the companies 1&1 De-Mail GmbH, 1&1 Energy GmbH, 1&1 Mail & Media GmbH, 1&1 Mail & Media Inc., and United Internet Media GmbH, pooled together under 1&1 Mail & Media Applications SE.

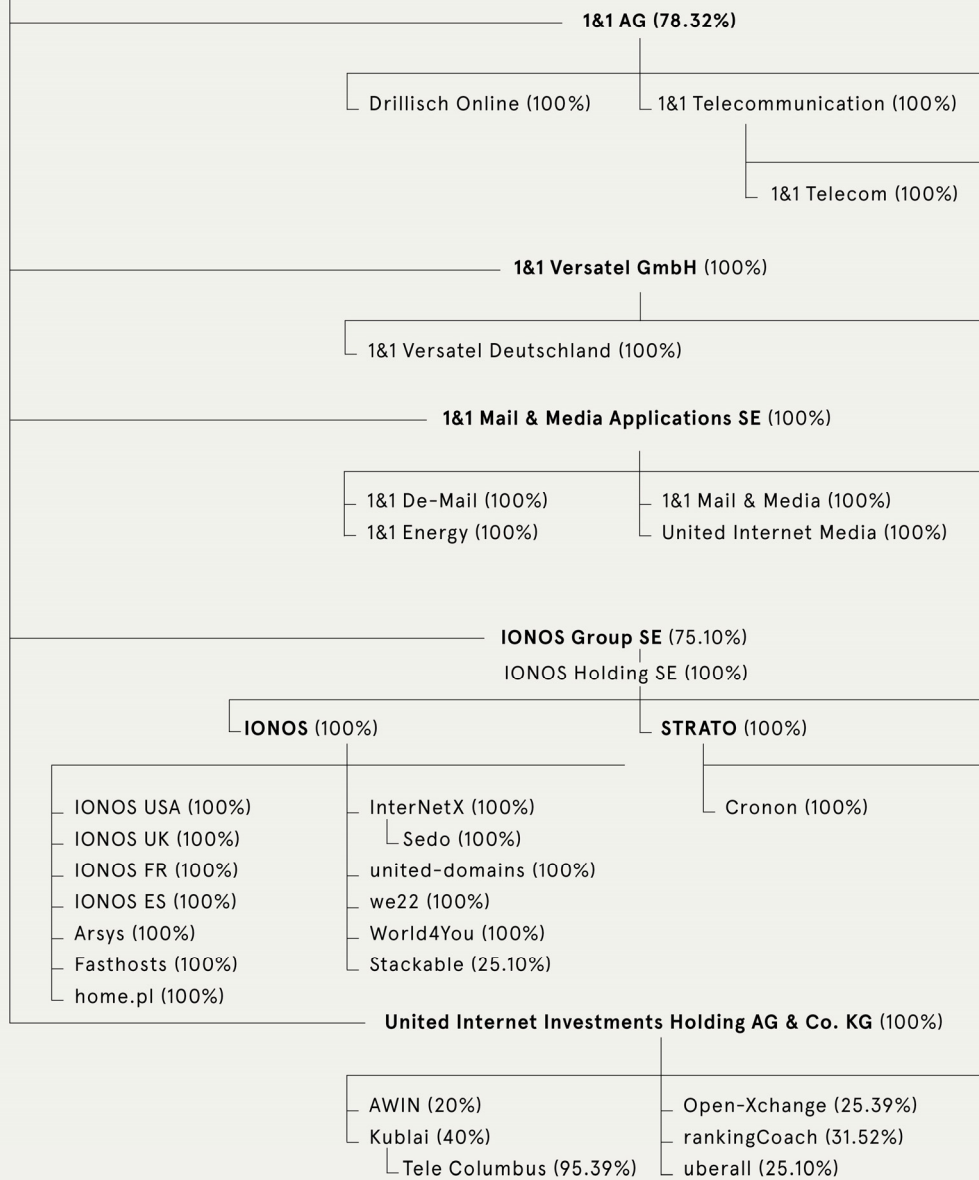
In its **Business Applications segment**, United Internet is primarily active via its shares in STRATO AG and its subsidiary Cronon GmbH – held by the holding companies IONOS Group SE (formerly: IONOS TopCo SE) and IONOS Holding SE – as well as in IONOS SE and its main domestic and foreign subsidiaries. These include – in addition to the foreign subsidiaries IONOS Inc. (USA), IONOS Cloud Ltd. (UK), IONOS S.A.R.L. (France), and IONOS Cloud S.L.U. (Spain) – in particular Arsys Internet S.L.U. (Spain), Fasthosts Internet Ltd. (UK), home.pl S.A. (Poland), InterNetX GmbH, Sedo GmbH, united-domains AG, we22 GmbH (formerly: we22 AG), and World4You Internet Services GmbH (Austria).

In addition to these operating and fully consolidated subsidiaries, United Internet held a number of other **investments** as of December 31, 2022. These mainly consist of equity interests – held by United Internet Investments Holding AG & Co. KG – in Kublai GmbH, Frankfurt am Main (40.00%), which in turn holds 95.39% of shares in Tele Columbus AG, Berlin, and investments in the strategic partners Open-Xchange AG, Cologne (25.39%), rankingCoach International GmbH, Cologne (31.52%), uberall GmbH, Berlin (25.10%), and AWIN AG, Berlin (20.00%), as well as the investment in Stackable GmbH, Pinneberg (25.10%) held by IONOS SE.

Further details on these investments and changes in investments are provided in chapter 2.2 “Business development” under “Group investments”.

A simplified illustration of the Group structure of United Internet with its significant operating subsidiaries and investments – as of December 31, 2022 – is shown in the following chart.

United Internet AG



Business operations

With over 27 million fee-based customer contracts and more than 40 million ad-financed free accounts, United Internet is one of Europe's leading internet specialists.

The Group's operating business is divided into the two business divisions "Access" and "Applications", which in turn are divided into the segments "Consumer Access" and "Business Access", as well as "Consumer Applications" and "Business Applications".

Consumer Access segment

The Consumer Access segment comprises mobile internet products as well as landline-based broadband products (including the respective applications, such as home networks, online storage, telephony, Smart Home, or IPTV) for private users.

These internet access products are offered as subscription contracts with fixed monthly fees (and variable, volume-based charges) and contractually fixed terms.

With its **broadband products** under the 1&1 brand (especially VDSL/vectoring and fiber-optic connections), United Internet is one of Germany's leading suppliers.

The Company uses the fiber-optic network of 1&1 Versatel as the transport network for VDSL/vectoring connections and for direct fiber-optic connections (FTTH) it uses city carriers and Deutsche Telekom (mainly Layer-2) for the "last mile". In the case of business with ADSL connections (currently being phased out), further advance service providers are used.

With its **mobile internet products**, United Internet is the leading Mobile Virtual Network Operator (MVNO) in Germany.

United Internet – indirectly via 1&1 AG – is the only so-called MBA MVNO (Mobile Bitstream Access / Mobile Virtual Network Operator) with long-term and guaranteed rights to up to 30% of the used network capacity of Telefónica Germany and thus extensive access to one of the largest mobile networks. In addition to its privileged access to the Telefónica network, the Company also purchases mobile advance services from Vodafone.

These purchased network services are enhanced with end-user devices of major manufacturers, as well as self-developed applications and services in order to differentiate them from competitive offerings.

The mobile internet products are marketed via the premium brand 1&1 as well as via discount brands, such as yourfone and smartmobile.de, which enable the Company to offer a comprehensive range of wireless products while also targeting specific customer groups.

As part of the planned rollout of its powerful 5G mobile communications network – and following its successful bid for two frequency blocks of 2 x 5 MHz in the 2 GHz band and five frequency blocks of 10 MHz in the 3.6 GHz band during the 5G spectrum auction in 2019 – 1&1 concluded long-term agreements in the fiscal years 2021 and 2022 and now has all key prerequisites in place to drive forward the rollout of the 1&1 mobile network and thus extend its added value in this market segment – as in the landline segment. Operations of the 1&1 mobile network were launched on December 28, 2022 with "1&1 5G at home" – a product positioned as an alternative to conventional DSL, cable internet, or fiber-optic house connections. Smartphone tariffs are set to follow in 2023, together with the scheduled provision of national roaming by Telefónica. National roaming is a standard procedure used in the rollout of new

mobile networks that enables customers to surf and make calls without interruption in areas not yet covered during the construction phase of the new network. This is achieved by automatically using the roaming partner's antennas in these areas.

Business Access segment

In its Business Access segment, United Internet offers a wide range of telecommunication products and services for business customers via the 1&1 Versatel brand.

The core of 1&1 Versatel's business model is the operation of a cutting-edge fiber-optic network with a length of over 55,000 km (with 9 own data centers, 35 co-locations, and over 400 own micro data centers), which is one of the largest networks in Germany and is constantly being expanded.

1&1 Versatel uses this network to offer telecommunication products – from fiber-optic direct connections to tailored ICT solutions (voice, data and network solutions) – to companies and local authorities. In addition, the 1&1 fiber-optic network is offered for infrastructure services (wholesale) to national and international carriers and internet service providers (ISPs).

Consumer Applications segment

Applications for home users are pooled in the Consumer Applications segment. In particular, these applications include Personal Information Management applications (e-mail, to-do lists, appointments, addresses), and online storage (cloud), as well as domains, website solutions tailored to consumer needs, and office software.

In the course of portfolio development over the past few years, the GMX and WEB.DE brands – the most widely used e-mail providers in Germany for many years now – have been expanded from pure e-mail service providers to complete command centers for the communication, information, and identity management needs of users.

Applications for home users are nearly all developed in-house and operated at the Group's own data centers.

The products are offered as fee-based subscriptions (pay accounts) or – for free – in the form of ad-financed accounts (free accounts). These free accounts are monetized via classic – but increasingly also via data-driven – online advertising, which is marketed by United Internet Media.

United Internet markets its ad-financed applications and fee-based consumer applications via the GMX and WEB.DE brands primarily in Germany, Austria, and Switzerland, where it is among the leading players.

Since the acquisition of the US provider mail.com, United Internet has also been driving its international expansion in this segment. In addition to the USA, mail.com targets other countries, such as the UK, France, and Spain.

Business Applications segment

In the Business Applications segment, United Internet opens up online business opportunities for freelancers and SMEs, helping them digitize their processes. This involves offering a broad range of

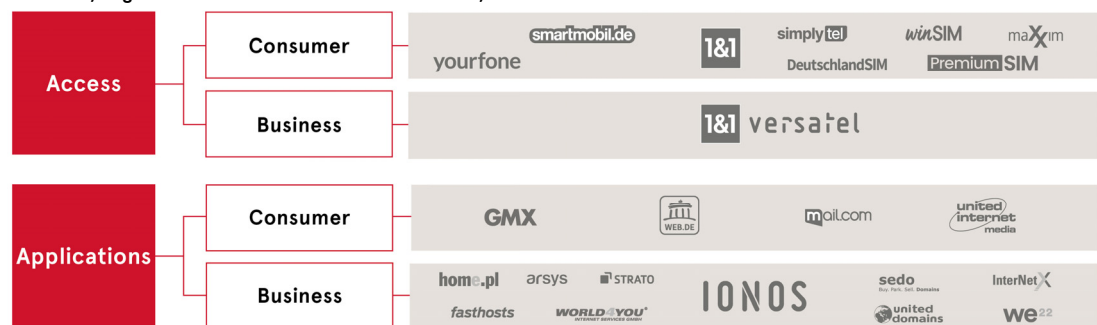
products, such as domains, websites, web hosting, servers and e-shops, group work, online storage (cloud), and office software, which customers can use via subscription agreements. In addition, cloud solutions and cloud infrastructure are offered.

The applications are developed at in-house development centers or in cooperation with partner firms and operated on over 100,000 servers at 11 own data centers and 21 co-locations.

In its Business Applications segment, United Internet is also a leading global player with activities in Europe (Germany, France, the UK, Spain, Portugal, Italy, the Netherlands, Austria, Poland, Hungary, Romania, Bulgaria, Czech Republic, Slovakia, and Sweden) as well as in North America (the USA, Canada, Mexico).

Business applications are marketed to specific target groups via differently positioned brands, such as IONOS, Arsys, Fasthosts, home.pl, InterNetX, Strato, united-domains, and World4You. In its after-market business, United Internet also offers customers professional services in the field of active domain management. Moreover, other hosting suppliers are offered a white-label website builder for the creation of high-quality websites via the we22 brand.

Divisions, segments and brands (as of: December 31, 2022)



Management

The **Management Board** of United Internet AG comprised the following members in the fiscal year 2022:

Management Board members as at December 31, 2022

- Ralph Dommermuth, founder and Chief Executive Officer
(with the Company since 1988)
- Martin Mildner, Chief Financial Officer
(with the Company since October 1, 2020)

The **Supervisory Board** of United Internet AG comprised the following members in the fiscal year 2022:

Supervisory Board members as at December 31, 2022

- Philipp von Bismarck, Chairman
(member since July 2020; Chairman since May 2021; member of the Audit and Risk Committee since May 2021)
- Dr. Manuel Cubero del Castillo-Olivares, Deputy Chairman
(member since May 2020; Deputy Chairman since May 2021)
- Stefan Rasch
(member since May 2021; member of the Audit and Risk Committee since May 2021)
- Prof. Dr. Andreas Söffing
(member since May 2021; Chairman of the Audit and Risk Committee since May 2021)
- Prof. Dr. Yasmin Mei-Yee Weiß
(member since July 2020)

Departed in the fiscal year 2022

- Dr. Claudia Borgas-Herold
(member from May 2020 to August 2022)

Main markets and competitive standing

Germany is the most important **sales market** of the United Internet Group by far and accounted for around 89% of total global sales in the fiscal year 2022.

Besides Germany, the Group's most important sales markets are

- the USA,
- the UK,
- Spain,
- France,
- Poland, and
- Austria.

Competitive standing in the Consumer Access segment

Following the merger with Drillisch AG (now 1&1 AG) in 2017, United Internet is the fourth force in Germany's telecommunications market with landline and mobile products in its purely domestic Consumer Access segment – based on customer contracts and sales revenues – after Deutsche Telekom, Vodafone, and Telefónica Germany.

Competitive standing in the Business Access segment

United Internet is also a leading company in its Business Access segment, whose operations are also limited to Germany. With the fiber-optic network of 1&1 Versatel spanning over 55,000 km, United Internet operates one of Germany's largest fiber-optic networks.

Competitive standing in the Consumer Applications segment

In its Consumer Applications segment, United Internet operates in Germany, Switzerland, and Austria via the GMX and WEB.DE brands, as well as in countries such as the USA, UK, France, and Spain via the international brand mail.com. United Internet is the leading provider of e-mail services and one of the leaders in cloud services in its domestic German market – based on the number of users.

Competitive standing in the Business Applications segment

In the globally aligned Business Applications segment, United Internet is active in a total of 18 countries with its hosting and cloud applications. The Company has long been the market leader in the German hosting business – based on the number of managed country domains – and strengthened its position in 2017 with the takeover of its competitor STRATO. In other European countries, United Internet's hosting applications are now available in all major markets – either locally or from Germany. In addition to the domestic German market, these mainly include the major European economies of France, the UK, Italy, Poland, and Spain. With the exception of Italy, the Company is among the market leaders –

measured by the number of managed country domains – in the aforementioned countries. All in all, therefore, United Internet is also one of the leading European suppliers of hosting applications – based on the number of managed country domains. Further target markets outside Europe are the North American countries Canada, USA, and Mexico. In the most important of these markets, the USA, United Internet is also one of the leading players in this segment – based on the number of managed country domains.

From a global perspective, United Internet is thus also one of the leading companies in the hosting business.

Main locations

As of December 31, 2022, the United Internet Group employed a total of 10,474 people at around 40 domestic and foreign facilities.

Main locations (by headcount; > 50 employees)

Location	Segment	Main Company
Montabaur (HQ)	Corporate functions	United Internet
	Consumer Access	1&1
Karlsruhe	Corporate functions	United Internet
	Consumer Access	1&1
	Consumer Applications	1&1 Mail & Media Applications
	Business Applications	IONOS
Berlin	Consumer Access	1&1
	Business Access	1&1 Versatel
	Business Applications	IONOS, Strato, we22
Cebu City (Philippines)	Business Applications	IONOS
Dusseldorf	Business Access	1&1 Versatel
Zweibrücken	Consumer Access	1&1
	Business Applications	IONOS
Madrid / Logroño / Barcelona / Lugo (Spain)	Business Applications	IONOS, Arsys
Munich	Consumer Access	1&1
	Consumer Applications	1&1 Mail & Media Applications
Szczecin (Poland)	Business Applications	home.pl
Essen	Business Access	1&1 Versatel
Flensburg	Business Access	1&1 Versatel
Gloucester (UK)	Business Applications	IONOS, Fasthosts
Bucharest (Romania)	Business Applications	IONOS
Krefeld	Consumer Access	1&1
Maintal	Consumer Access	1&1
Cologne	Business Applications	Sedo, we22
Regensburg	Business Applications	InterNetX
Chesterbrook / Lenexa (USA)	Business Applications	IONOS
Stuttgart	Business Access	1&1 Versatel
Starnberg	Business Applications	united-domains
Frankfurt am Main	Business Access	1&1 Versatel
Linz / Vienna (Austria)	Business Applications	World4You
Dortmund	Business Access	1&1 Versatel

1.2 Strategy

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

The large number of customer relationships helps the Company to utilize so-called economies of scale: the more customers using the products created by its development teams and operated at its own data centers, and/or transport data via its own networks, the greater the profit will be. These profits can then be invested in new customers, new developments, and new or extended business fields.

From the current perspective, Cloud Applications and Mobile Internet will be the growth markets over the coming years. With its clear positioning in the Access and Applications segments, United Internet is well placed to exploit the expected market potential.

In view of the dynamic market development of Cloud Applications and Mobile Internet, the Company's growth opportunities are clearly apparent: universally accessible, increasingly powerful broadband connections are enabling new and more sophisticated cloud applications. These internet-based programs for private users and companies will also be United Internet's growth drivers in the years ahead – both as stand-alone products in the Applications division, as well as in combination with landline and mobile access products in the Access division.

With its many years of experience as an access and application provider, its expertise in software development and data center operation, marketing, sales and customer support, as well as its strong and well-known brands (such as 1&1, GMX and WEB.DE), and customer relationships with millions of private users, freelancers, and small companies in Germany and abroad (currently over 67 million user accounts world-wide), the Company is excellently positioned.

In order to leverage this positioning for further sustainable growth, United Internet will continue to invest heavily in new customers, new products, and new or extended business fields, as well as in its further internationalization.

In addition to organic growth, United Internet also continuously seeks possibilities for company acquisitions, investments, and partnerships in order to extend its market positions, vertical integration levels, and expertise.

Thanks to its high and plannable level of free cash flow, United Internet has a strong source of internal funding as well as good access to debt financing markets. Further information on the Company's equity strength and external financing is presented in the chapters 2.2 "Business development" and 2.3 "Position of the Group".

Further information on strategy, opportunities and targets is included in the "Risk, Opportunity and Forecast Report" in chapter 4.

1.3 Management systems

The internal management systems help the management team steer and monitor the Group and its segments. The systems consist of planning, actual situation, and forecast calculations 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 possibilities. The corporate management system's aim is the continuous and sustainable development of United Internet and its subsidiaries.

The Group's reporting system comprises the monthly profit calculations and quarterly IFRS-compliant reports for all consolidated subsidiaries. It presents the financial position and performance 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 Company represent a further component of the management systems.

The above mentioned 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, United Internet AG uses in particular the key figures of the income statement (sales, EBITDA, EBIT, EPS), of the statement of cash flows (free cash flow), and of the statement of financial position (asset items, financial liabilities).

Information on the use and definition of the relevant key financial figures is presented in chapter 2.2 "Business development".

The Management Board of United Internet AG steers the segments mainly on the basis of key performance figures. It measures the success of each segment primarily according to sales, earnings before interest, taxes, depreciation and amortization (EBITDA), and earnings before interest and taxes (EBIT).

The main non-financial key figures used are the number and growth of fee-based customer contracts, as well as ad-financed free accounts.

The performance indicators of the United Internet Group for top management are also presented in "Segment reporting" under note 5 of the Notes to the Consolidated Financial Statements.

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

As the holding company, United Internet AG (parent company) focuses on the key operating figures of the Group.

The number of customer contracts, the gross and net sales figures, and the related customer acquisition costs in particular – compared to the Company's plans and forecast calculations – serve as an early warning system.

The key performance indicators used in the fiscal year 2021 were unchanged from the previous year.

A comparison of the KPIs stated in the forecast and the actual figures is provided in this 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".

1.4 Main focus areas for products and innovations

The disclosures made in the subsection "1.4 Main focus areas for products and innovations" are "non-audited management report disclosures", as the content of "non-management report-related disclosures" is not audited.

As an internet service provider, the United Internet Group does not engage in 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, United Internet does not disclose key figures for R&D.

At the same time, the United Internet brands stand for high-performance internet access, solutions, and innovative web-based products and applications which are mostly developed in-house. The success of United Internet is rooted in an ability to develop, combine, or adapt innovative products and services, and launch them on major markets.

Thanks to its high-performance development teams, United Internet 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 Company'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.

At United Internet's own development centers (especially in Karlsruhe, Berlin, and Bucharest), around 3,700 programmers, product managers, and technical administrators (corresponding to around 34% of all employees) use mainly open source code in clearly 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 develop products and adapt them to changing customer needs. United Internet also procures solutions from partners, which are then modified according to needs and integrated into its systems. With the aid of its self-developed applications, United Internet has a set of modules which can be easily combined and provided with product-specific or country-specific user interfaces in order to create a variety of powerful and integrated applications – a huge benefit when tailoring products to varying target groups, or for international rollouts.

Due to the steady growth in customer figures, the demands placed on reliability and availability are constantly rising. In addition to the further development of existing products and continuous optimization of back-end operations, the Company also focuses on continuously enhancing existing processes in order to raise system reliability, and thus also customer satisfaction.

Focus areas 2022

Consumer Access

- Launch of own fiber-optic offerings (FTTH) using regional networks of Deutsche Telekom
- Operational launch of the 1&1 mobile network with "1&1 5G at home" – a product that replaces conventional DSL, cable Internet or fiber-optic home connections
- Extension of FTTH customer processes to include additional use cases (direct connection of FTTH and processing of owner data)
- Overhaul of the 1&1 fixed-network platform and reconstruction of all customer processes for customer migration
- Introduction of an error assistant for mobile network customers

Business Access

- Launch of Cloud PBX product "RingCentral with 1&1 Connected Calls" in cooperation with RingCentral
- Introduction of "1&1 Office Fast & Secure" product, an internet/telephony bundle with integrated security solution for SOHO customers
- Launch of 1&1 DDoS Protect, offering DDoS protection with Myra technology for all company sizes – with the highest level of BSI certification and platforms in Germany
- Launch of 1&1 Connected Calls for Microsoft Teams, a telephony service for Microsoft Teams with number porting and emergency call handling
- Introduction of Office Fast&Secure, a fiber-optic internet access product with VoIP telephony and security package for SOHO and small business customers

Consumer Applications

- Launch of AI-based system to detect and block spam emails
- Expansion of SMART Inbox platform
- Expansion of AI-based SMART Assistant
- "Letter notification" and "digital copy" services complemented by launch of a "Hybrid Mail" solution for printing and sending digitally delivered letters via Deutsche Post
- Launch of a desktop-based cloud synchronization tool for Windows and Mac

Business Applications

- Extension of “Deploy Now” to include “Multi-Deployments”, enabling multiple production instances of an application to be managed centrally from a GitHub repository
- IONOS and codecentric launch Gitlab-as-a-Service – a first jointly developed offering to use DevOps application for software development and versioning
- Launch of high-capacity storage server models for high storage needs in professional environments
- Launch of “Presence-Suite” – a new management interface for new customers of MyWebsite Now with integration of 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 integrating customer 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 launch Managed Stackable, a first managed big data product in early access (commercial launch to follow in 2023) that allows customers to define their preferred setup from a catalog of big data-relevant applications, deployed and operated by IONOS and Stackable
- IONOS receives IT basic protection certification
- Development of IT platforms optimized for IONOS on new processor architectures, e.g., Intel Xeon 4th Generation, AMD Xen3 or ARM-based processors
- Ongoing development work to reduce energy losses, improve cooling efficiency and effectively recover heat
- IT basic protection certification of STRATO Acronis & Dedicated Webhosting Management platform
- Introduction of Backup as a Service (Acronis) for the STRATO Virtuozzo platform
- In-product upsell for STRATO HiDrive
- Collabora-Office integration in mobile STRATO HiDrive applications

2. ECONOMIC REPORT

2.1 General economic and sector conditions

General economic development

As a result of the war in Ukraine and high inflation, the International Monetary Fund (IMF) downgraded its forecast for 2022 on several occasions during the year. In its latest economic outlook (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%).

In the United Internet Group's target markets in North America, growth also fell well short of the IMF's original expectations (exception: Mexico). The IMF anticipates growth of 2.0% for the **USA** (prior year: 5.9%), and thus 2.0 percentage points less than in its January outlook. The forecast of 3.5% for **Canada** (prior year: 5.0%) is 0.6 percentage points less 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 also similar in United Internet'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.

The economic development in **Germany** – United Internet's most important market by far (sales share 2022: around 89%) – was much slower than in the previous year and also well below the IMF's original expectations. 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 Statistics 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 0.7 percentage points less than in 2021 (2.6%). According to estimates of the Federal Statistics Office, the macroeconomic situation in Germany in 2022 was dominated by the consequences of the war in Ukraine and, in particular, by extreme energy price increases. In addition, there were intensified material and supply bottlenecks, huge price increases, for example for food, as well as a shortage of skilled workers and the ongoing coronavirus pandemic – although this eased over the course of the year. Against this difficult backdrop, the Federal Statistics Office believes the German economy fared reasonably well on the whole in 2022.

Changes in growth forecasts made during 2022 for United Internet's key target countries and regions

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

Source: International Monetary Fund, World Economic Outlook (Update), January 2019, 2020, 2021, 2022 und 2023

Multi-period overview: GDP trend in United Internet'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%-points
USA	2.9%	2.2%	-3.4%	5.9%	2.0%	-3.9%-points
Canada	1.9%	1.9%	-5.2%	5.0%	3.5%	-1.5%-points
Mexico	2.1%	-0.1%	-8.2%	4.7%	3.1%	-1.6%-points
Eurozone	1.9%	1.3%	-6.4%	5.3%	3.5%	-1.8%-points
France	1.7%	1.5%	-8.0%	6.8%	2.6%	-4.2%-points
Spain	2.4%	2.0%	-10.8%	5.5%	5.2%	-0.3%-points
Italy	0.8%	0.3%	-8.9%	6.7%	3.9%	-2.8%-points
UK	1.3%	1.4%	-9.4%	7.6%	4.1%	-3.5%-points
Germany	1.5%	0.6%	-4.6%	2.6%	1.9%	-0.7%-points

Source: International Monetary Fund, World Economic Outlook (Update), January 2019, 2020, 2021, 2022 und 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%-points

Source: Destatis, January 2023

Development of 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 sector thus proved highly robust in a macroeconomic environment dominated by war, disrupted supply chains, and inflation.

The increase in the overall ICT market resulted in particular from strong growth in sales of **information technology**. According to Bitkom's 2022 forecast, sales 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 2022. All segments of this sub-market made good progress, especially the software and IT hardware segments – of particular importance for United Internet's cloud business (Infrastructure-as-a-Service/laaS 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 this second core market of United Internet, the industry association expects growth in 2022 of 1.3% (prior year: 2.5%) to € 68.9 billion – compared to its forecast at the beginning of 2022 of 0.9%. The individual segments of the telecommunications market developed quite differently: infrastructure business (driven by the 5G network rollout) increased strongly by 7.3% (prior year: 2.0%), while growth was more modest for user devices at 1.8% (prior year: 9.2%), and telecommunication services at 0.3% (prior year: 1.1%).

The smallest sub-market, consumer electronics (of no significance for United Internet), continued its decline and decreased by -8.2% (prior year: -4.3%) to € 8.2 billion.

The most important ICT markets for United Internet's business model are the German telecommunications market (broadband connections and mobile internet) in its mostly subscription-financed Access division, as well as the global cloud computing market, and the German online advertising market for its subscription- and ad-financed Applications division.

(Stationary) broadband market in Germany

In view of the high level of household coverage already achieved and the strong trend toward mobile internet usage, demand for new landline broadband connections in Germany has slowed in recent years. With expected growth of 0.7 million, or 1.9%, to 37.7 million in 2022, the number of new connections was again well below earlier record years. These figures were calculated by the Association of Telecommunications and Value-Added Service Providers (Verband der Anbieter von Telekommunikations- und Mehrwertdiensten – VATM) and Dialog Consult in their joint "24th TC Market Analysis for Germany 2022" (October 2022). Despite the above mentioned growth, the connections currently of relevance for United Internet in the two technology fields of DSL and FTTB/FTTH (fiber-optic) performed very differently. Whereas DSL connections in Germany fell by 0.3 million to 25.1 million, fiber-optic connections grew by 0.8 million to 3.4 million. The number of cable connections (a technology which United Internet expects to offer for the first time in April 2023 via a cooperation with Tele Columbus) rose by 0.2 million to 9.2 million. A further <0.05 million connections in Germany are still operated via satellite/powerline.

At € 33.6 billion, revenues generated in the landline business in 2022 were up 1.2% on the previous year (€ 33.2 billion). In addition to retail sales, these revenue figures also include wholesale, interconnection, and terminal device revenues.

According to calculations of Dialog Consult/VATM, the average volume of data used is rising much more strongly than the number of newly activated connections and landline revenues – as an indicator of continued growth in usage of e.g., IPTV and cloud applications – with growth of 18.7% to 274.4 GB (per connection and month).

As a result, demand for more powerful broadband connections also developed strongly. For example, the proportion of switched broadband connections with speeds of at least 50 Mbit/s increased by 2.3 percentage points, from 55.7% in the previous year to 58.0% in 2022. Fixed-line connections with speeds of at least 1 Gbit/s increased their share by 1.7 percentage points to 5.8% (of all broadband connections).

Key market figures: fixed-line in Germany

	2022	2021	Change
Fixed-line revenues (in € billion)	33.6	33.2	+ 1.2%

Source: Dialog Consult / VATM, TC Market Analysis for Germany 2022, October 2022

Mobile internet market in Germany

According to estimates of Dialog Consult/VATM, the number of active SIM cards in the German mobile communications market increased by 8.0 million, or 5.0%, to 169.3 million in 2022. This growth is attributable to so-called M2M SIM cards (machine-to-machine SIM cards), which are used, for example, for the automated exchange of information between machines, vending machines, vehicles, etc. and/or with a central control station, which increased by 10.9 million to 56.5 million. By contrast, the number of personal SIMs declined by 2.9 million to 112.8 million.

Total revenues in the German mobile communications market increased by 1.5% from € 26.3 billion to € 26.7 billion in 2022 (including interconnection, wholesale, and user device revenues). Service revenues increased by 3.4% to € 21.1 billion, while other revenues (which include interconnection, wholesale, and user device revenues) decreased by 5.1% to € 5.6 billion.

According to forecasts of Dialog Consult/VATM, the average volume of data used (per connection and month) – as an indicator of the growing use of mobile data services – grew much faster than the number of SIM cards and mobile revenues by 38.8% to 5.65 GB.

In line with this growing usage, the number of (personal) SIM cards used for the faster 4G/5G networks also rose by 9.9 million to 89.8 million, while SIM cards with indefinite use (2G/3G) fell by 12.8 million to 23.0 million.

Key market figures: mobile communications in Germany

	2022	2021	Change
Mobile revenues (in € billion)	26.7	26.3	+ 1.5%
thereof service sales	21.1	20.4	+ 3.4%
thereof other sales	5.6	5.9	- 5.1%

Source: Dialog Consult / VATM, TC Market Analysis for Germany 2022, October 2022

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” (October 2022), Gartner Inc. forecasts global growth for public cloud services of 18.8% in 2022, from USD 412.63 billion to USD 490.33 billion.

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

In addition to macroeconomic conditions and high inflationary pressure, the coronavirus pandemic in particular has accelerated the digitalization process across numerous sectors since 2020. Most companies now regard new technologies as essential tools for coping with the 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.

Growth is particularly strong at present in the field of IaaS, as companies accelerate their IT modernization initiatives in order to minimize risks and optimize costs. Moving operations to the cloud reduces current capital expenditures by spreading them 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 \$ billion	2022	2021	Change
Global sales of 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, Public Cloud Services, Worldwide, 2020-2026, 3Q22 Update, October 2022

German online advertising market

In its study "German Entertainment and Media Outlook 2022 – 2026" (August 2022), the auditing and consultancy company PricewaterhouseCoopers (PwC) forecasts an increase in total revenues (paid search, display, video, affiliate / classifieds) of the German online advertising market (mobile advertising and desktop advertising) of 12.0% from € 11.99 billion to € 13.43 billion for 2022 – following very strong growth of 27.0% in 2021.

Key market figures: total online advertising market in Germany (mobile advertising & desktop advertising) – acc. to PwC			
in € billion	2022	2021	Change
Online advertising revenues	13.43	11.99	+ 12.0%

Source: PricewaterhouseCoopers, German Entertainment and Media Outlook 2022 – 2026, August 2022

The Online Marketing Group (OVK) of the German Association for the Digital Economy (BVDW) is much more cautious than PwC in its assessment of the situation in the German online advertising market. The OVK only takes net revenues into account in its market figures and focuses on the most important sub-market for United Internet, the display advertising market (mobile and desktop). The definition of the display advertising market comprises in-page advertising, including out-stream advertising and in-stream video advertising. Keyword-based paid search, affiliate or newsletter marketing, advertising for apps in the app store, and in-game advertising, by contrast, are not included in the OVK model.

Based on its updated forecast of September 2022, the OVK anticipates – in its OVK Report 2022/02 (November 2022) – an increase in net revenues of the display advertising market from € 5.120 billion in the previous year to € 5.468 billion. This represents an increase of 6.8%, following growth of 24.7% in the previous year.

Key market figures: display advertising market in Germany (mobile advertising & desktop advertising) – acc. to OVK			
in € billion	2022	2021	Change
Display advertising revenues	5.47	5.12	+ 6.8%

Source: Online-Vermarkterkreis (OVK), OVK-Report 2022/02, November 2022

The OVK believes that the coronavirus pandemic has led to a strengthening of display advertising. Advertising budgets followed consumers and were increasingly invested in digital advertising. In 2021, the display advertising market thus achieved exceptionally strong growth of 24.7%, reaching a new, significantly higher market level.

According to OVK estimates, the display advertising market also got off to a strong start in the first quarter of 2022. The 2nd quarter was then dominated by the war in Ukraine and its consequences. In some sectors, budgets were reduced or postponed as advertising planning returned to a more flexible approach. However, thanks to flexible booking options, digital display advertising was less affected by the decline in advertising spend and the second quarter closed with a slight year-on-year increase.

For the second half of 2022, the OVK expected demand to rise again due to catch-up effects, growing revenues in the retail and e-commerce sectors, and a further shift of budgets to digital media.

Legal conditions / significant events

Legal conditions

Amendment of the German Telecommunications Act

The modernized German Telecommunications Act ("Telekommunikationsgesetz" -TKG) came into force on December 1, 2021. The TKG amendment transposes Directive (EU) 2018/1972 of December 11, 2018 on the European Electronic Communications Code into national law. The modernized legislation focuses on the faster rollout of FTTH and mobile networks as well as consumer protection. For example, the legislature has enshrined in law for the first time the right of citizens to high-speed internet connections and is encouraging faster network rollout with new framework conditions and simplified approval procedures. In the interests of consumer protection, the terms of contracts in particular have been regulated, meaning that contracts can be terminated with one month's notice at any time after expiry of the minimum contract term, unless a contract extension is actively requested.

In 2022, these legal changes (shortening of subsequent contract terms in the extension period) led to a year-on-year decline in contract growth for United Internet's Consumer Access segment from shift effects (resulting from the shifting of contract terminations to an earlier date). This had the effect of slowing 1&1's contract growth by 250,000 contracts in 2022. No further shift effects are expected in the fiscal year 2023.

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

Significant events

War in Ukraine

The full-scale attack on the entire territory of Ukraine launched by Russia (with the support of Belarus) on February 24, 2022, marked the beginning of the Ukrainian War of 2022.

The EU, the USA, the UK, and other states reacted to the attack by imposing stringent sanctions against Russia, Belarus, and the separatist regions of eastern Ukraine. With an overwhelming majority, the United Nations and its 193 member countries (UN General Assembly) also condemned Russia for the attack on Ukraine and called for an immediate withdrawal and an end to the aggression.

The United Internet Group does not pursue any business activities in the countries involved in the war. Ukraine, Russia, and Belarus are not target countries for United Internet companies and there are no locations in the aforementioned countries. Against this backdrop, the war has had no direct impact on the business performance and position of the Company or the Group.

However, the macroeconomic conditions caused by the war deteriorated significantly during the course of 2022. The high inflation rate in particular, with hitherto unprecedented price hikes also for electricity and gas, has placed a major burden on citizens and companies – both nationally and internationally

Compared with the previous year, United Internet's earnings were negatively impacted in particular by a € 22.4 million increase in electricity costs in its fiscal year 2022.

FTTH product contract with Deutsche Telekom

Following a commercial agreement in the fiscal year 2021, 1&1 and Deutsche Telekom concluded the respective FTTH product contract in February 2022. This deal enables 1&1 to integrate all of Deutsche Telekom's fiber-optic home connections into its products. 1&1 receives these upstream services together with network transport services and value-added services such as VoIP and IP-TV from a single source from its sister company 1&1 Versatel, whose nationwide transport network is already largely connected to Deutsche Telekom's regional broadband networks.

Contract signed with GfTD for the construction of antenna locations

On April 4, 2022, 1&1 signed an agreement with GfTD GmbH regarding the construction of antenna locations for the rollout of 1&1's mobile communications network. The order is for 500 new locations. GfTD is one of Germany's leading service providers for radio tower infrastructure and will act as general contractor for the nationwide acquisition and construction of new antenna locations for 1&1's mobile network. The two companies have already been successfully cooperating since early 2020 on the German government's "not-spots program" aimed at closing coverage gaps in rural areas.

Contract signed with ATC for renting of existing antenna locations

On April 21, 2022, 1&1 signed a framework contract with ATC Germany Holdings GmbH, a German subsidiary of American Tower Corporation (ATC), regarding the joint use of existing antenna locations for the rollout of 1&1's mobile communications network. As an independent owner of communications sites, ATC is one of the world's leading providers of radio tower infrastructure and owns around 15,000 antenna locations in Germany alone. As part of the agreement, ATC will provide 1&1 with antenna masts for the installation of 1&1's high-performance antennas. Both companies will work closely together to assess the availability of co-location sites which can be gradually put into operation in the near future. The individual location agreements have terms of 20 years and can be extended several times by 1&1.

Wholesale cooperation with Tele Columbus

On November 21, 2022, 1&1 and Tele Columbus AG announced a long-term wholesale framework agreement. Under the terms of the partnership, the nationwide transport network of 1&1 Versatel GmbH will be connected to the regional city networks of Tele Columbus AG. From the second quarter of 2023, 1&1 will then also be able to offer high-speed internet connections to all households equipped with an internet-capable Tele Columbus fiber-optic connection. Tenants of apartments with Tele Columbus internet connections will thus also be able to use 1&1's high-performance broadband offering. For 1&1, this opens up additional marketing potential for fixed-line products offering peak bandwidths of up to 1,000 Mbit/s in households connected by Tele Columbus. At the same time, Tele Columbus will benefit from even higher network utilization. The technical and organizational preparations to guarantee seamless booking and service processes are already well advanced. 1&1's internet signal is fed into multiple central Tele Columbus network points and routed directly to households.

Contract with Orange for international roaming around the world

On November 25, 2022, 1&1 and Orange signed a long-term agreement for the provision of international roaming services for the 1&1 mobile network. With the launch of 1&1's mobile network, 1&1 will thus be able to provide its customers with reliable mobile services also during their trips abroad. As one of the world's largest telecommunications service providers, Orange is a leader in the field of international

roaming and sponsored telecommunications platforms. As part of the partnership, 1&1 customers will have access to all international roaming services based on Orange's global roaming footprint. These services use state-of-the-art roaming technologies – including 5G and VoLTE. 1&1 will therefore receive all international roaming services from a single source and customized to its needs, providing comprehensive global network coverage – including numerous value-added services and top-level anti-fraud solutions.

Contract with Eubanet for acquisition of new antenna locations

On December 21, 2022, 1&1 signed an agreement with Eubanet GmbH concerning the acquisition of up to 7,500 new 5G antenna locations. Based in Germany, Eubanet GmbH is a well-established consulting and service company in the telecommunications sector focusing in particular on the analysis and acquisition of suitable locations for new mobile telecommunications facilities. Eubanet has technical and contract-specific expertise in setting up virtually all networks, including 5G. This direct collaboration with a highly experienced acquisition partner represents a further step in reaching the expansion targets for 1&1's mobile communications network.

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

2.2 Business development

Use and definition of relevant financial performance measures

In order to ensure the clear and transparent presentation of United Internet's business trend, the Group's Annual Financial Statements and Interim Financial Statements include key financial performance measures – in addition to the disclosures required by International Financial Reporting Standards (IFRS) – such as EBITDA, the EBITDA margin, EBIT, the EBIT margin, and free cash flow.

United Internet defines these measures as follows:

- **EBIT:** Earnings before interest and taxes represents the operating result disclosed in the statement of comprehensive income.
- **EBIT margin:** Presents the ratio of EBIT to sales.
- **EBITDA:** Earnings before interest, taxes, depreciation, and amortization are calculated as EBIT/operating result plus the depreciation and amortization (disclosed in the Consolidated Financial Statements) of intangible assets and property, plant, and equipment, as well as assets capitalized in the course of company acquisitions.
- **EBITDA margin:** Presents the ratio of EBITDA to sales.
- **Free cash flow:** Calculated as cash flow from operating activities (disclosed in the consolidated financial statement), less capital expenditure for intangible assets and property, plant, and equipment, plus payments from the disposal of intangible assets and property, plant, and equipment.

Insofar as necessary for a clear and transparent presentation, these indicators are adjusted for special items and disclosed as "key operating figures" (e.g., operating EBITDA, operating EBIT and operating EPS). A reconciliation of EBITDA, EBIT, EBT, net income, and EPS (according to the consolidated statement of comprehensive income) with figures adjusted for special items can be found in chapter 2.3 "Position of the Group".

Such special items usually refer solely to those effects capable of restricting the validity of the key financial performance measures with regard to the Group's financial and earnings performance – due to their nature, frequency, and/or magnitude. All special items are presented and explained for the purpose of reconciliation from the unadjusted key financial figures to the key operating figures in the relevant section of the financial statements.

One-off amounts (such as one-offs for integration projects) or other effects (e.g., from regulation topics or growth initiatives) in the fiscal years 2021 and 2022 are not adjusted but are disclosed – if there were any – in the respective sections.

Currency-adjusted sales and earnings figures are calculated by converting sales and earnings figures with the average exchange rates of the comparative period, instead of the current period.

Actual and forecast development 2022

United Internet AG maintained its growth trajectory in the fiscal year 2022 and reached its forecast for the fiscal year 2022 of December 2021 and its updates of March 2022 and September 2022.

Forecast development

In an ad-hoc announcement on December 9, 2021, United Internet published its guidance for the fiscal year 2022 and updated it during the year as follows:

	Forecast 2022 (December 2021)	Specification (March 2022)	Specification (September 2022)
Sales	approx. € 5.8 billion	approx. € 5.85 billion	approx. € 5.85 billion
EBITDA	approx. € 1.25 billion ⁽¹⁾	approx. € 1.259 billion ⁽¹⁾	approx. € 1.270 billion ⁽²⁾

(1) This figure includes costs of approx. € 70 million for the 5G network rollout of 1&1 and an amount of approx € 30 million for additional marketing activities of IONOS

(2) This figure includes costs of approx. € 60 million for the 5G network rollout of 1&1 and an amount of approx € 30 million for additional marketing activities of IONOS and around € 20 million higher electricity costs

Actual development

In the fiscal year 2022, **consolidated sales** rose by 4.8%, from € 5.646 billion in the previous year to € 5.915 billion and were thus well above the original sales forecast (December 2021: approx. € 5.8 billion) and its update (March 2022: approx. € 5.85 billion).

Without consideration of a non-cash valuation effect from derivatives (€ -0.5 million) and additionally adjusted for a special item in the form of IPO costs incurred in the fiscal year 2022 for the planned IPO of Group subsidiary IONOS Group SE (€ -8.8 million), **operating EBITDA for the Group** in the fiscal year 2022 amounted to € 1.272 billion and was thus 0.7% above the comparable prior-year figure (€ 1.262 billion – adjusted for IONOS IPO costs). As a result, EBITDA was slightly above the original EBITDA forecast (December 2021: approx. € 1.25 billion) and exactly within the target corridor of its last update (September 2022: approx. € 1.270 billion).

In addition to the year-on-year increase in electricity costs of € -22.4 million, this at first glance only moderate growth in operating EBITDA was due to expenses for the construction of 1&1's mobile communications network of € -51.7 million (prior year: € -37.9 million) and costs for the announced additional marketing activities of IONOS to raise brand awareness in its most important European markets of € -32.4 million.

Summary: actual and forecast development of business in 2022

	Forecast 2022 (December 2021)	Specification (March 2022)	Specification (September 2022)	Actual 2022
Sales	approx. € 5.8 billion	approx. € 5.85 billion	approx. € 5.85 billion	€ 5.915 billion
EBITDA	approx. € 1.25 billion ⁽¹⁾	approx. € 1.259 billion ⁽¹⁾	approx. € 1.270 billion ⁽²⁾	€ 1.272 billion ⁽³⁾

(1) This figure includes costs of approx. € 70 million for the 5G network rollout of 1&1 and an amount of approx € 30 million for additional marketing activities of IONOS

(2) This figure includes costs of approx. € 60 million for the 5G network rollout of 1&1 and an amount of approx € 30 million for additional marketing activities of IONOS and around € 20 million higher electricity costs

(3) This figure includes costs of € 51.7 million for the 5G network rollout of 1&1 and an amount of € 32.4 million for additional marketing activities of IONOS and € 22.4 million higher electricity costs

Development of divisions and segments

The Group's operating activities are divided into the two business divisions Access and Applications, which in turn are divided into the segments Consumer Access and Business Access, as well as Consumer Applications and Business Applications.

Details on the business models of the individual segments are presented in chapter 1.1 "Business model".

Consumer Access segment

In addition to preparations for the establishment of its own mobile communications network, the Consumer Access segment once again focused on adding further valuable broadband and mobile internet contracts in the fiscal year 2022. Contract growth was significantly slowed by the effects of the amended German Telecommunications Act ("Telekommunikationsgesetz" -TKG), which came into force on December 1, 2021.

Details on the TKG and its effects are provided in chapter 2 "Economic report" under "Legal conditions / significant events".

The total number of **fee-based contracts** in the Consumer Access segment rose by a further 350,000 contracts (+600,000 operating growth less -250,000 contracts due to the TKG effect) to 15.78 million in 2022. Broadband connections decreased by 140,000 (-50,000 operating and -90,000 contracts due to the TKG effect) to 4.10 million, while mobile internet contracts increased by 490,000 (+650,000 operating less -160,000 contracts due to the TKG effect) to 11.68 million.

Development of Consumer Access contracts in the fiscal year 2022

in million	Dec. 31, 2022	Dec. 31, 2021	Change
Consumer Access, total contracts	15.78	15.43	+ 0.35
thereof Mobile Internet	11.68	11.19	+ 0.49
thereof broadband connections	4.10	4.24	- 0.14

Development of Consumer Access contracts in the fourth quarter of 2022

in million	Dec. 31, 2022	Sept. 30, 2022	Change
Consumer Access, total contracts	15.78	15.65	+ 0.13
thereof Mobile Internet	11.68	11.52	+ 0.16
thereof broadband connections	4.10	4.13	- 0.03

Sales of the Consumer Access segment rose by 1.5% in the fiscal year 2022, from € 3,883.0 million in the previous year to € 3,943.0 million.

This at first glance only moderate overall sales growth was due in particular to fluctuations during the year in (low-margin) **hardware sales**, which rose only slightly in the reporting period by 1.1%, or € 8.0 million, from € 759.6 million to € 767.6 million. Such hardware sales (especially smartphones) are subject to seasonal effects and also depend strongly on the appeal of new devices and the model cycles of hardware manufacturers. Consequently, this effect may be reversed in the coming quarters. If this is not the case, however, it would have no impact on the segment's EBITDA trend. High-margin **service revenues** – which represent the core business of the segment – improved by 1.7% from € 3,123.4 million to € 3,175.4 million.

The segment's key earnings figures in the previous year were affected by a (non-period) positive effect on earnings of € 39.4 million, which was attributable to the second half of 2020. Without consideration of this positive earnings effect in the previous year, the segment's key earnings figures developed as follows: **operating segment EBITDA** improved by 3.2% in the fiscal year 2022, from € 674.6 million in the previous year to € 696.5 million. In addition to increased electricity costs (€ -0.9 million), this figure also includes expenses for the construction of 1&1's mobile communications network (€ -51.7 million; prior year: € -37.9 million), which were mainly incurred (€ -25.6 million) in the fourth quarter. **Operating segment EBIT** rose by 5.3% from € 510.5 million to € 537.7 million.

The **operating EBITDA margin** improved from 17.4% to 17.7% and the **operating EBIT margin** from 13.1% to 13.6%.

The number of **employees** in the segment fell slightly by 0.1% to 3,163 (prior year: 3,167).

Key sales and earnings figures in the Consumer Access segment (in € million)

■ 2022
■ 2021

Sales	3,943.0	3,883.0	+ 1.5 %
thereof service sales	3,175.4	3,123.4	+ 1.7 %
thereof other sales ⁽¹⁾	767.6	759.6	+ 1.1 %
EBITDA	696.5	674.6 ⁽²⁾	+ 3.2 %
EBIT	537.7	510.5 ⁽²⁾	+ 5.3 %

(1) Mainly hardware sales

(2) Excluding the non-period positive effect on earnings attributable to the second half of 2020 (EBITDA and EBIT effect: € +39.4 million)

Quarterly development; change over prior-year quarter (unaudited; see note "unaudited disclosures" on page 3)

in € million	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q4 2021	Change
Sales	969.4	971.3	992.9	1,009.4	1,002.5	+ 0.7 %
thereof service sales	789.1	792.8	804.8	788.7	787.6	+ 0.1 %
thereof other sales ⁽¹⁾	180.3	178.5	188.1	220.7	214.9	+ 2.7 %
EBITDA	187.9	182.2	181.9	144.5	160.7	- 10.1 %
EBIT	147.5	142.0	142.0	106.2	117.4	- 9.5 %

(1) Mainly hardware sales

Multi-period overview: Development of key sales and earnings figures

in € million	2018 (IFRS 15)	2019 (IFRS 16)	2020	2021	2022
Sales	3,600.8	3,647.5	3,759.0	3,883.0	3,943.0
thereof service sales	2,854.4	2,943.0	3,020.0	3,123.4	3,175.4
thereof other sales ⁽¹⁾	746.4	704.5	739.0	759.6	767.6
EBITDA	719.3	686.6	640.6 ⁽²⁾	674.6 ⁽³⁾	696.5
EBITDA margin	20.0%	18.8%	17.0%	17.4%	17.7%
EBIT	560.6	536.1	488.1 ⁽²⁾	510.5 ⁽³⁾	537.7
EBIT margin	15.6%	14.7%	13.0%	13.1%	13.6%

(1) Mainly hardware sales

(2) Including the non-period positive effect on earnings in 2021 attributable to the second half of 2020 (EBITDA and EBIT effect: € +39.4 million); excluding write-off of VDSL contingents that are still available (EBITDA and EBIT effect: € -129.9 million)

(3) Excluding the non-period positive effect on earnings attributable to the second half of 2020 (EBITDA and EBIT effect: € +39.4 million)

As part of the planned rollout of its powerful 5G mobile communications network – and following its successful bid for two frequency blocks of 2 x 5 MHz in the 2 GHz band and five frequency blocks of 10 MHz in the 3.6 GHz band during the 5G spectrum auction in 2019 – 1&1 concluded long-term agreements in the fiscal years 2021 and 2022 and now has all key prerequisites in place to drive forward the rollout of the 1&1 mobile network and thus extend its added value in this market – as in the landline market.

These agreements include the national roaming agreement between 1&1 and Telefónica concluded on May 21, 2021, which secures nationwide mobile coverage for 1&1 customers during the construction phase of 1&1's own network through shared use of the Telefónica network, as well as the partnership announced on August 4, 2021 between 1&1 and Rakuten for the joint construction of Europe's first fully virtualized mobile network based on the innovative OpenRAN technology. In addition, 1&1 signed an intercompany agreement with 1&1 Versatel on December 9, 2021, which in particular provides the access network (primarily fiber-optic cables) and data centers for operating 1&1's mobile network on a rental basis. On the same date, an agreement was also concluded between 1&1 and Vantage Towers, one of Europe's leading companies for radio tower infrastructure, which among other things includes the renting of Vantage's existing antenna locations and the installation of 1&1's high-performance antennas by Vantage.

The above mentioned contract signings were complemented by further partnership agreements in 2022. These include a contract with GfTD GmbH regarding the construction of antenna locations signed on April 4, 2022. The first order is for 500 new locations. GfTD is one Germany's leading service providers for radio tower infrastructure and will act as general contractor for the nationwide acquisition and construction of new antenna locations for 1&1's mobile communications network. Noteworthy is also the framework contract signed on April 21, 2022 between 1&1 and ATC Germany Holdings GmbH, a German subsidiary of American Tower Corporation (ATC), for the joint use of existing antenna locations. As an independent owner of communications sites, ATC is one of the world's leading providers of radio tower infrastructure and owns around 15,000 antenna locations in Germany alone. As part of the agreement, ATC will provide antenna masts for the installation of 1&1's high-performance antennas. In addition, an agreement was signed with Orange on November 25, 2022 for the world-wide provision of international roaming. As part of this partnership, 1&1 customers will have access to all international roaming services based on Orange's global roaming footprint. Last but not least, 1&1 signed an agreement with Eubonet GmbH on December 21, 2022, concerning the acquisition of up to 7,500 new 5G antenna locations.

Operations of the 1&1 mobile network were launched on December 28, 2022 with "1&1 5G at home" – a product positioned as an alternative to conventional DSL, cable internet, or fiber-optic house connections. Smartphone tariffs are set to follow in 2023, together with the scheduled provision of national roaming by Telefónica. National roaming is a standard procedure used in the rollout of new mobile networks that enables customers to surf and make calls without interruption in areas not yet covered during the construction phase of the new network. This is achieved by automatically using the roaming partner's antennas in these areas.

Despite the current delay in the rollout of 1&1's antenna locations (1&1 press release of September 16, 2022), the company is still pursuing its goal of covering at least 50 percent of households before 2030. To this end, additional partners have been acquired for network expansion. The company therefore expects to make up for the delays in the course of the rollout phase. In addition, 1&1 has filed a complaint with the German Federal Cartel Office regarding a competitor's obstruction of the network rollout (1&1 press release of February 23, 2023).

Business Access segment

Despite negative regulatory effects (€ -6.1 million), **sales in the Business Access segment** rose by 5.5% from € 514.4 million to € 542.8 million in the fiscal year 2022.

At € 155.6 million, **segment EBITDA** however was 3.1% below the prior-year figure of € 160.5 million. There was a corresponding decline in the **EBITDA margin** from 31.2% to 28.7%. In addition to increased electricity costs (€ -2.1 million), as well as costs for the technically necessary (SDH-based advance services of Deutsche Telekom are being terminated) and also economically sensible SDH migration (€ -2.3 million), this decline was mainly due to start-up costs for the construction of 1&1's mobile communications infrastructure (€ -8.0 million).

Under the terms of an intercompany agreement, 1&1 Versatel is responsible in particular for setting up data centers and fiber-optic connections for 1&1 and providing them on a rental basis to 1&1 for the operation of its mobile network. During the set-up period, and in order to avoid potential supply bottlenecks in the future, 1&1 Versatel had decided (as already reported on presentation of the half-year figures 2022) to perform more in advance for 1&1 than originally planned and bring forward some investments originally scheduled for the following year to the fiscal year 2022. In addition to these burdens on earnings, there were unexpected delays in the provision of antenna locations due to the delivery bottlenecks of one of 1&1's rollout partners, which also had a negative impact on 1&1 Versatel's earnings (since start-up costs already incurred could not yet be invoiced).

As a result of increased writedowns for network infrastructure, **segment EBIT** decreased from € -22.7 million in the previous year to € -39.3 million in the fiscal year 2022.

The number of **employees** in the segment rose by 7.9% to 1,336 in (prior year: 1,238).

Key sales and earnings figures in the Business Access segment

■ 2022 ■ 2021	Umsatz	542,8	514,4	+ 5,5 %
	EBITDA	155,6	160,5	- 3,1 %
	EBIT	-39,3	-22,7	

Quarterly development; change over prior-year quarter (unaudited; see note "unaudited disclosures" on page 3)

in € million	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q4 2021	Change
Sales	128.4	133.4	136.9	144.1	131.7	+ 9.4%
EBITDA	36.6	39.1	37.8	42.1	41.7	+ 1.0%
EBIT	-11.0	-8.6	-11.7	-8.0	-5.3	

Multi-period overview: Development of key sales and earnings figures

in € million	2018 (IFRS 15)	2019 (IFRS 16)	2020	2021	2022
Sales	465.9	476.6	493.3	514.4	542.8
EBITDA	72.6	147.2	149.8	160.5	155.6
EBITDA margin	15.6%	30.9%	30.4%	31.2%	28.7%
EBIT	-58.1	-51.2	-48.1	-22.7	-39.3
EBIT margin	-	-	-	-	-

Consumer Applications segment

In the course of preparing its annual financial statements for the fiscal year 2022, United Internet decided to include app store contracts previously not included in its (fee-based) contract figures as at the end of the reporting period and to retroactively adjust its prior-year figures accordingly. The aforementioned contracts are fee-based apps for the premium mail accounts of GMX and WEB.DE that were acquired via the Apple and Google app stores (and previously disclosed in the free account figures). The reclassification resulted in an increase of 110,000 pay accounts (fee-based contracts) as of December 31, 2022. The figures as at September 30, 2022 and December 31, 2021 were retroactively adjusted by 90,000 contracts and 50,000 contracts, respectively. By contrast, the free account figures as at the aforementioned dates were reduced by the same amount. The total number of accounts remained unchanged.

Including app store contracts, the number of fee-based pay accounts (contracts) rose by 120,000 to 2.64 million in the fiscal year 2022. Ad-financed free accounts increased by 40,000 to 40.31 million. The total number of **Consumer Applications accounts** therefore increased by 160,000 to 42.95 million.

Development of Consumer Applications accounts in the fiscal year 2022

in million	Dec. 31, 2022	Dec. 31, 2021	Change
Consumer Applications, total accounts	42.95	42.79	+ 0.16
thereof with Premium Mail subscription	1.89	1.77	+ 0.12
thereof with Value-Added subscription	0.75	0.75	0.00
thereof free accounts	40.31	40.27	+ 0.04

Development of Consumer Applications accounts in the fourth quarter of 2022

in million	Dec. 31, 2022	Sept. 30, 2022	Change
Consumer Applications, total accounts	42.95	42.55	+ 0.40
thereof with Premium Mail subscription	1.89	1.86	+ 0.03
thereof with Value-Added subscription	0.75	0.75	0.00
thereof free accounts	40.31	39.94	+ 0.37

As of the beginning of the second quarter of 2022, the online advertising market was dominated in 2022 by a noticeable decline in advertising activity brought about by the war in Ukraine and very high inflation. In spite of this adverse sector environment, **segment sales** were increased slightly by 1.7% – compared to already good prior-year figure – from € 279.1 million to € 283.9 million.

The segment's key earnings figures were affected during the year by non-cash valuation effects from derivatives. Valuation effects developed positively in the first three quarters following quarterly remeasurement and gradually increased to € +12.2 million, but then turned negative in the fourth quarter at € -0.5 million. Adjusted for these non-cash valuation effects from derivatives of € +4.9 million in the previous year and € -0.5 million in 2022, operating **segment EBITDA** rose by 1.4% from € 117.6 million to € 119.3 million and operating **segment EBIT** by 1.1% from € 95.0 million to € 96.0 million. These earnings figures include a € 3.5 million increase in electricity costs.

The **EBITDA margin** fell slightly from 42.1% to 42.0% and the **EBIT margin** from 34.0% to 33.8%.

The number of **employees** in the segment increased by 3.2% in 2022 to 1,036 (prior year: 1,004).

Key sales and earnings figures in the Consumer Applications segment (in € million)

■ 2022
■ 2021

Umsatz	283,9	279,1	+ 1,7 %
EBITDA	119,3 ⁽¹⁾	117,6 ⁽²⁾	+ 1,4 %
EBIT	96,0 ⁽¹⁾	95,0 ⁽²⁾	+ 1,1 %

(1) Excluding a non-cash valuation effect from derivatives (EBITDA and EBIT effect: € -0.5 million)

(2) Excluding a non-cash valuation effect from derivatives (EBITDA and EBIT effect: € +4.9 million)

Quarterly development; change over prior-year quarter (unaudited; see note "unaudited disclosures" on page 3)

in € million	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q4 2021	Change
Sales	70.2	69.9	67.9	75.9	79.0	- 3.9%
EBITDA	26.7 ⁽¹⁾	29.7 ⁽¹⁾	27.2 ⁽¹⁾	35.7 ⁽¹⁾	37.1 ⁽¹⁾	- 3.8%
EBIT	20.8 ⁽¹⁾	23.8 ⁽¹⁾	21.4 ⁽¹⁾	30.2 ⁽¹⁾	31.4 ⁽¹⁾	- 3.8%

(1) Excluding a non-cash valuation effect from derivatives (EBITDA and EBIT effect: € +0.8 million in Q1 2022; € +3.8 million in Q2 2022; € +7.6 million in Q3 2022; € -12.7 million in Q4 2022) and excluding IPO costs IONOS (EBITDA and EBIT effect: € -0.9 million in Q1 2022; € -1.5 million in Q2 2022; € -0.8 million in Q3 2022; € -5.6 million in Q4 2022)

Multi-period overview: Development of key sales and earnings figures

in € million	2018 (IFRS 15)	2019 (IFRS 16)	2020	2021	2022
Sales ⁽¹⁾	274.2	247.2 (255.0)	251.8	279.1	283.9
EBITDA	112.8	103.6	100.7	117.6 ⁽²⁾	119.3 ⁽³⁾
EBITDA margin	41.1%	41.9%	40.0%	42.1%	42.0%
EBIT	100.8	85.9	79.0	95.0 ⁽²⁾	96.0 ⁽³⁾
EBIT margin	36.8%	34.7%	31.4%	34.0%	33.8%

(1) Sales in 2019 after changing from gross to net presentation of third-party marketing revenues in 2020; the gross amount disclosed in 2019 is shown in brackets; 2018 reported unchanged on a gross statement

(2) Excluding a non-cash valuation effect from derivatives (EBITDA and EBIT effect: € +4.9 million)

(3) Excluding a non-cash valuation effect from derivatives (EBITDA and EBIT effect: € -0.5 million)

Business Applications segment

The number of **fee-based Business Applications contracts** grew by 260,000 in the fiscal year 2022. This growth resulted from 170,000 contracts in Germany and 90,000 contracts abroad. As a result, the total number of contracts rose to 9.04 million.

Development of Business Applications contracts in the fiscal year 2022

in million	Dec. 31, 2022	Dec. 31, 2021	Change
Business Applications, total contracts	9.04	8.78	+ 0.26
thereof in Germany	4.43	4.26	+ 0.17
thereof abroad	4.61	4.52	+ 0.09

Development of Business Applications contracts in the fourth quarter of 2022

in million	Dec. 31, 2022	Sept. 30, 2022	Change
Business Applications, total contracts	9.04	8.94	+ 0.10
thereof in Germany	4.43	4.34	+ 0.09
thereof abroad	4.61	4.60	+ 0.01

Sales of the Business Applications segment rose by 17.4% in the fiscal year 2022, from € 1,062.8 million in the previous year to € 1,248.1 million. Sedo's after-market business (domain trading platform and domain parking) contributed 9.9 percentage points to this sales growth.

The segment's key earnings figures in 2022 and 2021 were affected by a special item in the form of IPO costs for the planned IPO of the IONOS Group. Total IPO costs of € -8.8 million in 2022 (prior year: € -3.0 million) were primarily incurred in the fourth quarter.


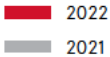


Adjusted for this special item, **segment EBITDA** was virtually unchanged from the previous year at € 318.2 million (prior year: € 318.3 million). In addition to increased electricity costs (€ -15.9 million compared to the previous year), this figure also includes costs for the announced additional marketing activities of IONOS to raise brand awareness in its most important European markets (€ -32.4 million, of which € -19.8 million in Q4 2022).

Also burdened by these costs, **segment EBIT** of € 216.5 million was slightly down on the previous year by 0.3% (prior year: € 217.2 million).

Against the backdrop of strong sales growth, the **EBITDA margin** and **EBIT margin** decreased accordingly from 29.9% to 25.5% and from 20.4% to 17.3%, respectively.

The number of **employees** in the segment rose by 6.2% to 4,247 in 2022 (prior year: 3,998).

Key sales and earnings figures in the Business Applications segment (in € million)

Sales		1,248.1	+ 17.4%	
EBITDA		318.2 ⁽¹⁾ 318.3 ⁽²⁾	0.0 %	
EBIT		216.5 ⁽¹⁾ 217.2 ⁽²⁾	- 0.3 %	

(1) Excluding IPO costs (EBITDA and EBIT effect: € -8.8 million)

(2) Excluding IPO costs (EBITDA and EBIT effect: € -3.0 million)

Quarterly development; change over prior-year quarter (unaudited; see note "unaudited disclosures" on page 3)

in € million	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q4 2021	Change
Sales	300.1	307.9	311.7	328.4	287.9	+ 14.1%
EBITDA	84.0 ⁽¹⁾	82.9 ⁽¹⁾	86.1 ⁽¹⁾	65.2 ⁽¹⁾	76.1 ⁽¹⁾	- 14.3%
EBIT	58.7 ⁽¹⁾	56.9 ⁽¹⁾	61.1 ⁽¹⁾	39.8 ⁽¹⁾	49.2 ⁽¹⁾	- 19.1%

(1) Excluding IPO costs (EBITDA and EBIT effect: € -0.9 million in Q1 2022; € -1.5 million in Q2 2022; € -0.8 million in Q3 2022; € -5.6 million in Q4 2022; € -3.0 million in Q4 2021)

Multi-period overview: Development of key sales and earnings figures

in € million	2018 (IFRS 15)	2019 (IFRS 16)	2020	2021	2022
Sales	841.8	890.6	948.6	1,062.8	1,248.1
EBITDA	290.4	306.2	328.3	318.3 ⁽²⁾	318.2 ⁽³⁾
EBITDA margin	34.5%	34.4%	34.6%	29.9%	25.5%
EBIT	202.1	201.4 ⁽¹⁾	229.2	217.2 ⁽²⁾	216.5 ⁽³⁾
EBIT margin	24.0%	22.6%	24.2%	20.4%	17.3%

(1) Excluding trademark writeups Strato (EBIT effect: € +19.4 million)

(2) Excluding IPO costs (EBITDA and EBIT effect: € -3.0 million)

(3) Excluding IPO costs (EBITDA and EBIT effect: € -8.8 million)

In addition to its successful operating business, the IONOS Group worked hard on preparations for a targeted IPO and made significant progress in its fiscal year 2022.

In an "Intention to Float" (ITF) document published on January 17, 2023 together with its shareholders United Internet (75.1%) and WP XII Venture Holdings II SCSp (24.9%), an affiliate of Warburg Pincus (together "Warburg Pincus"), IONOS Group SE officially announced its plans for an IPO of IONOS. Depending on the market environment, the shares were to be listed on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange in the first quarter of 2023.

In an ad-hoc announcement on January 27, 2023, United Internet and Warburg Pincus announced that they had set the framework for the planned IPO of IONOS Group SE and the admission for trading of its shares on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange. The shares of IONOS Group SE were to be offered in a price range of € 18.50 to € 22.50. United Internet and Warburg Pincus both offered 15% of their shares (i.e., a total of 21,000,000 registered shares with no par value), corresponding to 15,771,000 registered shares with no par value from the holdings of United Internet and 5,229,000 registered shares with no par value from the holdings of Warburg Pincus. Up to 3,150,000 additional registered shares with no par value from the holdings of United Internet and Warburg Pincus were available to be offered to cover potential over-allotments (greenshoe).

In an ad-hoc announcement on February 7, 2023, United Internet and Warburg Pincus announced that they had set the final offer price for the shares of IONOS Group SE at € 18.50 per share.

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

Further details on the IONOS IPO are provided in chapter 3 "Subsequent events".

Group investments

Significant changes in investments

Investment via Kublai in capital increase of Tele Columbus

As the former anchor investor in Tele Columbus AG, United Internet AG announced on December 21, 2020 that, together with Morgan Stanley Infrastructure Partners, it would provide sustained support for the implementation of Tele Columbus's Fiber Champion strategy.

In a first step, Kublai GmbH (a bidding company backed by Morgan Stanley) submitted a voluntary public takeover offer for Tele Columbus shares. After the successful completion of the takeover bid, United Internet contributed its Tele Columbus shares to Kublai in April 2021 and raised its stake in Kublai to 40%. The remaining 60% of shares in Kublai are held by Morgan Stanley Infrastructure Partners.

In late 2022, Kublai participated in the capital increase by way of a rights offering of Tele Columbus and acquired 22,940,652 new shares for direct subscription at a price of € 3.25 per share. In accordance with the shareholdings in Kublai, around € 30 million of the total purchase price of around € 75 million was attributable to United Internet AG. The additional funds will be used to implement the Fiber Champion strategy and to strengthen the equity footing of Tele Columbus AG.

Following the capital increase, Kublai currently holds 95.39% of Tele Columbus shares.

In addition to Kublai GmbH and its other (fully consolidated) core operating companies, United Internet held the following other minority shareholdings as of December 31, 2022, which are included in its result from associated companies.

Minority holdings in partner companies

In July 2013, United Internet acquired a stake in **Open-Xchange AG** (main activity: e-mail and collaboration solutions). United Internet has already been working successfully with the company for many years in its Applications business. As of December 31, 2022, United Internet's share of voting rights amounted to 25.39%. United Internet expects Open-Xchange to post increased revenues and a positive EBITDA for the fiscal year 2022.

In April 2014, United Internet acquired a stake in **uberall GmbH** (main activity: online listings). In addition, uberall and IONOS agreed a long-term cooperation contract for the use of uberall solutions. As of December 31, 2022, the share of voting rights held by United Internet amounted to 25.10%. For 2022, United Internet anticipates increased sales of uberall. Due to the expansion of business in the USA, the company's EBITDA is likely to remain negative.

In April 2017, United Internet acquired a stake in **rankingCoach International GmbH** (main activity: online marketing solutions). In addition to the equity stake, rankingCoach and IONOS signed a long-term cooperation agreement for IONOS SE to use the online marketing solutions of rankingCoach as part of its hosting and cloud products marketed in Europe and North America. As of December 31, 2022, the share of voting rights amounted to 31.52%. United Internet expects rankingCoach to achieve significant sales growth in 2022 with slightly positive EBITDA.

Following the contribution of affilinet GmbH to AWIN in October 2017, United Internet also holds a stake in **AWIN AG** (main activity: affiliate marketing). Several United Internet subsidiaries are currently working

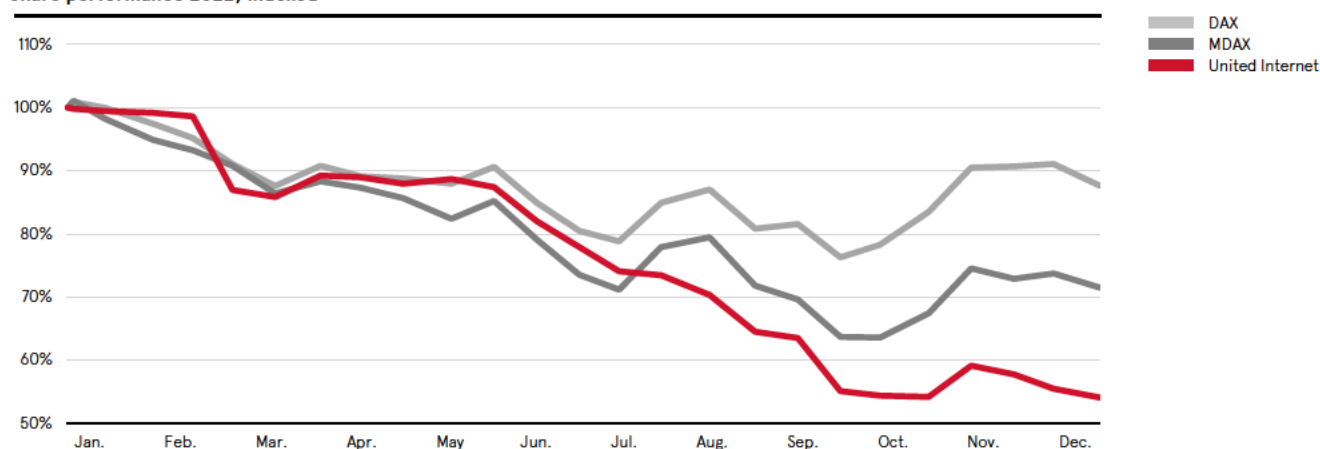
together with AWIN and using the company's affiliate network as part of their marketing mix. As of December 31, 2022, United Internet's share of voting rights amounted to 20.00%. United Internet expects further strong sales growth for AWIN in its fiscal year 2022 and a strongly positive EBITDA result.

Share and dividend

Share

In the fiscal year 2022, the United Internet share price fell strongly by 45.9% to € 18.89 as of December 31, 2022 (December 31, 2021: € 34.94). The share thus performed worse than its comparative indices, which also fell year on year (DAX -12.3%; MDAX -28.5%).

Share performance 2022, indexed



There was a corresponding decline in the **market capitalization** of United Internet AG from around € 6.78 billion in the previous year to around € 3.66 billion as of December 31, 2022.

In the fiscal year 2022, average daily trading via the XETRA electronic computer trading system amounted to around 220,000 shares (prior year: around 230,000) with an average value of € 5.8 million (prior year: € 8.1 million).

Multi-period overview: share performance

(as of: December 31, 2022; in €; all stock exchange figures based on Xetra trading)

	2018	2019	2020	2021	2022
Closing price	38.20	29.28	34.43	34.94	18.89
Performance	-33.4%	-23.4%	+ 17.6%	+ 1.5%	-45.9%
Year-high	59.80	40.42	43.88	39.34	35.45
Year-low	34.14	24.21	20.76	31.63	18.14
Average daily turnover	19,261,114	16,415,087	13,355,218	8,149,290	5,777,474
Average daily turnover (units)	404,956	522,809	414,786	233,717	221,596
Number of shares (units)	205 million	205 million	194 million	194 million	194 million
Market value	7.83 billion	6.00 billion	6.68 billion	6.78 billion	3.66 billion
EPS ⁽¹⁾	0.94	2.13	1.55	2.23	1.97
Adjusted EPS ⁽²⁾	1.96	1.88	1.87	2.11	2.00

(1) EPS from continued operations

(2) EPS from continued operations and without special items

Share data

	Registered common stock
Share type	
Notional share of capital stock	€ 1.00
German Securities Identification Number (WKN)	508903
International Securities Identification Number (ISIN)	DE0005089031
Ticker symbol Xetra	UTDI
Reuters ticker symbol	UTDI.DE
Bloomberg ticker symbol	UTDI.GR
Segment	Prime Standard
Index	MDAX, TecDAX
Sector	Software

Shareholder structure**(as of: March 16, 2023, after capital reduction and share buyback)**

Shareholder	Shareholding
Ralph Dommermuth	
- Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft (47.16%)	48.94%
- RD Holding GmbH & Co. KG (1.04%)	
- Ralph Dommermuth GmbH (0.73%)	
United Internet (treasury stock)	9.99%
BlackRock	3.44%
Wellington	3.03%
Free float	34.60%

Presentation of the total positions shown above based on the most recent notification of voting rights in accordance with sections 33 ff. of the German Securities Trading Act. Accordingly, only voting rights notifications that have reached at least the first notification threshold of 3% are taken into account. In addition, any directors' dealings announcements available to the Company have been taken into account accordingly.

The treasury shares held by United Internet do not carry voting or dividend rights. Due to the non-voting nature of treasury shares, the proportion of shares with voting rights held by companies controlled by Mr. Dommermuth in relation to the total number of voting rights of United Internet AG amounts to 54.37%, the proportion of shares with voting rights held by Blackrock to 3.82%, the proportion of shares with voting rights held by Wellington to 3.34%, and the proportion of shares with voting rights in free float to 38.47%.

Dividend

United Internet's **dividend policy** aims to pay a dividend to shareholders of approx. 20-40% of adjusted consolidated net income after minority interests (adjusted consolidated net income attributable to the "shareholders of United Internet AG" – according to the consolidated statement of comprehensive income), provided that funds are not needed for further Company development.

At the (virtual) Annual Shareholders' Meeting of United Internet AG held on May 19, 2022, the proposal of the Management Board and Supervisory Board to pay a **dividend** of € 0.50 per share (prior year: € 0.50) for the fiscal year 2021, was approved with a majority of 99.97% of votes cast. As a consequence, a total of € 93.4 million (prior year: € 93.6 million) was distributed on May 24, 2022. The **payout ratio** was thus 23.7% of the adjusted consolidated net income after minority interests for 2021 (€ 394.5 million adjusted for IONOS IPO costs) and – in view of the investments due to be made in the Company's own mobile communications network – therefore still within the range targeted by the dividend policy.

For the fiscal year 2022, the Management Board of United Internet AG will propose to the Supervisory Board a dividend of € 0.50 per share (prior year: € 0.50). The Management Board and Supervisory Board will discuss this **dividend proposal** at the Supervisory Board meeting on March 29, 2023 (and thus after the preparation deadline for this Management Report). The Annual Shareholders' Meeting of United Internet AG on May 17, 2023 will then vote on whether to adopt the joint proposal of the Management Board and Supervisory Board.

On the basis of around 172.8 million shares with dividend entitlement (as of March 2023 following the cancellation of 2 million treasury shares and the purchase of around 13.9 million shares in a public share buyback offer), the total **dividend payment** for fiscal year 2022 would amount to € 86.4 million. The **dividend payout ratio** would therefore be 23.1% of adjusted consolidated net income after minority interests for 2022 (€ 374.1 million) and thus lie – in view of the investments due to be made in the Company's own mobile communications network – within the range of the dividend policy. Based on the closing price of the United Internet share on December 31, 2022, the **dividend yield** would be 2.6%.

Multi-period overview: dividend development

	For 2018	For 2019	For 2020	For 2021	For 2022 ⁽¹⁾
Dividend per share (in €)	0.05	0.50	0.50	0.50	0.50
Dividend payment (in € million)	10.0	93.9	93.6	93.4	86.4
Payout ratio	5.3%	22.2%	32.2%	22.4%	23.5%
Adjusted payout ratio ⁽²⁾	2.5%	23.6%	26.7%	23.7%	23.1%
Dividend yield ⁽³⁾	0.1%	1.7%	1.5%	1.4%	2.6%

(1) Subject to approval of Supervisory Board and Annual Shareholders' Meeting 2023

(2) Without special items

(3) As of: December 31

Annual Shareholders' Meeting 2022

The (virtual) Annual Shareholders' Meeting of United Internet AG was held in Frankfurt am Main on May 19, 2022. A total of 80.24% of capital stock (or 83.37% of capital stock less treasury shares) was represented. The shareholders adopted all resolutions on the agenda requiring voting with large majorities.

Capital stock and treasury shares

As at the balance sheet date of December 31, 2022, United Internet AG continued to hold 7,284,109 **treasury shares**. This corresponds to approx. 3.75% of the capital stock of 194,000,000 shares.

On February 14, 2023, the Management Board of United Internet AG decided, with the approval of the Supervisory Board and on the basis of the authorization granted by the Annual Shareholders' Meeting of May 20, 2020 regarding the acquisition and use of treasury shares, to initially cancel 2,000,000 treasury shares and to reduce the capital stock of United Internet AG by € 2,000,000 from € 194,000,000 to € 192,000,000. The number of shares issued decreased accordingly by 2,000,000 shares, from 194,000,000 shares to 192,000,000 shares. The pro-rata amount of the capital stock that the issued shares represent remains unchanged at € 1 per share. The cancellation of the treasury shares serves to increase the proportionate participation of United Internet shareholders. Following the cancellation of the aforementioned two million shares, United Internet AG initially held 5,284,109 treasury shares. This corresponded to approx. 2.75% of the Company's capital stock.

Furthermore, the Management Board of United Internet AG also decided on February 14, 2023, with the approval of the Supervisory Board, to make a public share buyback offer to the shareholders of United

Internet AG for a total of up to 13,900,000 shares at a price of € 21.00 per share. The total volume of the share buyback offer therefore amounted to up to € 291.9 million. With the public share buyback offer, United Internet AG made use of the authorization granted by the Annual Shareholders' Meeting of the Company on May 20, 2020, under which up to 10% of the Company's capital stock could be bought back by August 31, 2023. The shares bought back may be used for all of the purposes permitted under the authorization granted by the Annual Shareholders' Meeting of May 20, 2020. The shares may also be canceled.

In the course of the public share buyback offer, a total of 27,553,147 shares were tendered to the Company by the end of the offer period. The offer was based on the buyback of up to 13.9 million shares in total. As the total number of shares for which the offer was accepted exceeded this maximum amount, the declarations of acceptance were considered on a pro rata basis, i.e., corresponding to the ratio of the maximum number of United Internet shares to be purchased pursuant to this offer, i.e., 13.9 million United Internet shares, to the aggregate number of United Internet shares tendered by United Internet shareholders for buyback.

Upon completion of the capital reduction resolved by the Management Board on February 14, 2023, with the approval of the Supervisory Board, by means of canceling 2,000,000 treasury shares and the buyback of 13,899,596 shares (without fractional amounts) as part of the public share buyback offer to the shareholders of United Internet AG, United Internet now holds 19,183,705 treasury shares, corresponding to 9.99% of the current capital stock of 192 million shares. In view of the offer price of € 21.00 per United Internet share, the purchase price for the buyback of 13,899,596 shares in total amounted to € 291.9 million.

Investor Relations

Continuous and transparent corporate communication with all capital market participants is important for United Internet. The Company aims to provide all target groups with timely information without discrimination. To this end, the Management Board and the Investor Relations department continued their regular discussions with institutional and private investors in the fiscal year 2022.

The capital market was informed via the quarterly statements, half-year financial report and annual report, press and analyst conferences, as well as via various webcasts. Due to pandemic-related restrictions still in place in the early part of 2022, some events were held virtually (including the Annual Shareholders' Meeting), whereas later in the year the focus returned to face-to-face meetings. The Company's management and Investor Relations department explained the Company's strategy and financial results in numerous one-on-one discussions at the Company's offices in Montabaur, as well as at roadshows with mainly European and North American investors.

Apart from one-on-one meetings, shareholders and potential future investors can also receive the latest news around the clock via the Company's extensive and bilingual website (www.united-internet.de). In addition to the publication dates of financial reports, the dates and venues of investor conferences and roadshows are made publicly available at <https://www.united-internet.de/investor-relations/finanzkalender.html>. Online versions of the Annual Report and Sustainability Report are also provided on the corporate website.

Personnel report

As a telecommunications and internet company, United Internet is subject to the defining characteristics of the industry: rapid change, short innovation cycles, and fierce competition. United Internet AG has risen to these challenges with great success over many years now. One of the key factors for the success and growth of the United Internet Group are its dedicated and highly competent employees and executives with their entrepreneurial and autonomous approach to work. The Company therefore attaches great importance to a sustainable and balanced strategy across all aspects of its HR activities: from employee recruitment, to targeted entry-level and vocational training formats, tailored skills training programs, support with individual career paths, through to sustainable management development programs, and the long-term retention of executives, high potentials and top performers.

United Internet AG was once again recognized as a top employer in 2022. Based on an independent study of the "Top Employers Institute", United Internet received the "TOP Employers Germany" award – as in the preceding years. Certification is only awarded to organizations which offer staff attractive working conditions. Assessment is based on career opportunities, employer benefits, and working conditions, as well as training and development opportunities.

Headcount and personnel expenses

In the highly competitive market for skilled workers in the ICT sector, United Internet once again succeeded in recruiting top staff for its key positions and thus meeting the needs of its growing business. In addition to targeted employer branding, partnerships with education and training providers, and the positive impact of the Company's product brands, our successful recruitment efforts center around a candidate-friendly, highly competitive acquisition and selection process.

In the fiscal year 2022, the number of employees increased year on year by 5.0%, or 499 employees, to 10,474 (prior year: 9,975). This increase was mainly due to the Business Applications segment as a result of the strong increase in headcount for the segment's international business.

Headcount in Germany rose by 4.3%, or 351 employees, to 8,550 as of December 31, 2022 (prior year: 8,199). The number of employees at the Group's non-German subsidiaries grew by 8.3%, or 148 employees, to 1,924 (prior year: 1,776).

Multi-period overview: headcount development by location⁽¹⁾; year-on-year change

	2018	2019	2020	2021	2022	Change
Employees, total	9,093	9,374	9,638	9,975	10,474	+ 5.0%
thereof in Germany	7,567	7,761	7,929	8,199	8,550	+ 4.3%
thereof abroad	1,526	1,613	1,709	1,776	1,924	+ 8.3%

(1) Active employees as December 31 of the respective fiscal year

From the segment perspective, there were 3,163 employees in the Consumer Access segment (prior year: 3,167), 1,336 in the Business Access segment (prior year: 1,238), 1,036 in the Consumer Applications segment (prior year: 1,004), and 4,247 in the Business Applications segment (prior year: 3,998). A further 692 people were employed at the Group's headquarters (Corporate/HQ) (prior year: 568).

Multi-period overview: headcount development by segment⁽¹⁾ ; year-on-year change

	2018	2019	2020	2021	2022	Change
Employees, total	9,093	9,374	9,638	9,975	10,474	+ 5.0%
thereof Consumer Access	3,150	3,163	3,191	3,167	3,163	- 0.1%
thereof Business Access	1,095	1,184	1,188	1,238	1,336	+ 7.9%
thereof Consumer Applications	947	1,007	1,005	1,004	1,036	+ 3.2%
thereof Business Applications	3,355	3,416	3,631	3,998	4,247	+ 6.2%
thereof Corporate/HQ	546	604	623	568	692	+ 21.8%

(1) Active employees as December 31 of the respective fiscal year

Personnel expenses rose by 4.7% to € 675.5 million in the fiscal year 2022 (prior year: € 645.4 million). The **personnel expense ratio** was thus unchanged at 11.4%.

Multi-period overview: development of personnel expenses; year-on-year change

in € million	2018	2019	2020	2021	2022	Change
Personnel expenses	538.8	552.8	592.3	645.4	675.5	+ 4.7%
Personnel expense ratio	10.5%	10.6%	11.0%	11.4%	11.4%	

Sales per employee, based on annual average headcount, amounted to approx. € 579k in fiscal year 2022 (prior year: approx. € 576k).

Diversity

Respect for diversity is a core aspect of United Internet's corporate culture. The reason for this is simple: only a workforce that mirrors the many different facets of society offers the best possible conditions for creativity and productivity, and makes employees – and the organization itself – unique. This unique diversity creates an incomparable wealth of potential ideas and innovations, increasing the Company's competitiveness and providing opportunities for all.

All United Internet employees are to be treated with respect and should receive the same opportunities, regardless of their nationality, ethnic origin, religion, ideological beliefs, gender and gender identity, age, disability, or sexual orientation and identity. Each employee should be able to find the area of activity and function in which they can make the most of their individual potential and talents.

Multi-period overview: employees by gender⁽¹⁾

	2018	2019	2020	2021	2022
Women	32%	32%	32%	33%	32%
Men	68%	68%	68%	67%	68%

(1) Active employees as December 31 of the respective fiscal year

The average age of the United Internet Group's employees at the end of fiscal year 2022 was around 39 (prior year: 40).

Multi-period overview: employee age profile⁽¹⁾

	2018	2019	2020	2021	2022
< 30	26%	23%	23%	22%	23%
30 – 39	38%	34%	33%	33%	31%
40 – 49	25%	27%	27%	27%	27%
≥ 50	11%	16%	17%	18%	19%

(1) Active employees as December 31 of the respective fiscal year

Employees of United Internet AG work in an international environment at around 40 sites around the world.

Multi-period overview: employees by country⁽¹⁾

	2018	2019	2020	2021	2022
Employees, total	9,093	9,374	9,638	9,975	10,474
thereof Germany	7,567	7,761	7,929	8,199	8,550
thereof France	3	3	3	4	7
thereof UK	216	233	251	251	246
thereof Austria	37	43	44	65	67
thereof Philippines	351	360	395	392	468
thereof Poland	270	309	299	333	352
thereof Romania	176	195	217	229	242
thereof Spain	331	330	340	381	422
thereof USA	142	140	160	121	120

(1) Active employees as December 31 of the respective fiscal year

For further information on topics such as “HR Strategy and HR Organization”, “Training and Education”, “Diversity and Equal Opportunities”, and “Occupational Health and Safety”, please refer to the chapter “United Internet as an Employer” in the Sustainability Report 2022 of United Internet AG, which will be published in late March 2023 (at <https://www.united-internet.de/en/investor-relations/publications/reports.html>).

Liquidity and finance

The Group's financial strategy is primarily geared to the strategic business plans of its operating business units. In order to provide sufficient flexibility for further growth, United Internet therefore constantly monitors trends in funding opportunities arising on the financial markets. Various options for funding and potential for optimizing existing financial instruments are regularly reviewed. The main focus is on ensuring sufficient liquidity and the financial independence of the Group at all times. In addition to its own financial strength, the Group maintains sufficient liquidity reserves with core banks. The flexible use of these liquidity reserves enables efficient management of Group liquidity, optimal debt management to reduce interest costs, and the avoidance of negative interest on deposits.

A euro cash pooling agreement (zero balancing) has been in place between United Internet AG and certain subsidiaries since July 2012. Under the agreement, credit and debit balances of the participating Group subsidiaries are pooled and netted via several cascades in a central bank account of United Internet AG and available each banking day.

At the end of the reporting period on December 31, 2022, the Group's **bank liabilities** amounted to € 2,155.5 million (prior year: € 1,822.7 million) and mainly comprise promissory note loans, syndicated loans, and bilateral credit agreements / credit facilities.

Promissory note loans

United Internet AG successfully placed three promissory note loans ("Schuldscheindarlehen") in its fiscal years 2014, 2017, and 2021. At the end of the reporting period on December 31, 2021, total liabilities from the above promissory note loans amounted to € 1,297.5 million.

In the fiscal year 2022, one tranche of the promissory note loan 2017 amounting to € 100.0 million and the last remaining tranche of the promissory note loan 2014 amounting to € 97.5 million were redeemed on schedule.

At the end of the reporting period on December 31, 2022, total liabilities from the promissory note loans 2017 and 2021 with maximum terms until July 2027 therefore amounted to € 1,100.0 million.

Syndicated loan facilities & syndicated loans

On December 21, 2018, a banking syndicate granted United Internet AG a revolving syndicated loan facility totaling € 810 million until January 2025. In the fiscal year 2020, the Company made use of a contractually agreed prolongation option and extended the term of the revolving syndicated loan facility for the period from January 2025 to January 2026. A credit facility of € 690 million was agreed for this prolongation period.

As of the balance sheet date on December 31, 2022, € 550 million of the revolving syndicated loan facility had been drawn (prior year: € 250 million). As a result, funds of € 260 million (prior year: € 560 million) were still available to be drawn from the credit facility as at the balance sheet date.

Bilateral credit agreements / bilateral credit facilities

The Company also has bilateral credit agreements with several banks totaling € 200 million (prior year: € 170 million). The terms expire at the latest on August 11, 2023. As of the balance sheet date on December 31, 2022, these bilateral credit agreements were used in full (as in the previous year).

In addition, various bilateral credit facilities amounting to € 400 million (prior year: € 375 million) are available to the Company. These have been granted in part until further notice and in part have terms until July 2, 2024. Drawings of € 300 million (prior year: € 100 million) had been made from these credit facilities as at the end of the reporting period on December 31, 2022.

United Internet therefore had **free credit lines** from syndicated loan facilities and bilateral credit agreements totaling € 360 million (prior year: € 835 million) as at the end of the reporting period on December 31, 2022.

In addition to the above mentioned credit lines, the Group has guaranty credit facilities of € 105.0 million (prior year: € 105.0 million) as at the end of the reporting period, which in some cases can also be used by other Group companies. The guaranty credit facilities are available in particular for the provision of operational bank guarantees.

Further disclosures on the various financial instruments, drawings, interest rates, and maturities are provided under note 31 of the Notes to the Consolidated Financial Statements.

As of the reporting date, there are purchase obligations for property, plant and equipment (especially for network infrastructure) totaling € 370.8 million (prior year: € 150.8 million). In addition, there are purchase commitments for intangible assets (especially software) totaling € 143.9 million (prior year: € 1.2 million).

For further details on significant investment obligations, please refer to notes 26 and 27 of the Notes to the Consolidated Financial Statements.

2.3 Position of the Group

There were **no significant acquisition or divestment effects** on consolidated and segment sales and EBITDA in the fiscal year 2022. There were also only **minor positive currency effects** at Group and segment level (mainly Business Applications segment) amounting to € 31.8 million for sales and € 5.0 million for EBITDA. The same applies to the Group's asset position, for which there were no significant effects from currency fluctuations.

Group's earnings position

In the fiscal year 2022, the total number of **fee-based customer contracts** in the United Internet Group grew by 730,000 to 27.46 million contracts. At the same time, ad-financed free accounts rose by 40,000 to 40.31 million.

Consolidated sales increased by 4.8% in the fiscal year 2022, from € 5,646.2 million in the previous year to € 5,915.1 million. Due in part to positive currency effects of € 31.8 million, **sales outside Germany** improved by 21.7% from € 513.8 million to € 625.5 million.

The **cost of sales** rose from € 3,684.9 million to € 3,906.3 million during the reporting period. As a result, the cost of sales ratio increased from 65.3% (of sales) in the previous year to 66.0% (of sales). This deterioration was due in particular to a (non-period) positive effect of € +39.4 million in the previous year attributable to the second half of 2020. There was a corresponding decline in the **gross margin** from 34.7% to 34.0% and consequently the increase in **gross profit** of 2.4% from € 1,961.2 million to € 2,008.7 million fell short of sales growth (4.8%).

Due in part to costs for the announced additional marketing activities of IONOS to raise brand awareness in its most important European markets, **sales and marketing expenses** increased faster than sales, from € 835.7 million (14.8% of sales) in the previous year to € 907.2 million (15.3% of sales).

By contrast, there was a disproportionately slower increase in **administrative expenses** from € 243.0 million (4.3% of sales) to € 248.5 million (4.2% of sales).

Multi-period overview: Development of key cost items

	2018 (IFRS 15)	2019 (IFRS 16)	2020	2021	2022
in € million					
Cost of sales	3,350.1	3,427.0	3,769.3	3,684.9 ⁽¹⁾	3,906.3
Cost of sales ratio	65.7%	66.0%	70.2%	65.3%	66.0%
Gross margin	34.3%	34.0%	29.8%	34.7%	34.0%
Selling expenses	678.2	741.8	767.9	835.7	907.2
Selling expenses ratio	13.3%	14.3%	14.3%	14.8%	15.3%
Administrative expenses	218.9	205.9	206.0	243.0	248.5
Administrative expenses ratio	4.3%	4.0%	3.8%	4.3%	4.2%

(1) Including the non-period positive effect on earnings attributable to the second half of 2020 (EBITDA and EBIT effect: € +39.4 million)

Other operating expenses increased from € -21.2 million to € -46.5 million and **other operating income** from € 54.8 million in the previous year to € 92.3 million. Due to an increase in payment defaults, **impairment losses on receivables and contract assets** rose from € -86.3 million to € -117.4 million.

Key earnings figures were influenced by various **special items** in the fiscal years 2022 and 2021, which in total had a net negative effect in 2022 and a positive effect in 2021.

Special items 2022

- The special item **"IPO costs IONOS in 2022"** results from one-off costs in connection with the planned IPO of Group subsidiary IONOS Group SE and had a **negative** impact on EBITDA, EBIT, EBT, net income, and EPS in the fiscal year 2022.
- The special item **"non-cash valuation effect from derivatives in 2022"** results from quarterly revaluations of derivatives and had a net **negative** impact on EBITDA, EBIT, EBT, net income, and EPS in the fiscal year 2022.

Special items 2021

- The special item **"non-period effect from lower MBA MVNO prices in 2021"** results from retroactively more favorable advance service prices for mobile communications in the second half of 2020 in connection with the national roaming agreement with Telefónica concluded on May 21, 2021 and had a non-period **positive** impact on EBITDA, EBIT, EBT, net income, and EPS for the first time in the fiscal year 2021.
- The special item **"non-cash valuation effect from derivatives in 2021"** results from quarterly revaluations of derivatives and had a **positive** impact on EBITDA, EBIT, EBT, net income, and EPS in the fiscal year 2021.
- The special item **"IPO costs IONOS in 2021"** results from one-off costs in connection with the planned IPO of Group subsidiary IONOS Group SE and had a **negative** impact on EBITDA, EBIT, EBT, net income, and EPS in the fiscal year 2021.

Reconciliation of EBITDA, EBIT, EBT, net income, and EPS with figures adjusted for special items

in € million; EPS in €	Fiscal year 2022	Fiscal year 2021
EBITDA	1,262.5	1,303.7
IPO costs IONOS in 2022	8.8	
Non-cash valuation effect from derivatives in 2022	0.5	
Non-period effect from lower MBA MVNO prices in 2021		-39.4
Non-cash valuation effect from derivatives in 2021		-4.9
IPO costs IONOS in 2021		3.0
EBITDA adjusted for special items (operating)	1,271.8	1,262.4
EBIT	781.4	829.9
IPO costs IONOS in 2022	8.8	
Non-cash valuation effect from derivatives in 2022	0.5	
Non-period effect from lower MBA MVNO prices in 2021		-39.4
Non-cash valuation effect from derivatives in 2021		-4.9
IPO costs IONOS in 2021		3.0
EBIT adjusted for special items (operating)	790.7	788.6
EBT	711.5	773.3
IPO costs IONOS in 2022	8.8	
Non-cash valuation effect from derivatives in 2022	0.5	
Non-period effect from lower MBA MVNO prices in 2021		-39.4
Non-cash valuation effect from derivatives in 2021		-4.9
IPO costs IONOS in 2021		3.0
EBT adjusted for special items (operating)	720.8	732.0
Net income	464.7	523.2
IPO costs IONOS in 2022	8.7	
Non-cash valuation effect from derivatives in 2022	0.4	
Non-period effect from lower MBA MVNO prices in 2021		-27.0
Non-cash valuation effect from derivatives in 2021		-3.4
IPO costs IONOS in 2021		2.9
Net income adjusted for special items (operating)	473.8	495.7
Net income "Shareholders United Internet"	367.2	416.5
IPO costs IONOS in 2022	6.5	
Non-cash valuation effect from derivatives in 2022	0.4	
Non-period effect from lower MBA MVNO prices in 2021		-20.7
Non-cash valuation effect from derivatives in 2021		-3.4
IPO costs IONOS in 2021		2.1
Net income "Shareholders United Internet" adjusted for special items (operating)	374.1	394.5
EPS	1.97	2.23
IPO costs IONOS in 2022	0.03	
Non-cash valuation effect from derivatives in 2022	0.00	
Non-period effect from lower MBA MVNO prices in 2021		-0.11
Non-cash valuation effect from derivatives in 2021		-0.02
IPO costs IONOS in 2021		0.01
EPS adjusted for special items (operating)	2.00	2.11

Without consideration of the above mentioned opposing special items, the key performance measures EBITDA, EBIT, EBT, net income, and EPS for the fiscal year 2022 developed as follows:




Consolidated operating EBITDA rose by 0.7% from € 1,262.4 million in the previous year to € 1,271.8 million. In addition to **higher electricity costs** (€ -22.4 million), this at first glance only moderate growth was due to **expenses for the construction of 1&1's mobile communications network** (€ -51.7 million; prior year: € -37.9 million), which were mainly incurred (€ -25.6 million) in the fourth quarter, and **costs for the announced additional marketing activities** to raise brand awareness in the most important European markets of IONOS (€ -32.4 million), which were also mainly incurred (€ -19.8 million) in the fourth quarter.

Consolidated operating EBIT was equally affected by these costs and remained virtually unchanged at € 790.7 million (prior year: € 788.6 million).

There was a corresponding fall in the **operating EBITDA margin** and the **operating EBIT margin** from 22.4% to 21.5% and from 14.0% to 13.4%, respectively.

The number of Group **employees** rose by 5.0% to 10,474 (prior year: 9,975).

Key sales and earnings figures of the Group (in € million)

Sales		5,915.1	+ 4.8 %
		1,271.8 ⁽¹⁾	+ 0.7 %
EBITDA		1,262.4 ⁽²⁾	
EBIT		790.7 ⁽¹⁾	+ 0.3 %
		788.6 ⁽²⁾	

(1) Excluding a non-cash valuation effect from derivatives (EBITDA and EBIT effect: € -0.5 million) and excluding IPO costs IONOS (EBITDA and EBIT effect: € -8.8 million)

(2) Excluding the non-period positive effect on earnings attributable to the second half of 2020 (EBITDA and EBIT effect: € +39.4 million), excluding a non-cash valuation effect from derivatives (EBITDA and EBIT effect: € +4.9 million) and excluding IPO costs IONOS (EBITDA and EBIT effect: € -3.0 million)

Quarterly development; change over prior-year quarter

in € million	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q4 2021	Change
Sales	1,443.7	1,457.4	1,483.2	1,530.8	1,478.3	+ 3.6%
EBITDA	330.1 ⁽¹⁾	327.4 ⁽¹⁾	329.0 ⁽¹⁾	285.3 ⁽¹⁾	310.3 ⁽²⁾	- 8.1%
EBIT	210.3 ⁽¹⁾	207.0 ⁽¹⁾	207.9 ⁽¹⁾	165.5 ⁽¹⁾	187.1 ⁽²⁾	- 11.5%

(1) Excluding a non-cash valuation effect from derivatives (EBITDA and EBIT effect: € +0.8 million in Q1 2022; € +3.8 million in Q2 2022; € +7.6 million in Q3 2022; € -12.7 million in Q4 2022) and excluding IPO costs IONOS (EBITDA and EBIT effect: € -0.9 million in Q1 2022; € -1.5 million in Q2 2022; € -0.8 million in Q3 2022; € -5.6 million in Q4 2022)

(2) Excluding a non-cash valuation effect from derivatives (EBITDA and EBIT effect: € +1.9 million in Q4 2021) and excluding IPO costs IONOS (EBITDA and EBIT effect: € -3.0 million in Q4 2021)

Multi-period overview: Development of key sales and earnings figures

in € million	2018 (IFRS 15)	2019 (IFRS 16)	2020	2021	2022
Sales	5,102.9	5,194.1	5,367.2	5,646.2	5,915.1
EBITDA	1,201.3	1,244.2 ⁽¹⁾	1,218.2 ⁽²⁾	1,262.4 ⁽³⁾	1,271.8 ⁽⁴⁾
EBITDA margin	23.5%	24.0%	22.7%	22.4%	21.5%
EBIT	811.0	770.2 ⁽¹⁾	744.2 ⁽²⁾	788.6 ⁽³⁾	790.7 ⁽⁴⁾
EBIT margin	15.9%	14.8%	13.9%	14.0%	13.4%

(1) Excluding extraordinary income from the sale of virtual minds shares (EBITDA and EBIT effect: € +21.5 million) and excluding trademark writeups Strato (EBIT effect: € +19.4 million)

(2) Including the non-period positive effect on earnings in 2021 attributable to the second half of 2020 (EBITDA and EBIT effect: € +39.4 million) and excluding write-off of VDSL contingents that are still available (EBITDA and EBIT effect: € -129.9 million)

(3) Excluding the non-period positive effect on earnings attributable to the second half of 2020 (EBITDA and EBIT effect: € +39.4 million), excluding a non-cash valuation effect from derivatives (EBITDA and EBIT effect: € +4.9 million) and excluding IPO costs IONOS (EBITDA and EBIT effect: € -3.0 million)

(4) Excluding a non-cash valuation effect from derivatives (EBITDA and EBIT effect: € -0.5 million) and excluding IPO costs IONOS (EBITDA and EBIT effect: € -8.8 million)

In contrast to operating EBITDA and operating EBIT, **operating earnings before taxes (EBT)** of € 720.8 million were 1.5% down on the previous year (€ 732.0 million). Likewise, **operating consolidated net income** and **operating consolidated net income attributable to shareholders of United Internet AG** also fell from € 495.7 million to € 473.88 million and from € 394.5 million to € 374.1 million, respectively.

This decline in the aforementioned key operating figures was mainly due to a year-on-year decrease in the financial result, which was impacted in part by the **subsequent measurement of financial derivatives** (EBT effect: € -7.4 million; prior year: € -0.5 million / net income effect: € -5.2 million; prior year: € -0.3 million / net income of shareholders effect: € -4.8 million; prior year: € +3.1 million / EPS effect: € -0.03; prior year: € +0.02), as well as – with regard to the result from associated companies – the prorated **negative result of Kublai GmbH**, which was only partially included in the comparative figures for 2021 (eight months as opposed to twelve months in 2022) as the takeover of Tele Columbus AG was only completed during the course of the previous year (EBT effect: € -35.1 million; prior year: € -25.0 million / net income effect: € -35.1 million; prior year: € -25.0 million / net income of shareholders effect: € -35.1 million; prior year: € -25.0 million / EPS effect: € -0.19; prior year: € -0.13).

Against this backdrop, **operating earnings per share (EPS)** of € 2.00 were below the prior-year figure (€ 2.11) and **operating EPS before PPA amortization** (purchase price allocation as part of a company acquisition) of € 2.38 was down on the previous year (€ 2.52). The PPA effects amounted to € -0.38 in 2022, compared to € -0.41 in the previous year.

Group's financial position

Despite the decline in net income to € 464.7 million (compared to € 523.2 million in the previous year), **operative cash flow** rose slightly from € 987.8 million in the previous year to € 991.8 million in the fiscal year 2022.

At € 597.5 million, however, **cash flow from operating activities** in the fiscal year 2022 was well below the prior-year figure (€ 887.6 million). In addition to phasing effects, this was mainly attributable to higher sales tax payments (€ -115.3 million) due to changes in sales tax legislation in 2021.

Cash flow from investing activities displayed a net outflow of € 703.5 million in the reporting period (prior year: € 527.3 million). This resulted mainly from greatly increased capital expenditures of € 681.4 million (prior year: € 289.8 million) due to the rollout of the 5G mobile network and expansion of the fiber-optic network, as well as payments to acquire shares in associated companies, especially for the capital increase of Tele Columbus AG, amounting to € 30.7 million (prior year: € 226.3 million, especially for the stake in Kublai GmbH). Cash flow from investing activities in the previous year was also dominated by payments of € 20.6 million to acquire shares in affiliates (especially for the acquisition of we22 GmbH (formerly: we22 AG)).

United Internet's **free cash flow** is defined as cash flow from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant, and equipment. In the fiscal year 2022, free cash flow decreased from € 495.2 million in the previous year to € -205.5 million. After deducting the cash flow item "Redemption of lease liabilities" – disclosed in cash flow from financing activities since the initial application of the accounting standard IFRS 16 – free cash flow fell from € 600.8 million to € -79.4 million.

In addition to the already lower net income (€ -58.3 million), this decline in free cash flow was due in particular to the strong rise in capital expenditures (€ -391.6 million), the increased redemption of lease liabilities (€ -20.4 million), the strong reduction of trade accounts payable (phasing effects of € -97.2 million from Q4 2021), and higher sales tax payments (€ -115.3 million) due to changes in sales tax legislation.

Cash flow from financing activities in the fiscal year 2022 was dominated by the net assumption of loans totaling € 332.8 million (prior year: € 353.0 million), the redemption of spectrum liabilities of € 61.3 million (prior year: € 61.3 million), the redemption of lease liabilities of € 126.0 million (prior year: € 105.6 million), the dividend payment of € 93.4 million (prior year: € 93.6 million), as well as the payment of € 18.2 million to minority shareholders, especially for the increased shareholding (to 100%) in InterNetX Holding GmbH (prior year: € 456.8 million, especially for the increased shareholding in IONOS Group SE (formerly: IONOS TopCo SE) and in 1&1 AG).

Cash and cash equivalents amounted to € 40.5 million as of December 31, 2022 – due to closing-date effects – compared to € 110.1 million on the same date in the previous year.

Development of key cash flow figures

in € million	2022	2021	Change
Operative cash flow	991.8	987.8	+ 4.0
Cash flow from operating activities	597.5	887.6	- 290.1
Cash flow from investing activities	-703.5	-527.3	- 176.2
Free cash flow ⁽¹⁾	-205.5 ⁽²⁾	495.2 ⁽²⁾	- 700.7
Cash flow from financing activities	35.1	-386.1	+ 421.2
Cash and cash equivalents on December 31	40.5	110.1	- 69.6

(1) Free cash flow is defined as cash flow from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment

(2) 2022 including the repayment portion of lease liabilities (€ 126.0 million), which have been reported under cash flow from financing activities since the fiscal year 2019 (IFRS 16)

(3) 2021 including the repayment portion of lease liabilities (€ 105.6 million), which have been reported under cash flow from financing activities since the fiscal year 2019 (IFRS 16)

Multi-period overview: Development of key cash flow figures

in € million	2018 (IFRS 15)	2019 (IFRS 16)	2020	2021	2022
Operative cash flow	889.5	935.0	954.1	987.8	991.8
Cash flow from operating activities	482.3	828.9	925.7	887.6	597.5
Cash flow from investing activities	-350.9	87.2	-361.1	-527.3	-703.5
Free cash flow ⁽¹⁾	254.6 ⁽²⁾	496.0 ⁽³⁾	376.6 ⁽⁴⁾	495.2 ⁽⁴⁾	-205.5 ⁽⁴⁾
Cash flow from financing activities	-312.6	-857.6	-549.1	-386.1	35.1
Cash and cash equivalents on December 31	58.1	117.6	131.3	110.1	40.5

(1) Free cash flow is defined as cash flow from operating activities, less capital expenditures, plus payments from disposals of intangible assets and property, plant and equipment

(2) 2018 without tax payment from fiscal year 2016 (€ 34.7 million)

(3) 2019 without capital gains tax payment (€ 56.2 million) and without tax payments from fiscal year 2017 and previous years (€ 27.2 million) and including the repayment portion of lease liabilities, which have been reported under cash flow from financing activities since the fiscal year 2019 (IFRS 16)

(4) 2020, 2021 and 2022 including the repayment portion of lease liabilities, which have been reported under cash flow from financing activities since the fiscal year 2019 (IFRS 16)

For further details on guarantees, leases, and other financial obligations, please refer to chapter 2.2 "Business development", "Liquidity and finance", as well as note 45 of the Notes to the Consolidated Financial Statements.

Group's asset position

The **balance sheet total** increased from € 9.669 billion as of December 31, 2021 to € 10.332 billion on December 31, 2022.

Development of current assets

in € million	Dec. 31, 2022	Dec. 31, 2021	Change
Cash and cash equivalents	40.5	110.1	- 69.6
Trade accounts receivable	418.8	380.5	+ 38.4
Contract assets	648.4	619.7	+ 28.7
Inventories	120.6	96.5	+ 24.1
Prepaid expenses	282.1	214.0	+ 68.1
Other financial assets	106.6	119.0	- 12.4
Income tax claims	34.7	46.4	- 11.6
Other non-financial assets	19.7	8.1	+ 11.6
Total current assets	1,671.4	1,594.2	+ 77.2

Current assets rose from € 1,594.2 million on December 31, 2021 to € 1,671.4 million as of December 31, 2022. However, **cash and cash equivalents** disclosed under current assets decreased from € 110.1 million to € 40.5 million due to closing-date effects. By contrast, **trade accounts receivable** rose from € 380.5 million to € 418.8 million due to closing-date effects and the expansion of business. As a result of customer growth, the item current **contract assets** rose from € 619.7 million to € 648.4 million and includes current claims against customers due to accelerated revenue recognition from the application of IFRS 15. In order to avoid supply bottlenecks, **inventories** were raised from € 96.5 million to € 120.6 million. Due to prepayments made to advance service providers and closing-date effects, **current prepaid expenses** increased from € 214.0 million to € 282.1 million and mainly comprise the short-term portion of expenses relating to contract acquisition and contract fulfillment according to IFRS 15. The items current **other financial assets**, **income tax claims**, and **other non-financial assets** were largely unchanged.

Development of non-current assets

in € million	Dec. 31, 2022	Dec. 31, 2021	Change
Shares in associated companies	429.3	431.6	- 2.3
Other financial assets	10.7	11.6	- 0.9
Property, plant and equipment	1,851.0	1,379.6	+ 471.4
Intangible assets	2,029.3	2,059.4	- 30.2
Goodwill	3,623.4	3,627.8	- 4.4
Trade accounts receivable	41.4	47.3	- 5.9
Contract assets	216.7	206.0	+ 10.8
Prepaid expenses	429.0	287.7	+ 141.2
Deferred tax assets	56.3	23.8	+ 32.5
Total non-current assets	8,687.1	8,074.9	+ 612.2

Non-current assets rose from € 8,074.9 million as of December 31, 2021 to € 8,687.1 million on December 31, 2022. Capital expenditures in 2022 (especially for the 5G network rollout and expansion of the fiber-optic network in the Consumer Access and Business Access segments) led to a strong increase in **property, plant and equipment** from € 1,379.6 million to € 1,851.0 million, while **intangible assets** declined from € 2,059.4 million to € 2,029.3 million mainly as a result of amortization. Due to prepayments made to advance service providers and closing-date effects, non-current **prepaid expenses** rose strongly from € 287.7 million to € 429.0 million. **Deferred tax assets** rose from € 23.8

million to € 56.3 million. The items **shares in associated companies**, non-current **other financial assets**, **goodwill**, non-current **trade accounts receivable**, and non-current **contract assets** were all largely unchanged.

Development of current liabilities

in € million	Dec. 31, 2022	Dec. 31, 2021	Change
Trade accounts payable	561.5	583.4	- 21.9
Liabilities due to banks	656.7	325.4	+ 331.3
Income tax liabilities	52.7	58.4	- 5.7
Contract liabilities	157.1	157.9	- 0.8
Other accrued liabilities	5.1	16.2	- 11.2
Other financial liabilities	333.6	329.2	+ 4.4
Other non-financial liabilities	69.0	135.7	- 66.8
Total current liabilities	1,835.6	1,606.2	+ 229.4

Current liabilities increased from € 1,606.2 million as of December 31, 2021 to € 1,835.6 million on December 31, 2022. Due to closing-date effects, current **trade accounts payable** decreased from € 583.4 million to € 561.5 million. There was an increase in current **liabilities due to banks** from € 325.4 million to € 656.7 million, largely as a result of reclassifications from non-current liabilities (in accordance with their maturity) as well as the use of new and existing short-term credit facilities. Current **other non-financial liabilities** decreased from € 135.7 million to € 69.0 million and mainly include liabilities due to tax authorities as of the respective balance sheet date. The items **income tax liabilities**, current **contract liabilities**, which mainly include payments received from customer contracts for which the performance has not yet been completely rendered, as well as current **other accrued liabilities**, and current **other financial liabilities** were all virtually unchanged.

Development of non-current liabilities

in € million	Dec. 31, 2022	Dec. 31, 2021	Change
Liabilities due to banks	1,498.8	1,497.4	+ 1.5
Deferred tax liabilities	309.7	290.5	+ 19.2
Trade accounts payable	4.3	2.5	+ 1.8
Contract liabilities	31.3	32.2	- 0.9
Other accrued liabilities	67.1	66.0	+ 1.0
Other financial liabilities	1,313.3	1,251.2	+ 62.1
Total non-current liabilities	3,224.5	3,139.7	+ 84.8

Non-current liabilities increased from € 3,139.7 million as of December 31, 2021 to € 3,224.5 million on December 31, 2022. This was due in particular to the rise in **other financial liabilities** from € 1,251.2 million to € 1,313.3 million. Non-current **liabilities due to banks** were largely unchanged at € 1,498.8 million – whereby reclassifications to current liabilities (in accordance with their maturity) were offset by the use of existing long-term credit facilities. The items **deferred tax liabilities**, non-current **trade accounts payable**, non-current **contract liabilities** (which mainly include payments received from customer contracts for which the performance has not yet been completely rendered), as well as non-current **other accrued liabilities** were also largely unchanged.

Development of equity

in € million	Dec. 31, 2022	Dec. 31, 2021	Change
Capital stock	194.0	194.0	0.0
Capital reserves	1,966.2	1,954.7	+ 11.5
Accumulated profit	2,835.8	2,562.6	+ 273.3
Treasury shares	-231.5	-231.5	- 0.0
Revaluation reserves	1.3	0.6	+ 0.7
Currency translation adjustment	-15.7	-12.9	- 2.8
Equity attributable to shareholders of the parent company	4,750.1	4,467.4	+ 282.7
Non-controlling interests	548.3	455.7	+ 92.6
Total equity	5,298.4	4,923.2	+ 375.2

Mainly as a result of the further increase in the Group's accumulated profit, consolidated **equity capital** rose from € 4,923.2 million as of December 31, 2021 to € 5,298.4 million on December 31, 2022. In the fiscal year 2022, the Group's **accumulated profit** rose from € 2,562.6 million to € 2,835.8 million and contains the past profits of the consolidated companies, insofar as they were not distributed. The consolidated **equity ratio** rose from 50.9% to 51.2%.

Net bank liabilities (i.e., the balance of bank liabilities and cash and cash equivalents) increased from € 1,712.6 million as of December 31, 2021 to € 2,115.0 million on December 31, 2022.

Multi-period overview: development of relative indebtedness

	Dec. 31, 2018 (IFRS 15)	Dec. 31, 2019 (IFRS 16)	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022
Net bank liabilities ⁽¹⁾ / EBITDA	1.57	1.28	1.27	1.31	1.68

(1) Net bank liabilities = balance of bank liabilities and cash and cash equivalents

Further details on the objectives and methods of the Group's financial risk management are provided under note 43 of the Notes to the Consolidated Financial Statements.

Multi-period overview: development of key balance sheet items

in € million	Dec. 31, 2018 (IFRS 15)	Dec. 31, 2019 (IFRS 16)	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022
Total assets	8,173.8	9,128.8	9,230.8	9,669.1	10,358.5
Cash and cash equivalents	58.1	117.6	131.3	110.1	40.5
Shares in associated companies	206.9	196.0	89.6 ⁽¹⁾	431.6 ⁽¹⁾	429.3
Other financial assets	348.1	90.4 ⁽²⁾	9.9 ⁽²⁾	11.6	10.7
Property, plant and equipment	818.0	1,160.6 ⁽³⁾	1,271.6	1,379.6	1,851.0
Intangible assets	1,244.6	2,167.4 ⁽⁴⁾	2,197.8	2,059.4	2,029.3
Goodwill	3,612.6	3,616.5	3,609.4	3,627.8	3,623.4
Liabilities due to banks	1,939.1	1,738.4	1,466.1	1,822.7	2,155.5
Capital stock	205.0	205.0	194.0 ⁽⁵⁾	194.0	194.0
Equity	4,521.5	4,614.7	4,911.2	4,923.2	5,298.4
Equity ratio	55.3%	50.6%	53.2%	50.9%	51.2%

(1) Decrease due to reclassification Tele Columbus (2019); increase due to stake in Kublai (2021)

(2) Decrease due to sale of Rocket Internet shares (2019); decrease due to sale of Afiliis shares (2020)

(3) Increase due to initial application of IFRS 16 (2019)

(4) Increase due to initial recognition of acquired 5G frequencies (2019)

(5) Decrease due to withdrawal of treasury shares (2020)

Management Board's overall assessment of the Group's business situation

As a result of the war in Ukraine and the high inflation rate, the International Monetary Fund (IMF) downgraded its forecast for 2022 on several occasions during the year. In its latest economic outlook, 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%).

The IMF's calculations for Germany are in line with the preliminary figures of the country's Federal Statistics Office (Destatis), which forecast a 1.9% increase in (price-adjusted) gross domestic product (GDP) for 2022. This is 0.7 percentage points less than in 2021 (2.6%). According to estimates of the Federal Statistics Office, the macroeconomic situation in Germany in 2022 was dominated by the consequences of the war in Ukraine and, in particular, by extreme energy price increases. In addition, there were intensified material and supply bottlenecks, huge price increases, for example for food, as well as a shortage of skilled workers and the ongoing coronavirus pandemic – although this eased over the course of the year.

Thanks to its stable and largely non-cyclical business model, United Internet made good progress again in the fiscal year 2022 – despite the aforementioned adverse macroeconomic conditions. The Company was able to achieve the sales and earnings targets it set itself, continuing its successful development with an increase in fee-based customer contracts of 730,000 to 27.46 million and sales growth of 4.8% to € 5.915 billion. At the same time, there was a further improvement in operating EBITDA – despite heavy investment in future topics – with an increase of 0.7% to around € 1.272 billion. In addition to significantly higher electricity costs (€ -22.4 million), this at first glance only moderate EBITDA growth was mainly due to expenses for the construction of 1&1's mobile communications network (€ -51.7 million; prior year: € -37.9 million) and costs for the announced additional marketing activities of IONOS to raise brand awareness in the most important European markets (€ -32.4 million).

This positive performance once again highlights the benefits of United Internet's business model based predominantly on electronic subscriptions with fixed monthly payments and contractually fixed terms. This ensures stable and predictable revenues and cash flows, offers protection against cyclical influences and provides the financial scope to win new customers, expand existing customer relationships, and grasp opportunities in new business fields and new markets – organically or via investments and acquisitions.

In the fiscal year 2022, the Company once again invested heavily in gaining and expanding customer relationships, as well as in developing new products – thus laying the basis for future growth.

As of the reporting date for the Annual Financial Statements 2022, and at the time of preparing this Management Report, the Management Board believes that the United Internet Group as a whole is well placed for its further development. It regards the financial position and performance – subject to possible special items – as positive and is optimistic about the Group's future prospects.

2.4 Position of the Company

Earnings of United Internet AG

As a pure holding company, the earnings position of United Internet AG is usually dominated by its investment and financial result. In the fiscal year 2022, **sales** of the parent company amounted to € 0.7 million (prior year: € 0.5 million) and result mainly from services rendered to the Group's subsidiaries.

Other operating income amounted to € 4.2 million (prior year: € 12.6 million) and mainly results from internal charges to Group companies and the release of accruals.

Other operating expenses amounted to € 20.2 million (prior year: € 12.4 million) and include expenses relating to internal charges for services rendered to Group companies, as well as legal, auditing, and consulting fees.

Income from profit transfer agreements of € 90.6 million (prior year: € 317.5 million) resulted from profit transfers of 1&1 Mail & Media Applications SE amounting to € 87.1 million (prior year: € 314.7 million, incl. special items of € 217.1 million), United Internet Corporate Services GmbH amounting to € 3.4 million (prior year: € 2.7 million), and United Internet Service SE amounting to € 0.1 million (prior year: € 0.2 million).

Income from investments amounted to € 13.8 million (prior year: € 6.7 million) and mainly comprises the dividends of 1&1 AG for 2021 as well as the dividend for the fiscal year 2022 due to same-period profit recognition.

Expenses for loss assumptions of € 6.2 million (prior year: € 0.6 million) relate to the compensation expense of United Internet Investments Holding SE, United Internet Management Holding SE, and United Internet Corporate Holding SE.

The parent company's **result before taxes** amounted to € 170.4 million (prior year: € 403.5 million, incl. special items of € 217.1 million from the profit transfer agreement with 1&1 Mail & Media Applications SE).

Income taxes amounted to € 49.7 million (prior year: € 54.1 million).

Net income in the separate financial statements of United Internet AG for the fiscal year 2022 amounted to € 120.7 million (prior year: € 349.4 million incl. special items).

Assets and financial position of United Internet AG

The parent company's **balance sheet total** rose from € 6,445.3 million as of December 31, 2021 to € 6,563.9 million on December 31, 2022.

Non-current assets of the parent company amounting to € 5,816.9 million (prior year: € 5,636.9 million) were dominated by **financial assets**. **Shares in affiliated companies** were unchanged at € 4,221.9 million. **Loans to affiliated companies** rose to € 1,595.0 million (prior year: € 1,415.0 million) due to the granting of loans within the Group.

Current assets of the parent company amounting to € 746.9 million (prior year: € 808.4 million) comprise receivables due from affiliated companies and other assets. The **receivables due from**

affiliated companies decreased slightly to € 724.8 million (prior year: € 725.9 million). These mainly comprise receivables within the United Internet Group's internal cash management system as well as from profit transfer agreements and services received within the United Internet Group. **Other assets** amounting to € 19.3 million (prior year: € 33.8 million) consist mainly of receivables due from the tax office relating to audits of previous years.

Shareholders' equity of the parent company amounted to € 3,621.7 million as of December 31, 2022 (prior year: € 3,594.3 million). The increase in equity during the reporting period is due to net income of € 120.7 million, with an opposing effect from the dividend payout of € 93.4 million. The equity ratio fell from 55.8% in the previous year to 55.2% as of December 31, 2022.

The parent company's **accruals** of € 8.1 million (prior year: € 9.7 million) mainly comprise **accrued taxes** amounting to € 3.8 million (prior year: € 1.6 million), as well as **other accrued liabilities** for employee stock ownership plans, legal, auditing and consulting fees, bonuses, and other items totaling € 4.3 million (prior year: € 8.1 million).

The **liabilities of the parent company** are shaped in particular by liabilities to banks and liabilities due to affiliated companies. **Liabilities to banks** increased to € 2,157.2 million in the fiscal year 2022 (prior year: € 1,825.4 million). Bank liabilities comprise two promissory note loans totaling € 1,100 million, syndicated loans totaling € 550 million, drawings from bilateral credit agreements of € 200 million, drawings from bilateral credit facilities of € 300 million, and interest of € 7 million. **Liabilities to affiliated companies** fell to € 757.7 million (prior year: € 998.9 million) and mainly comprise liabilities from balances within the United Internet Group's cash pooling system (€ 748.7 million), from profit transfer agreements (€ 6.2 million), and from service arrangements (€ 2.7 million). **Other liabilities** of € 3.4 million (prior year: € 4.6 million) are mainly sales tax liabilities.

Cash flow of the parent company's financial statements is dominated by cash flows from the profit transfer agreements, as well as the dividends of investments.

Management Board's overall assessment of the current business situation of the parent company

Due to its role as the Group's holding company, the economic position of United Internet AG at parent company level is mainly influenced by its investment and financial result. The above statements on the Group's economic position therefore also apply qualitatively for United Internet AG itself.

2.5 Corporate responsibility

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

United Internet AG fulfills its disclosure obligations pursuant to the German CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz – CSR-RUG) (sections 315b and 315c in conjunction with section 289c of the German Commercial Code ("Handelsgesetzbuch" – HGB)) and publishes a combined non-financial statement as part of a separate sustainability report. In the Sustainability Report, the Company also complies with its reporting obligation under the EU Taxonomy Regulation 2020/852 of the European Parliament and discloses its proportion of sustainable business activities accordingly.

The Company's Sustainability Report 2022 will be published in late March 2023 (at <https://www.united-internet.de/en/investor-relations/publications/reports.html>) and thus fulfills the disclosure requirements of the CSR-RUG and the transparency requirements of stakeholders.

The non-financial statement published within the sustainability report contains the statutory disclosures for the aspects "environmental matters" (chapter: Environmental Responsibility), "employee-related matters" and "social matters" (chapter: Social Responsibility), and "respect for human rights" and "anti-corruption and bribery matters" (chapter: Corporate Responsibility). This list of the minimum aspects required by the CSR-RUG has been supplemented by the chapter "Digital Responsibility", which is a material aspect for United Internet and also particularly relevant for the sector.

In addition to the CSR-RUG, reporting is based on the internationally recognized Sustainability Reporting Standards published by the Global Reporting Initiative (GRI). In accordance with the new structure of the standard, the Sustainability Report corresponds to the option: "With reference to the GRI Standards". Both the CSR-RUG and the GRI Standards expect information to be presented on how the material topics and their impacts are managed, and in particular the associated goals and measures, and the procedures used for risk identification and mitigation. In addition, the European Commission's Guidelines on non-financial reporting are applied, which build on Directive 2014/95/EU on disclosure of non-financial and diversity information by certain large undertakings and groups – the European Directive underlying the CSR-RUG.

When defining the content of the non-financial statement, the materiality principle was applied. For the definition of the material topics, the new requirements of the GRI Standards were applied, together with the European reporting guideline (Corporate Sustainability Reporting Directive – CSRD). The principle of so-called dual materiality was applied and both external and internal company perspectives were taken into account.

The Company's Supervisory Board is responsible for examining the content of sustainability reporting. The Supervisory Board is supported in this by a "limited assurance" review of the non-financial statement by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

3. SUBSEQUENT EVENTS

IPO of Group subsidiary IONOS Group SE

In an "Intention to Float" (ITF) document published on **January 17, 2023**, together with its shareholders United Internet (75.1%) and WP XII Venture Holdings II SCSp (24.9%), an affiliate of Warburg Pincus (together "Warburg Pincus"), IONOS Group SE officially announced its plans for an IPO of IONOS. Depending on the market environment, the shares were to be listed on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange in the first quarter of 2023.

In an ad-hoc announcement on **January 27, 2023**, United Internet and Warburg Pincus announced that they had set the framework for the planned IPO of IONOS Group SE and the admission for trading of its shares on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange. The shares of IONOS Group SE were to be offered in a price range of € 18.50 to € 22.50. United Internet and Warburg Pincus both offered 15% of their shares (i.e., a total of 21,000,000 registered no-par shares), corresponding to 15,771,000 registered no-par shares from the holdings of United Internet and 5,229,000 registered no-par shares from the holdings of Warburg Pincus. Up to 3,150,000 additional registered no-par shares from the holdings of United Internet and Warburg Pincus were available to be offered to cover potential over-allotments (greenshoe).

In an ad-hoc announcement on **February 7, 2023**, United Internet and Warburg Pincus announced that they had set the final offer price for the shares of IONOS Group SE at € 18.50 per share.

The shares of IONOS Group SE have been listed on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange under the ISIN: DE000A3E00M1, WKN: A3E00M, ticker symbol: IOS since **February 8, 2023**. Following the IPO of IONOS Group SE, United Internet holds 63.8% and Warburg Pincus 21.2% of shares. A further 15.0% are in free float. United Internet received gross proceeds from the sale of shares of around € 292 million, whereas the total placement volume amounted to around € 389 million.

Capital reduction via cancellation of treasury shares and share buyback offer

On **February 14, 2023**, the Management Board of United Internet AG decided, with the approval of the Supervisory Board and on the basis of the authorization granted by the Annual Shareholders' Meeting of May 20, 2020 regarding the acquisition and use of treasury shares, to initially cancel 2 million treasury shares and to reduce the capital stock of United Internet AG by € 2 million from € 194 million to € 192 million. The number of shares issued decreased accordingly by 2 million shares, from 194 million shares to 192 million shares. The pro-rata amount of the capital stock that the issued shares represent remains unchanged at € 1 per share. The cancellation of the treasury shares serves to increase the proportionate participation of United Internet shareholders. Following the cancellation of the aforementioned two million shares, United Internet AG initially held 5,284,109 treasury shares. This corresponded to approx. 2.75% of the Company's capital stock.

Furthermore, the Management Board of United Internet AG also decided on February 14, 2023, with the approval of the Supervisory Board, to make a public share buyback offer to the shareholders of United Internet AG for a total of up to 13.9 million shares at a price of € 21.00 per share. The total volume of the share buyback offer therefore amounted to up to € 291.9 million. With the public share buyback offer, United Internet AG made use of the authorization granted by the Annual Shareholders' Meeting of the Company on May 20, 2020, under which up to 10% of the Company's capital stock could be bought back by August 31, 2023. The shares bought back may be used for all of the purposes permitted under

the authorization granted by the Annual Shareholders' Meeting of May 20, 2020. The shares may also be canceled.

In the course of the public share buyback offer, a total of 27,553,147 shares were tendered to the Company by the end of the offer period. The offer was based on the buyback of up to 13.9 million shares in total. As the total number of shares for which the offer was accepted exceeded this maximum amount, the declarations of acceptance were considered on a pro rata basis, i.e., corresponding to the ratio of the maximum number of United Internet shares to be purchased pursuant to this offer, i.e., 13.9 million United Internet shares, to the aggregate number of United Internet shares tendered by United Internet shareholders for buyback.

Upon completion of the capital reduction resolved by the Management Board on February 14, 2023, with the approval of the Supervisory Board, by means of canceling 2 million treasury shares, and the buyback of 13,899,596 shares (without fractional amounts) as part of the public share buyback offer to the shareholders of United Internet AG, United Internet now holds 19,183,705 treasury shares, corresponding to 9.99% of the current capital stock of 192 million shares. In view of the offer price of € 21.00 per United Internet share, the purchase price for the buyback of 13,899,596 shares in total amounted to € 291.9 million.

Complaint filed with Federal Cartel Office

On **February 24, 2023**, 1&1 filed a complaint with Germany's Federal Cartel Office. The subject of the complaint is what 1&1 considers to be ongoing obstructions to the rollout of its 5G mobile network by Vodafone GmbH. From 1&1's point of view, this is delaying the rollout of its own network, but is not having any significant financial impact.

Despite the current delay in the rollout of antenna locations, 1&1 is still pursuing its goal of achieving coverage of at least 50 percent of households before 2030. To this end, further partners have been acquired for the network rollout. The Company therefore expects to make up for the delays in the course of the rollout phase.

Change in Management Board

On **March 10, 2023**, United Internet announced that Mr. Martin Mildner, Chief Financial Officer (CFO) of United Internet AG, was to leave United Internet AG at his own request on March 31, 2023. The Chairman of the Supervisory Board, Philipp von Bismarck, and CEO Ralph Dommermuth regret this decision.

Martin Mildner's successor as CFO of United Internet AG as of April 1, 2023 will be Ralf Hartings, who has been active for the United Internet Group since 2021 as CFO of 1&1 Mail & Media SE and will step down from this position on March 31, 2023. Ralf Hartings has many years of experience working in the telecommunication sector, including 15 years of international experience for Vodafone and Verizon Wireless in the USA.

In addition to the main responsibilities of his position as CFO, Martin Mildner was also responsible for the shared services of United Internet AG. This responsibility will be transferred to Markus Huhn as of April 1, 2023, when he joins Ralph Dommermuth and Ralf Hartings as a further member of the Management Board. Markus Huhn has already been working for the United Internet Group for 28 years and has been a CFO since 2008. Mr. Huhn will continue to be CFO of 1&1 AG in addition to his new role.

There were no other significant events subsequent to the end of the reporting period on December 31, 2022 which had a material effect on the financial position and performance or the accounting and reporting of the parent company or the Group.

Information on the economic position of the Group and Company at the time of preparing this Management Report are provided in chapter 4.3 "Forecast report".

4. RISK, OPPORTUNITY AND FORECAST REPORT

The risk and opportunity policy of the United Internet Group is based on the objective of maintaining and sustainably enhancing the Company's values by utilizing opportunities while at the same time recognizing and managing risks from an early stage in their development. A risk and opportunity management system which is "lived" ensures that the United Internet Group ("United Internet") can exercise its business activities in a controlled company environment. The risk and opportunity management system regulates the responsible handling of those uncertainties which are always involved with economic activity.

4.1 Risk report

Risk management

The concept, organization, and task of United Internet's risk management system are defined by the Management Board and Supervisory Board of United Internet AG, and documented in a risk management strategy and risk management manual which is valid for and available to all members of the Group. These requirements are regularly adapted to changing legal conditions and continuously developed. Corporate Risk Management coordinates the implementation and ongoing development of the risk management system and is responsible for the centrally managed risk management process on behalf of the Management Board. The risk management system covers only the Group's risks, while responsibility for the early and ongoing identification, evaluation, and management of opportunities lies directly with the Group Management Board and the operating management levels of the respective segments.

Corporate Risk Management is supported by the risk management teams of the respective segments (Company Risk Management). In order to support Company Risk Management, additional local risk managers have been installed in business fields of particular importance for the Company's business success (such as the areas "Technology & Development"). In order to facilitate the Group-wide exchange and comparison of risk information, regular Risk Manager Meetings are held between the various risk managers and also with the Company-wide, cross-functional managers.

The Corporate Audit department regularly examines the functioning and efficiency of the risk management system. As part of his statutory auditing obligations for the Annual Financial Statements and Consolidated Financial Statements, the external auditor also examines whether the risk early recognition system is generally suitable for the early identification of risks and developments which might endanger the Company so that suitable countermeasures can be swiftly introduced. The system complies with statutory requirements regarding risk early recognition systems, as well as with the version of the German Corporate Governance Code valid at the time of the last Declaration of Conformity of United Internet AG. Its design is based on the specifications of the international ISO standard ISO/IEC 31000:2018. In accordance with the regulations of the German Stock Corporation Act, the Supervisory Board also examines the efficacy of the risk management system.

Methods and objectives of risk management

The risk management system comprises those measures which enable United Internet to identify, classify in terms of money and scenario, steer, and monitor from an early stage all possible risks for the attainment of its corporate objectives with the aid of assessments and early warning systems. The aim of the Group-wide and IT-supported 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. Risks endangering the Company must be avoided as a matter of principle. There is always an established indirect connection to central Group-wide risk management via the regular reporting channels throughout the Group and a direct connection for all major divisions. This ensures the completeness of registered risks in the risk management system.

The current status of the main risks is communicated to the Management Board and Supervisory Board four times per year.

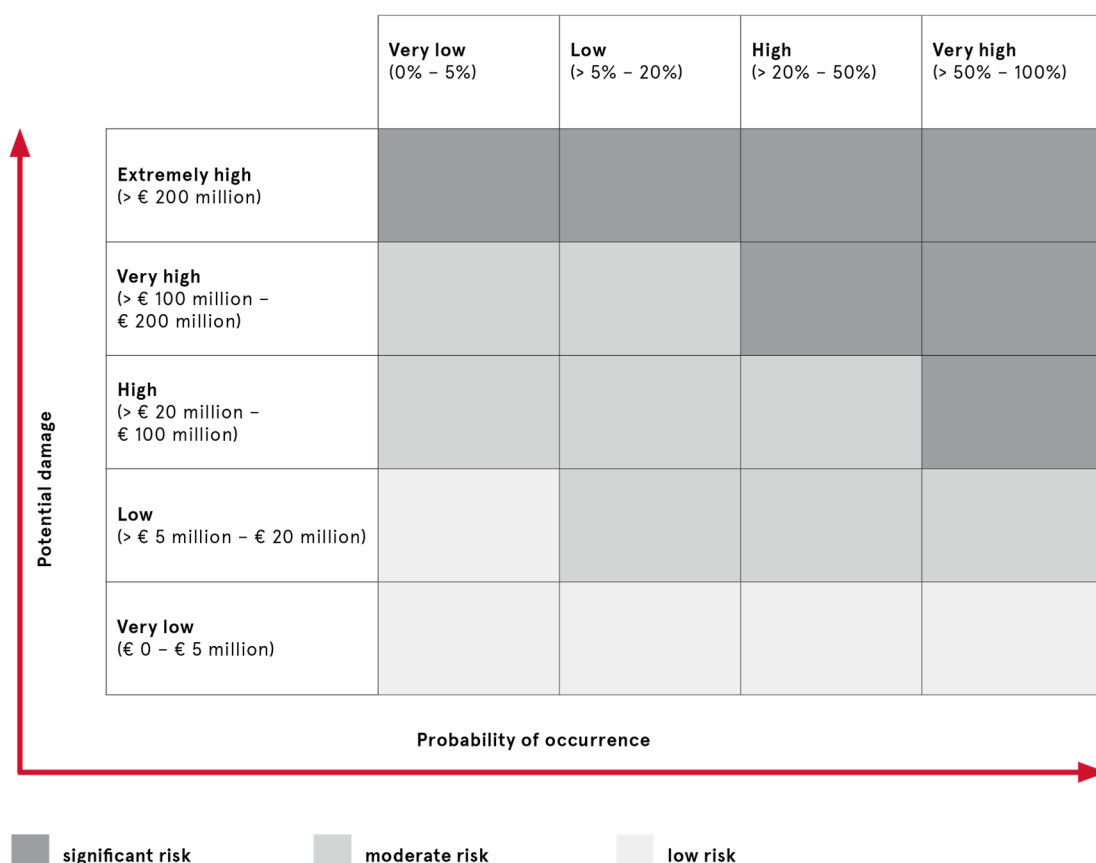
Identified significant risks with an immediate impact and changes in the risk situation trigger an ad-hoc reporting obligation. The respective risk is then communicated immediately to the CFO of United Internet AG, who in turn reports it to the Supervisory Board where necessary. In this way, significant risks can be addressed as quickly as possible.

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

Risks for the United Internet 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 Group, the following sections describe the main risk categories from the Company's point of view.

The starting point for assessing the materiality of risks is provided by the characteristics "probability of occurrence" and "potential damage". The potential damage comprises the potential loss of revenue, as well as potential external and internal expenses. 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 Company's Management Board regarding the Group's 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 & investments

The acquisition and holding of shares in other companies and the making of strategic investments represent a key success factor for United Internet AG. 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 forecast or that acquired shareholdings will not develop as expected (non-scheduled write-downs/impairments, disposal losses, absence of dividend, or reduction of hidden reserves).

All investments are therefore subject to a continuous monitoring process by the Investment Management and are supported promptly if required. This risk is largely without relevance for EBITDA as, in the event of an incident, predominantly non-cash-effective impairments are incurred. The value of investments is continuously monitored by management and the Controlling division.

Business development & innovations

A further important success factor for United Internet is the development of new and constantly improved products and services in order to enhance sales 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.

United Internet 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.

As part of its efforts to diversify the business model or expand its value chain, United Internet occasionally enters new markets, or upstream and downstream markets. For example, the management board of 1&1 AG, a subsidiary of United Internet AG, decided with the approval of its supervisory board to establish and operate a high-performance 5G mobile network on the basis of the spectrum in the 2 GHz and 3.6 GHz bands it acquired in 2019. By establishing and operating its own network, the Company plans to further expand its value added in mobile communications, to tap new business fields, and to reduce its dependence on procuring wholesale services from other network operators.

1&1 has enlisted in particular the services of the Japanese technology group and acclaimed OpenRAN expert Rakuten as general contractor for the rollout of its mobile communications network. Together with Rakuten, 1&1 will build Europe's first fully virtualized mobile network based on the innovative OpenRAN technology. The use of OpenRAN technology will reduce 1&1's dependence on network equipment suppliers. Nevertheless, there are still risks that the network rollout will not progress at the expected speed. Supply problems for the necessary hardware or delays in the search for sites are potential risks.

In selecting partners for the rollout of its network, 1&1 placed great importance on minimizing such risks. The general contractor and partner for active network technology Rakuten, for example, was the world's first and only network equipment supplier to establish a mobile communications network on the basis of the new OpenRAN technology in Japan. As a result, 1&1 can benefit from the experience and learning curve Rakuten gained during this time. The partners for passive technology are established and leading companies in Europe for radio tower infrastructure, enabling 1&1 to benefit from their existing infrastructure.

Nevertheless, initial delays in the construction of antenna locations already occurred in 2022. These delays were due to supply problems of advance service providers. Delays in network rollout may mean

that more advance services have to be procured externally than planned in the period up to completion of the mobile network rollout, which would have a negative impact on value added.

In order to counter this risk appropriately, 1&1 has entered into further partnerships for the acquisition of antenna locations and for its own construction of antenna locations.

Cooperation & outsourcing

Some operating divisions of United Internet work together with specialized cooperation and outsourcing partners in certain areas of the Company. 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 & 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 United Internet which should be avoided wherever it makes economic sense.

Due to the high degree of agility within the organization, United Internet 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.

United Internet is not aware of any significant risks in this field at present.

Personnel development & retention

Highly skilled and well trained employees form the basis for the economic success of United Internet. 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 the danger that United Internet may not be able to effectively conduct its business and achieve its growth targets. The concentrated accumulation of strategic knowledge and skills (so-called head monopoly) can have a considerable impact on the performance of the Company if the corresponding employee is no longer available.

United Internet 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 retention and leadership skills.

For further information on topics such as "HR Strategy and HR Organization", "Training and Education", "Diversity and Equal Opportunities", as well as "Occupational Health and Safety", please refer to the chapter "United Internet as an Employer" in the Sustainability Report 2022 of United Internet AG, which

will be published in late March 2023 (at <https://www.united-internet.de/en/investor-relations/publications/reports.html>).

Market

Sales market and competition

The markets in which United Internet 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 lead also 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, United Internet itself occasionally enters new, additional markets with large competitors. Such an entrepreneurial decision is always associated with new risks.

United Internet 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 United Internet. 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 adjustment rounds can become a risk for the achievement of the Company's periodic targets due to time delays.

United Internet 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. Although significant and unforeseeable developments on the procurement market as a result of events such as the Ukraine war cannot be fully offset, they can be countered by taking preventive measures such as rapidly restocking inventories.

Financial market

United Internet's activities are fundamentally exposed to risks on the financial market. In particular, these include risks from changes in interest rates and exchange rates.

■ Interest

The Company is exposed to interest risks as the major share of its borrowing bears variable interest rates with varying terms. As part of its liquidity planning, the Company constantly monitors the various investment possibilities and debt conditions. Any borrowing requirements are met by using suitable instruments to manage liquidity. Surplus cash is invested on the money market to achieve the best possible return. Due to developments on the global finance markets, i.e., adjustments to central bank interest rates around the world, there was a slight increase in the interest rate risk, but at the same time opportunities from more attractive investment options. Market interest rate changes might have an adverse effect on the interest result and are included in our calculation of sensitive factors affecting earnings. In order to present market risks, United Internet has developed a sensitivity analysis which shows the impact of hypothetical changes to relevant risk variables on pre-tax earnings. The reporting period effects are illustrated by applying these hypothetical changes in risk variables to the stock of financial instruments as of the balance sheet date.

■ Currency

The currency risk predominantly 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 market

It is therefore essential that human resources are effectively controlled so that the Company can ensure its short- and long-term needs for staff and the requisite expertise. If United Internet is not able to attract managers and employees with specialist and technological knowledge, it would not be able to effectively conduct its business and achieve its growth targets.

As an attractive employer, the United Internet believes it is well placed to hire highly skilled specialists and managers with the potential to drive its business success in the future. This was confirmed in the past years by the Top Employers Institute, which awarded United Internet the accolade "Top Employer 2022".

For further information on topics such as "HR Strategy and HR Organization", "Training and Education", "Diversity and Equal Opportunities", as well as "Occupational Health and Safety", please refer to the chapter "United Internet as an Employer" in the Sustainability Report 2022 of United Internet AG, which will be published in late March 2023 (at <https://www.united-internet.de/en/investor-relations/publications/reports.html>).

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 to ensure quality standards especially in view of fast-changing market events – and on numerous differing domestic and foreign markets.

The Company 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

United Internet generates its commercial success largely in the telecommunications market and within the environment of the internet. In order to provide products and services, the Company uses information and telecommunication technologies (data centers, transmission systems, connection nodes, etc.) in its business processes which are closely networked with the internet and whose availability may be endangered by threats from the internet.

In order to continue to deal with such risks quickly, the existing monitoring, building access, 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 the fiscal year 2022, an increasing professionalization of the attackers and their attack methods was observed once again. According to the German Federal Office for Information Security (BSI), the number of new detected malicious program variants increased by around 116.6 million in the period June 1, 2021 to May 31, 2022. According to the BSI, there were no apparent attack campaigns targeting Germany in connection with the war in Ukraine – unlike the situation for NATO as a whole.

United Internet 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 United Internet with regard to its effects, which are all monitored and reduced 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, existing capacities might be exceeded and consequently the planned provision of services could be jeopardized, threatening a corresponding loss of sales. Risks from the procurement of resources, such as products or services on the market, are not taken into account here.

In order to counter these risks, several internal stores are maintained which are continuously adapted to delivery times on the global market. In addition, the Company is in close contact with energy suppliers, for example, in order to coordinate emergency concepts regarding 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 planning or project design or if negative deviations from these plans 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).

Active project management ensures that risk-reducing measures are already implemented during the project. 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. Project objectives are also closely monitored by management and the Controlling division

Technical plant operation

United Internet'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 business systems or their databases, for example, daily account debiting may be delayed or no longer possible. Should this affect our performance systems, for example, United Internet may not be able to provide its customers with the promised service, on a temporary or longer-term basis.

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

For the operation of systems, there is a risk of targeted attacks from inside and outside the Company, e.g., from hackers or manipulation by staff with access rights, which may result in non-availability or a deterioration of services.

In order to counter this risk, the Company takes a wide variety of software- and hardware-based safety precautions to protect the infrastructure and its availability. By dividing responsibilities, the Company has made sure that activities or business transactions involving risks are not carried out by single

employees but on the basis of the “double-check principle”. 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

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, United Internet faces fines and the loss of customer confidence.

United Internet stores the data of its customers on servers according to international security standards at its own and at rented data centers. The handling of these data is subject to extensive legal regulations.

The Company 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, United Internet continuously invests in improving the standard of its data privacy.

The new rules of the EU General Data Protection Regulation (GDPR) came into force in May 2018. Due to increased sanctions for breaches of duty, data protection risks have increased. In addition to higher sanctions, GDPR also includes new regulations regarding consent declarations, as well as new obligations for reporting to authorities and those affected in the case of data loss. With the Telecommunications Telemedia Data Protection Act (“Telekommunikation-Telemedien-Datenschutz-Gesetz” – TTDSG), the data protection regulations of the Telecommunications Act (“Telekommunikationsgesetz” – TKG) and Telemedia Act (“Telemediengesetz” – TMG) have been transferred to a separate law as of December 1, 2021.

Misconduct & irregularities

Non-compliance or non-observance of social norms, trends, and peculiarities can lead to misconduct and wrong decisions and thus to a loss of revenue. As an internationally operating company, United Internet 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.

United Internet 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.

Legislation & regulation

Changes in existing legislation, the enactment of new laws, and changes in government regulation issues may have unexpected negative effects on the business models pursued by United Internet and their further development. The decisions of the Federal Network Agency and the Federal Cartel Office have an influence on network access and the pricing of internet access tariffs. Price increases of network providers from whom United Internet purchases pre-services for its own customers can have a negative impact on the profitability of tariffs. In the same way, there is also the possibility that a lack of regulation may lead to a deterioration of market circumstances for United Internet.

1&1's frequency acquisition in 2019 was tied to the fulfillment of certain regulatory requirements. Among other things, 1&1 was obliged to put 1,000 5G base stations into operation by the end of 2022, distributed proportionately across Germany's federal states. Due to delivery difficulties of the upstream providers commissioned by 1&1 to provide the antenna locations, 1&1 had fallen well short of this target by the end of 2022. Compliance with the frequency requirements is closely monitored by the Federal Network Agency. Non-compliance may result in a fine and, in the worst case, the revocation of frequency usage rights. As a result of the failure to meet the rollout target by the end of 2022, the Federal Network Agency is currently considering a corresponding sanction in the form of a fine. Moreover, there are requirements that the mobile communications network must cover 25 percent of households by 2025 and 50 percent by 2030. Failure to meet these targets could also result in fines or, in the worst case, the withdrawal of frequencies.

In the fiscal year 2022, "fair consumer contracts" came into force with a stronger focus on customer protection for electronic communications. Violations of these regulations may result in fines. As a result, the products and services offered by the United Internet Group were adapted with regard to the new legislation and requested features, such as a "contract termination button", were added.

United Internet attempts to counter this tendency toward an increasing regulation risk by cooperating with various pre-service providers and by actively participating in the activities of industry associations.

Litigation

United Internet 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. Insofar as the size of the obligation can be reliably estimated, accruals are formed for such risks from litigation, where permissible.

The United Internet Group is currently involved in various legal disputes and arbitration proceedings arising from its normal business activities. In 2019, an advance service provider filed claims against 1&1 in the low three-digit million range (for the purposes of internal classification, amounts of up to € 333 million are defined as being in the low three-digit million range, and the claims filed do not exceed this amount in total). 1&1 considers the claims of the respective counterparty to be unfounded and regards an outflow of resources as unlikely. The outcome is by definition uncertain and thus represents a risk. Insofar as the size of the obligation can be reliably estimated, accruals are formed for such risks from litigation.

Tax risks

As an internationally operating company, United Internet is subject to the tax laws applicable in the respective countries. Risks may arise from changes in tax laws and double taxation agreements, or case law, as well as from differences in the interpretation of existing regulations.

United Internet counters these risks by continuously expanding its existing tax management system.

Finance

Financing

The main financial liabilities incurred by United Internet AG for the financing of its activities include bank loans, overdraft facilities, and other financial liabilities. United Internet AG holds various financial assets which result directly from its business activities. They consist mainly of shares in affiliated companies and investments, as well as receivables from affiliated companies. As of the balance sheet date, the Company almost exclusively held primary financial instruments.

The aim of financial risk management is to limit risks through ongoing operating and financial activities.

Fraud & credit default

In order to meet the requirements of dynamic customer growth and provide services as quickly as possible in the interests of its customers, United Internet has largely automated its order and provision processes – as have many other companies in such mass market businesses. The nature of such automated processes provides possibilities for attacks from fraudsters. Due to the strong appeal of the products and services offered, not only the number of customers is increasing but also the number of non-payers and fraudsters. Consequently, the amount of credit default has risen.

United Internet 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 pre-service providers, and taking account of such risks in the design of its products.

Liquidity

The general liquidity risk of United Internet AG consists of the possibility that the Company may not be able to meet its financial obligations, such as the redemption of financial debts. 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 Company 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, United Internet AG also holds other liquidity reserves, which are available at short notice.

Acts of God

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 United Internet's operations.

United Internet counters these risks as far as possible with a variety of measures. Examples include the establishment of building access restrictions, the operation of georedundant data centers, or hygiene precautions, location-independent workplaces, the use of modern communication media to avoid travel, and the elaboration of emergency concepts.

The latter has become more important as a result of the Ukraine war. The United Internet Group has taken this as an opportunity to revise its existing security measures and concepts and, if necessary, to adapt them to the higher threat levels.

Additional disclosures on risks, financial instruments, and financial risk management

Further details on risks, financial instruments, and financial risk management are provided in note 43 "Objectives and methods of financial risk management" in the Notes to the Consolidated Financial Statements.

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

The assessment of the overall level of risk is based on a consolidated view of all significant risk fields and individual risks, also taking account of their interdependencies.

- From the current perspective, the main challenges are the risk fields "Legislation & regulation", "Litigation", "Information security", and "Technical plant operation".
- For the risk field "Technical plant operation", the risk assessment was changed from Moderate to Significant to take account of the increased risks, e.g., from hacker attacks.
- The risk assessment of the risk field "Cooperation & outsourcing" rose from Low to Moderate due to the general development of business.
- There was also an increase in the risk field "Misconduct & irregularities" from Low to Moderate. The reason for this increase is enhanced risk awareness, which has led to an increased identification of risks in this field.
- Otherwise, the risk classifications of the risk fields of United Internet AG as at December 31, 2022 were unchanged from December 31, 2021.

The continuous expansion of its risk management system enables the United Internet Group to limit risks to a minimum, where economically sensible, by implementing specific measures.

There was a slight year-on-year decrease in the overall risk. In the overall risk assessment, decreases in the expected damage extent of individual risks resulted in a lower overall risk. Increased risks in the areas of technical plant operation, cooperation & outsourcing, and misconduct & irregularities were more than offset by the decrease in individual risks in other risk categories. The main drivers are lower individual risks in the risk categories Acts of God (in particular the SARS-CoV-2 virus) as well as litigation and fraud & credit default.

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

Probability of occurrence, potential damage, and the classification of risks from the Group's perspective and their relevance for the various segments/divisions:

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

Legend: ↗ improved → unchanged ↘ worsened

4.2 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 life cycle.

The Group Management Board, as well as the operative management level of the respective business segments, have the direct responsibility for the early and continuous identification, assessment, and steering of opportunities.

The management team of United Internet AG 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 United Internet AG 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 managing directors and management board members of the respective companies.

Opportunities for United Internet

United Internet'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

In view of its broad positioning in current growth markets, the Company's purely strategic growth opportunities are clearly apparent: universally accessible, permanently available, and increasingly powerful broadband connections are enabling new and more sophisticated cloud applications. From the current perspective, these internet-based programs for home users, freelancers, and small companies are likely to be United Internet's growth drivers over the coming years – both as stand-alone products in the Consumer Applications and Business Applications segments, as well as in combination with landline and mobile access products in our Consumer Access segment.

Participation in market growth

Despite the uncertain macroeconomic conditions, United Internet – as well as many of the sector's leading analysts – expects further progress in those markets of importance to the Company. United Internet is one of the leading players in these markets. At home and abroad. With its highly competitive Access products, its growing portfolio of cloud applications, its strong and specialized brands, its high sales strength, and already established business relationships with millions of private and business customers (cross-selling and up-selling potential), United Internet is also well positioned to participate in the expected market growth of both its business divisions.

Expansion of market positions

United Internet AG is now one of the leaders in many of its business fields. Based on its existing technological know-how, its high level of product and service quality, the widespread popularity of Group brands such as 1&1, GMX or WEB.DE, its business relationships with millions of private and business customers, and its high customer retention ratio, United Internet sees good opportunities to build on its current market shares.

Entry into new business fields

One of United Internet's core competencies is to recognize customer wishes, trends, and thus new markets at an early stage. With its broadly based value chain (from product development and data center operation, to effective marketing, powerful sales organization, and active customer support), United Internet 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.

When new opportunities appear on the horizon, United Internet is well prepared and also capable of financing many years of cost-intensive preparation thanks to its strong cash generation in existing business fields.

In 2018, for example, United Internet established the European netID Foundation (EnID) together with the media group RTL Germany and ProSiebenSat.1. The initiative's goal is to establish a European alternative to US providers with the single sign-on product netID. The Foundation has developed an open standard that enables users to access all partner websites of the European netID Foundation using the same login data. The Foundation reviews all standards, partners, and providers of user accounts within the initiative. With the open login standard netID, the Foundation focuses on the data sovereignty of each individual user. With the aid of netID, users can organize their consent to the use of online services via a privacy center which guarantees transparency and compliance with data protection regulations. netID is available to GMX and WEB.DE customers, as well as to customers of other netID partners, with the same log-in data. New users can create a netID account free of charge by using a combination of e-mail address and password. As part of the development of NetID, the United Internet brands GMX and WEB.DE have greatly reduced their ad space on the respective portals and at the same time are driving the expansion of data-driven business models for better advertising monetization.

Own landline infrastructure

Since its acquisition of 1&1 Versatel (2014), United Internet operates its own telecommunications network. With a length of over 55,000 km, it is one of Germany's largest fiber-optic networks. This network infrastructure gives United Internet the opportunity to extend its vertical integration and also gradually reduce its purchases of wholesale broadband services.

In addition, having its own network also offers United Internet the opportunity to systematically expand its B2B data and infrastructure business with SMEs and large corporations. The scale of this opportunity is underlined by the considerable pent-up demand for direct fiber-optic connections in Germany. According to the latest survey of the OECD (Organization for Economic Co-operation and Development) in December 2021, only 7.1% (end of 2020: 5.7%) of all broadband connections in Germany are fiber-optic connections. Germany still lags well behind in 34th place among the 38 OECD countries surveyed, and is also well below the OECD leaders Korea (86.6%), Japan (83.3%), and Spain (78.9%), as well as below the OECD average of 34.9% (end of 2020: 30.5%).

Access to Telefónica mobile network

Following the merger with Drillisch (2017), United Internet – indirectly via 1&1 – is the only MBA MVNO in Germany with a long-term claim to a specific share (rising to 30%) of the used network capacity of Telefónica Germany, and thus has extensive access to one of Germany's largest mobile networks. As a result, United Internet has contractually assured, unrestricted access not only to LTE (4G), but also to all further future technologies such as 5G. This will not fundamentally change after the switch to national roaming. When the 1&1 mobile network goes live, all new 1&1 customers and all existing customers who have migrated to the 1&1 network will have access to 1&1's 5G network and, in areas that have not yet been rolled out, will automatically receive non-discriminatory access to Telefónica Germany's mobile network via national roaming. From January 1, 2026, restrictions on access to Telefónica's 4G national roaming network will apply in certain urban areas to be covered by 1&1's 5G network by then.

Rollout of own mobile communications network

As part of the planned rollout of its powerful 5G mobile communications network – and following its successful bid for two frequency blocks of 2 x 5 MHz in the 2 GHz band and five frequency blocks of 10 MHz in the 3.6 GHz band during the 5G spectrum auction in 2019 – 1&1 concluded long-term agreements in the fiscal years 2021 and 2022 and now has all key prerequisites in place to drive forward the rollout of the 1&1 mobile network and thus extend its added value in this market – as in the landline market. Operations of the 1&1 mobile network were launched on December 28, 2022 with "1&1 5G at home" – a product that replaces the conventional DSL, cable internet, or fiber-optic house connections. Smartphone tariffs are set to follow in 2023, together with the scheduled provision of national roaming by Telefónica. National roaming is a standard procedure used in the rollout of new mobile networks that enables customers to surf and make calls without interruption in areas not yet covered during the construction phase of the new network. This is achieved by automatically using the roaming partner's antennas in these areas.

Despite the current delay in the rollout of antenna locations, 1&1 is still pursuing its goal of covering at least 50 percent of households before 2030. To this end, additional partners have been acquired for network expansion. The company therefore expects to make up for the delays in the course of the rollout phase. In addition, 1&1 has filed a complaint with the German Federal Cartel Office concerning a competitor's obstruction of the network rollout.

High degree of vertical integration for applications

In its Applications segment, United Internet covers the entire value creation chain. Applications are developed at the Company's own "Internet Factories" or in cooperation with partner firms and operated on over 100,000 servers at the Company's 11 own data centers and 21 co-locations. This enables United Internet to maintain high quality standards and to respond quickly to customer needs and changing market situations in order to win new customers and retain existing ones.

Internationalization

Cloud applications 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, United Internet has already successfully adapted cloud products many times 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, United Internet is already active in its Applications segment in numerous European countries (Germany, France, the UK, Italy, Spain, Portugal, the Netherlands, Austria, Poland, Hungary, Romania, Bulgaria, the Czech Republic, Slovakia and Sweden), as well as in North America (USA, Canada, and Mexico). Further countries and product rollouts will gradually follow.

Acquisitions and investments

In addition to organic growth, United Internet also constantly examines the possibility of company acquisitions and strategic investments. Thanks to its high and plannable level of free cash flow, United Internet also has a strong source of internal funding and good access to debt financing markets in order to utilize opportunities in the form of acquisitions and investments.

United Internet has enhanced its market standing in Germany and abroad, for example, by making several acquisitions and strategic investments while gaining considerable expertise in the field of mergers and acquisitions (M&A) and company integration.

The most important M&A activities of the past include the acquisition of WEB.DE's portal business (in 2005), the acquisitions of Fasthosts (2006) and united-domains (2008), the acquisition of freenet's broadband business (2009), and the acquisitions of mail.com (2010), Arsys (2013), Versatel (2014; now 1&1 Versatel), home.pl (2015), STRATO (2017), ProfitBricks (2017; now IONOS Cloud), Drillisch (2017; now 1&1), World4You (2018), and we22 (2021). The most important strategic investments include the investments in Open-Xchange (2013), uberall (2014), Tele Columbus (2016), rankingCoach (2017), AWIN (2017; via the contribution of affilinet), and Stackable (2021).

Management Board's overall assessment of the Group's opportunity position

In view of its broad positioning in current growth markets, the Company's growth opportunities are clearly apparent: universally accessible, permanently available, and increasingly powerful broadband connections are enabling new and more sophisticated cloud applications. From the current perspective, these internet-based programs for home users, freelancers, and small companies are likely to be United Internet's growth drivers over the coming years – both as stand-alone products in the Consumer Applications and Business Applications segments, as well as in combination with landline and mobile access products in the Consumer Access segment. Based predominantly on electronic subscriptions with fixed monthly amounts and contractually agreed terms, United Internet's business model ensures stable and plannable revenue and cash flows. Against this backdrop, the Company's Management Board is convinced that it will continue to be in a position to deal successfully with challenges and seize opportunities.

4.3 Forecast report

Expectations for the economy

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 expects the **global economy** to withstand the impact of the Russian war of aggression in Ukraine and persistently high inflation somewhat better than initially feared. Nevertheless, in its global economic outlook for 2023, the Fund forecasts global growth of just 2.9% (compared with 3.4% in 2022), but regards the prospects as “less gloomy” than in October 2022. It does not therefore expect the global economy to slide into recession in 2023 – an option that the 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 result in a deterioration of the economic situation: a further intensification of the coronavirus situation in China, an escalation of the Russian war of aggression and a debt crisis due to tight central bank monetary policy.

The latest IMF forecasts for United Internet’s target markets in North America (the USA, Canada, and Mexico) are as follows: the **US economy** is expected to grow by 1.4% in 2023 and 1.0% in 2024 (after 2.0% in 2022); in **Canada**, economic growth of 1.5% is anticipated for both 2023 and 2024 (after 3.5% in 2022); and the economy in **Mexico** 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).

Likewise, the IMF expects no more than minor economic growth in United Internet’s main European markets (France, Spain, and Italy): the economists anticipate growth of 0.7% in 2023 and 1.6% in 2024 for **France** (after 2.6% in 2022); growth in **Spain** is expected to reach 1.1% and 2.4% in 2023 and 2024 (after 5.2% in 2022); and for **Italy**, the IMF forecasts growth of 0.6% and 0.9% in 2023 and 2024 (after 3.9% in 2022).

For the non-EU country the **UK**, the IMF expects a recession of -0.6% in 2023 and growth of 0.9% in 2024 (after 4.1% in 2022).

For United Internet’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, the Fund 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 slightly more upbeat in its assessment of the economic situation than it was just a few months ago and now expects slight growth in 2023 rather than a recession. According to the German government, the main reason for this modest upgrade in its forecast is the resilience of the German economy, which has proved stable despite supply chain bottlenecks, sanctions against Russia, and the suspension of Russian gas supplies.

Market forecast: GDP development of most important economies for United Internet

	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

Sector/market expectations

Despite the challenges posed by 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%) to € 203.4 billion in 2023 – thus passing the 200-billion-euro-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 increase its importance as the largest segment of the sector. According to Bitkom calculations, sales will grow by 6.3% (prior year: 6.6%) to € 126.4 billion in 2023. Driven in particular by its cloud business, software is likely to be the fastest-growing segment again with a strong increase of 9.3% (prior year: 9.4%) to € 38.8 billion. Sales of 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.

By contrast, the **consumer electronics** market will remain under pressure. According to a Bitkom forecast, sales are set to decline again in 2023 by an estimated -7.3% (prior year: -8.2%) to € 7.6 billion.

The most important ICT markets for United Internet's business model are the German telecommunications market (broadband connections and mobile internet) for its mostly subscription-financed Access division, and the global cloud computing and German online advertising markets for its subscription- and ad-financed Applications division.

Telecommunications market in Germany

The industry association Bitkom expects that the moderate growth of the previous year will continue for the German telecommunications market. In 2023, the market as a whole is expected to grow by 0.9% (prior year: 1.3%) to € 69.5 billion. The strongest growth in this segment is expected to come from spending on telecommunications infrastructure, which is set to increase by 2.5% (prior year: 7.3%) to € 7.7 billion. Sales of end-user devices such as smartphones are likely to grow by 2.3% (prior year: 1.8%) to € 12.1 billion thanks to rising demand for high-quality devices in the premium segment and devices with 5G capabilities. By contrast, business with telecommunications services is stagnating, with sales of € 49.7 billion according to Bitkom calculations – corresponding to minimal growth of 0.1% (prior year: 0.3%). According to Bitkom estimates, sales of telecommunications services are unlikely to grow at present – despite higher bandwidths, more data volumes and rising usage – in view of the current fierce price competition.

Market forecast: telecommunications market in Germany

in € billion	2023e	2022	Change
Sales	69.5	68.9	+ 0.9%

Source: Bitkom, January 2023

Global cloud computing market

Following the very strong growth of 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: global cloud computing

in \$ billion	2023e	2022	Change
Global sales of 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, Public Cloud Services, Worldwide, 2020-2026, 3Q22 Update, October 2022

Online advertising market in Germany

After a 12.0% increase in online advertising in 2022, PricewaterhouseCoopers expects further growth in 2023 with an increase in total market volume (mobile advertising and desktop advertising) of 8.2% to € 14.53 billion.

Market forecast: total online advertising market in Germany (mobile advertising & desktop advertising) – acc. to PwC

in € billion	2023e	2022	Change
Online advertising revenues	14.53	13.43	+ 8.2%

Source: PricewaterhouseCoopers, German Entertainment and Media Outlook 2022 – 2026, August 2022

Expectations for the Company in 2023

Forecast for the fiscal year 2023

- United Internet AG expects an increase in consolidated sales to approx. € 6.2 billion for its fiscal year 2023 (prior year: € 5.915 billion).
- Operating EBITDA 2023 is likely to be on a par with the previous year (prior year: € 1.272 billion). EBITDA includes approx. € -120 million (prior year: € -52 million) for the rollout of 1&1's mobile network.

Due in particular to the network rollout and the expansion of the fiber-optic network to connect the 5G antennas and provide coverage in additional expansion areas, capital expenditures (excluding possible M&A transactions) are expected to increase to approx. € 800 million (prior year: € 681 million).

Due to its role as a holding company, the earnings of United Internet AG at **parent company level** are mainly influenced by its investment result (profit transfers and dividends) and the interest result. From the current perspective (subject to possible special items), the Management Board expects net income for fiscal year 2023 to be in the mid-double-digit million range (prior year: € 120.7 million). This is due in part to the (same-period) recognition in fiscal year 2022 of the 1&1 AG dividend for 2022, as well as increased interest rates.

United Internet AG intends to maintain its shareholder-friendly **dividend policy** based on continuity in the coming years. Dividend payouts will continue to represent approx. 20-40% of adjusted net income from continued operations after minority interests (adjusted net income attributable to "shareholders of United Internet AG" – according to the consolidated statement of comprehensive income) in the future. The prerequisite is that funds are not required for further Company development.

Management Board's overall statement on the anticipated development

The Management Board of United Internet AG is upbeat about its prospects for the future. Thanks to a business model based predominantly on electronic subscriptions, United Internet believes it is largely stable enough to withstand cyclical influences. And with the investments made over the past few years in customer relationships, new business fields and further internationalization, as well as via acquisitions and investments, the Company has laid a broad foundation for further growth.

United Internet will continue to pursue this sustainable business policy in the coming years. In addition to the above mentioned investments in future-oriented topics in of 1&1 and 1&1 Versatel, the segments will focus on the following topics.

- In addition to the construction of the Group's own 5G mobile communications network, the Consumer Access segment will focus in particular on marketing mobile internet products and winning high-quality customer relationships in the fiscal year 2023.
- In the Business Access segment, the Company's own fiber-optic network is to be expanded in 2023 with the connection of further locations. In addition, the business customer and wholesale business will continue to be developed.

- In fiscal year 2023, the key topics in the Consumer Applications segment will again be the further expansion of data-driven business models and a focus on fee-based premium products.
- As well as raising brand awareness, the Business Applications segment will continue to focus on expanding business with existing customers and gaining new high-quality customer relationships in 2023. In addition, the segment will expand its cloud business in particular.

Following a successful start to the year (at the time of preparing this Management Report), the Company's Management Board believes that the Company is on track to reach the forecast presented above in the section "Forecast for the fiscal year 2023".

Forward-looking statements

This Management Report contains forward-looking statements based on current expectations, assumptions, and projections of the Management Board of United Internet AG and currently available information. These forward-looking statements are subject to various risks and uncertainties and are based upon expectations, assumptions, and projections that may not prove to be accurate. United Internet AG does not guarantee that these forward-looking statements will prove to be accurate and does not accept any obligation, nor have the intention, to adjust or update the forward-looking statements contained in this report.

5. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The German Corporate Governance Code (the "Code") recommends disclosures on the internal control and risk management system. These go beyond the statutory requirements for the management report and are not included in the auditor's review of the content of the management report ("non-management report-related disclosures"). In chapter 5 "Internal control and risk management system", they are thematically assigned to the main elements of the internal control and risk management system and are separated from the disclosures to be audited by separate paragraphs and marked accordingly as "unaudited".

Internal control system (unaudited)

The internal control system (ICS) of United Internet AG covers the entire organization and serves to maintain the functionality and efficiency of business processes, the reliability of operational information, the safeguarding of assets, and compliance with regulations. To this end, the controls carried out include adherence to planned processes, the "four-eye principle", and the separation of functions. The controls are defined on the basis of uniform categorizations for each process and are carried out both centrally in some cases and decentrally throughout the Group. Defined processes, which involve those responsible in the specialist areas as well as process experts, ensure that process and organizational risks are countered in a preventive manner. Together and in cooperation with Risk Management, all units of the Group assess if there are any organizational and process risks and whether these could have an impact on the ICS. The ICS is regularly enhanced, also with the involvement of experts. Monitoring is based on the three pillars of Risk Management, Corporate Audit and external auditors. Corporate Audit evaluates and improves governance processes and risk management and also assesses the appropriateness and effectiveness of the ICS by conducting regular spot checks.

Accounting-related internal control and risk management system

In accordance with section 289 (4) and section 315 (4) German Commercial Code (HGB), United Internet AG is obliged to describe the main features of its accounting-related internal control and risk management system in its Management Report.

United Internet AG regards risk management as part of its internal control system (ICS). The ICS is understood as an ongoing process comprising organizational, controlling, and monitoring structures to ensure permanent compliance with legal and corporate requirements.

The Management Board of United Internet AG is responsible for the scope and structure of its ICS and takes account of the Company's specific requirements. The monitoring of the ICS's effectiveness is one of the duties of the Supervisory Board of United Internet AG, which is regularly informed by the Management Board about the status of the ICS and the findings of the Company's Internal Audit system. Within the United Internet Group, the Corporate Audit department is responsible for independently auditing the appropriateness, effectiveness, and functionality of the ICS and has been granted extensive rights with regard to information, examination, and access in order to exercise its duties. Its audits are based on a risk-oriented audit plan which also includes regular audits of subsidiaries. In addition, the Corporate Audit department conducts fundamental audits regarding the proper functioning of important asset and inventory stock-taking. In addition, those areas of ICS of relevance for financial reporting are audited with regard to efficiency by the external auditors as part of their risk-oriented audit approach.

The accounting-related ICS is continuously being developed and comprises principles, procedures, and measures to secure the effectiveness, economic efficiency, and compliance of the accounting system and to ensure that the relevant laws and standards are observed. During preparation of the Consolidated Financial Statements, the ICS is used in particular to ensure the application of International Financial Reporting Standards (IFRS), as endorsed by the European Union, and the additional provisions under commercial law pursuant to section 315e of the German Commercial Code (HGB). When preparing the Annual Financial Statements and Management Report, the ICS also helps ensure that regulations under commercial law are observed.

However, a fundamental aspect of every ICS, irrespective of its particular design, is that it cannot provide absolute safety that material misstatements in accounting are avoided or detected. This may be due, e.g., to incorrect discretionary decisions of individuals, faulty controls, or criminal acts.

The following statements refer solely to the fully consolidated subsidiaries included in the Annual Financial Statements of United Internet AG, for which United Internet AG has the direct or indirect possibility of determining their financial and monetary policy in order to derive a benefit from the activity of these companies.

The task of United Internet AG's risk management system includes setting measures to detect and assess risks, reduce them to an acceptable level, and monitor recognized risks. A risk management system requires organized action to deal suitably with uncertainty and threats and urges employees to utilize the regulations and instruments required to ensure compliance with the risk management principles. In addition to operative risk management, it also includes the systematic early recognition, management, and monitoring of risks. The accounting-related risk management system focuses on the risk of false statements in accounting and external reporting.

Specific accounting-related risks may arise, for example, from the conclusion of unusual or complex transactions. Business transactions which cannot be processed in a routine manner are also exposed to latent risks. It is necessary to grant a limited circle of people certain scope for discretion in the recognition and measurement of assets and liabilities, which may result in further accounting-related risks.

The accounting-related ICS comprises internal controls, defined on the basis of risk aspects, for those processes which are relevant for financial reporting as well as those processes that support the IT systems. Special emphasis is placed on IT security, change management, and operational IT processes. Organizational, preventive, and detective controls are applied, which can be conducted manually or with the aid of IT. The effectiveness and efficiency of the accounting-related ICS requires highly developed employee skills. Regular training, the "four-eye principle", and the functional separation of administrative, executive, and approval processes are indispensable for the United Internet Group. The Corporate Accounting division and other accounting departments are responsible for the management of the accounting processes. Laws, accounting standards, and other pronouncements are continuously analyzed with regard to their relevance and impact on accounting. The Group's accounting policy sets out and communicates relevant requirements and forms the basis for the financial statement preparation process. In addition, supplementary procedural instructions such as the intercompany guideline, standardized reporting formats, IT systems and computer-aided reporting and consolidation processes support the standardized and compliant Group accounting process. The Corporate Accounting division ensures that these requirements are implemented uniformly throughout the Group. The Group companies are responsible for the orderly and timely execution of the accounting-related processes and systems and are supported by the accounting departments accordingly.

If significant control weaknesses or opportunities for improvement are detected, they are assessed and countermeasures are developed with the persons responsible to improve the effectiveness of the ICS.

Implementation of the measures is monitored by the Corporate Audit department and may be the subject of subsequent audits. In order to ensure the high quality of the accounting-related ICS, the Corporate Audit department is closely involved during all stages.

Effectiveness statement (unaudited)

Based on its regular review of the internal control and risk management system, the Management Board is not aware of any circumstances at the time of preparing this Combined Management Report that would speak against or call into question the appropriateness and effectiveness of these systems.

6. DISCLOSURES REQUIRED BY TAKEOVER LAW

The following disclosures according to sections 289a and 315a German Commercial Code (HGB) represent conditions as of the balance sheet date. As required by section 176 (1) sentence 1 German Stock Corporation Law ("Aktiengesetz" – AktG), the disclosures are explained in the sections below.

For further details, please refer to note 16, as well as 37 – 39, in the Notes to the Consolidated Financial Statements.

Composition of capital

The subscribed capital of United Internet AG as of December 31, 2021 amounts to € 194,000,000 divided into 194,000,000 registered no-par shares. Upon completion of the capital reduction resolved by the Management Board on February 14, 2023, with the approval of the Supervisory Board, by means of canceling 2,000,000 treasury shares, subscribed capital was reduced to € 192,000,000 and is divided into 192,000,000 registered no-par shares. Each share entitles the owner to one vote. There are no other share categories. In the case of a capital increase, the commencement of dividend entitlement for new shares may be determined separately from the moment of contribution. All shares are listed on the stock exchange.

Limitations affecting voting rights or the transfer of shares

There are legal limitations affecting voting rights of certain shares pursuant to section 71b AktG and section 71d S. 4 in conjunction with section 71b AktG. At the end of the reporting period on December 31, 2022, United Internet held 7,284,109 treasury shares representing 3.75% of capital stock. Upon completion of the capital reduction resolved by the Management Board on February 14, 2023, with the approval of the Supervisory Board, by means of canceling 2,000,000 treasury shares, and the buyback of 13,899,596 shares (without fractional amounts) as part of the public share buyback offer to the shareholders of United Internet AG, United Internet holds 19,183,705 treasury shares, corresponding to 9.99% of the current capital stock of 192 million shares.

There are also legal limitations affecting voting rights regarding a conflict of interests pursuant to section 136 (1) AktG for shares held by the Management Board and Supervisory Board.

Among the current members of the Management Board, Mr. Ralph Dommermuth indirectly held 99,000,000 shares of United Internet AG (51.03% of capital stock) as of December 31, 2022. Upon completion of the aforementioned capital reduction and buyback of 13,899,596 shares as part of the public share buyback offer (of which 5,044,795 shares were from Mr. Ralph Dommermuth), Mr. Dommermuth indirectly holds 93,955,205 shares of United Internet AG (48.94% of capital stock). Moreover, Mr. Martin Mildner held 15 shares of the Company (0.00% of capital stock) as of December 31, 2022.

As of December 31, 2022, no current members of the Supervisory Board held shares in United Internet AG.

There are no limitations affecting the transfer of shares.

Direct and indirect participations in capital with over 10% of voting rights

On December 31, 2022, the Company's CEO, Mr. Ralph Dommermuth, residing in Germany, indirectly held 99,000,000 shares or 51.03% of the 194,000,000 shares in United Internet AG. At present, Mr. Ralph Dommermuth indirectly holds 93,955,205 shares or 48.94% of the 192,000,000 shares in United Internet AG. The Management Board is not aware of further participations in capital exceeding 10% of voting rights.

Special rights

Mr. Ralph Dommermuth is personally entitled to nominate two members of the Supervisory Board. This right is exercised by naming a person for the Supervisory Board to the Company's Management Board. The nomination becomes effective as soon as the nominated person declares his acceptance of the Supervisory Board seat to the Management Board. A requirement for the aforementioned nomination right is that Mr. Ralph Dommermuth holds shares himself or via affiliated companies pursuant to section 15ff. AktG representing at least 25% of the Company's voting capital and can prove as much to the Management Board on nomination of the Supervisory Board member by providing depository account statements or similar documents. Mr. Dommermuth has so far not made use of this nomination right.

The Management Board is not aware of any further shares with special rights.

Appointment and dismissal of Management Board members, amendments to Company articles

The appointment and dismissal of Management Board members is determined by sections 84, 85 AktG in conjunction with section 1 of the rules of procedure for the Supervisory Board. According to section 6 (1) of the Company's articles, the Management Board consists of at least one person. The Supervisory Board appoints and dismisses the members of the Management Board, determines their number and can appoint one member of the Management Board as Chairman.

Each amendment of the Company's articles requires the adoption of a shareholders' meeting resolution with a majority of at least three quarters of capital represented at the vote. Pursuant to section 22 of the Company's articles in conjunction with section 179 (1) sentence 2 AktG (Changes in capital stock and number of shares), the Supervisory Board is authorized to make amendments to the Company's articles insofar as they only concern formulation.

Powers of the Management Board to issue new shares

The Management Board is entitled to issue new shares under the following circumstances:

The Management Board is authorized, subject to the approval of the Supervisory Board, to increase the capital stock in the period ending August 31, 2023, by a maximum of € 77,500,000.00 by issuing on one or more occasions new no-par shares for cash and/or non-cash contributions (**Authorized Capital 2020**).

Subject to the following restrictions, shareholders shall be granted subscription rights.

The Management Board is authorized, subject to the approval of the Supervisory Board, to exclude fractional amounts from the shareholders' subscription rights and to also exclude subscription rights to the extent that this is necessary in order to grant subscription rights for new shares to bearers of warrants and convertible bonds issued by the Company or its subsidiaries in the amount to which they would be entitled on exercise of their warrant or conversion rights or fulfillment of their conversion obligation. In the case of a capital increase in return for cash contribution, the Management Board is further authorized, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights for an amount of up to 10% of the capital stock existing at the time Authorized Capital 2020 becomes effective, or – if this amount is lower – at the time the resolution to use Authorized Capital 2020 is adopted, if the new shares are issued at an issuance price which is not substantially below the market price of those Company shares already listed at the time of the final determination of the issuance price, which shall be as near in time as possible to the share issuance date. This maximum amount of 10% of the capital stock includes the proportionate share of capital stock attributable to treasury shares sold on or after the effective date of this authorization in direct or analogous application of section 186 (3) sentence 4 AktG, as well as the proportionate share of the capital stock attributable to shares subject to conversion and/or warrant rights or conversion obligations from bonds issued pursuant to the authorization of the Annual Shareholders' Meeting of May 20, 2020, with the exclusion of subscription rights in accordance with section 186 (3) sentence 4 AktG. The Management Board is further authorized, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights in the case of capital increases in return for non-cash contribution in order to grant shares for the purpose of acquiring companies, parts of companies, interests in companies or other assets, including rights and receivables, or as part of business combinations. The above mentioned authorizations to exclude subscription rights are limited in total to an amount of up to 20% of the capital stock existing at the time Authorized Capital 2020 becomes effective, or – if this amount is lower – at the time the resolution to use Authorized Capital 2020 is adopted. This maximum amount of 20% of the capital stock includes the proportionate share of capital stock attributable to shares subject to conversion and/or warrant rights or conversion obligations from bonds issued pursuant to the authorization of the Annual Shareholders' Meeting of May 20, 2020, with the exclusion of subscription rights, as well as the proportionate share of capital stock attributable to treasury shares sold on or after the effective date of this authorization in a manner other than via the stock exchange or by means of an offer to all shareholders.

The Management Board is further authorized, subject to the approval of the Supervisory Board, to determine the further details of the capital increase and its execution.

Capital stock is conditionally increased by up to € 25,000,000.00, divided into up to 25,000,000 no-par value registered shares (**Conditional Capital 2020**). The conditional capital increase shall only be implemented to the extent that the bearers or holders of warrant rights or conversion rights or obligations from bonds with warrants or convertible bonds that have been issued or guaranteed by the Company or a subordinated Group company in the period ending August 31, 2023, on the basis of the Management Board's authorization resolved by the Annual Shareholders' Meeting of May 20, 2020, exercise their warrant or conversion rights or, to the extent that they are obligated to convert their bonds, fulfill their obligation, or to the extent that the Company exercises a right to grant shares in the Company, instead of paying the cash amount due (or parts thereof), and to the extent that cash compensation is not granted or treasury shares or shares in another listed company are not used to service bonds. The new shares shall be issued at the warrant or conversion price to be determined in accordance with the above authorizing resolution. The new shares shall participate in profits from the beginning of the fiscal year in which they are created; to the extent that it is legally permissible, the Management Board may, with the approval of the Supervisory Board, determine the profit participation of new shares and, notwithstanding section 60 (2) AktG, also for a fiscal year already expired.

The Management Board is authorized, subject to the approval of the Supervisory Board, to determine the further details concerning the execution of the conditional capital increase.

Powers of the Management Board to buy and use treasury shares

The authorization to acquire and use treasury shares that was granted by the Annual Shareholders' Meeting on May 18, 2017 in accordance with section 71 (1) number 8 AktG expired on September 18, 2020. Against this background, the Annual Shareholders' Meeting of May 20, 2020 issued a new authorization pursuant to section 71 (1) number 8 AktG, to acquire and use treasury shares. This authorization is valid from September 19, 2020 to August 31, 2023.

The authorization is limited to an amount of 10% of the capital stock existing at the time the Annual Shareholders' Meeting adopts the resolution or – if this amount is lower – at the time the authorization is exercised. The authorization can be exercised directly by the Company, or by a dependent or majority-owned corporation of the Company, or by third parties commissioned by dependent or majority-owned corporations of the Company, and permits the purchase of treasury shares in their entirety or in parts on one or more occasions.

Treasury shares may be acquired via the stock exchange or by means of a public purchase offer made to all shareholders or by means of a public request made to all shareholders to submit sales offers or by granting tender rights to shareholders.

- If acquisition is made via the stock exchange or by means of a public purchase offer, the per share purchase price (excluding ancillary acquisition costs) paid by the Company must not be more than 10% above or below the arithmetic mean of the closing auction prices of the Company's no-par value shares in the Frankfurt Stock Exchange's Xetra trading system (or an equivalent successor system) over the last ten stock exchange trading days before the conclusion of any transaction imposing an obligation (if the acquisition is made via the stock exchange) or before the publication of the decision to submit a public purchase offer (if the acquisition is made by means of a public purchase offer). Should the share price deviate significantly from the offered purchase price or from the limits of the offered purchase price range after a public purchase offer is published, the offer may be adjusted. In this case, the relevant purchase price shall be determined based on the corresponding stock exchange price on the last trading day before the announcement of the adjustment and must not be more than 10% higher or lower than that amount.

The volume of a public purchase offer may be limited. If, in the case of a public purchase offer, the volume of the tendered shares exceeds the volume intended to be bought back, tender rights, if any, may be partially excluded so that shares may be acquired based on the proportions of tendered shares (percentages of tendered shares) rather than based on the proportions of the tendering shareholders' shareholdings in the Company (shareholding percentages). Tender rights, if any, may also be partially excluded such that priority is given to smaller lots of up to 100 shares offered per shareholder and such that the number of shares is rounded in accordance with commercial rounding principles in order to avoid fractions of shares.

If acquisition is made by means of a public request made to all shareholders to submit sales offers, the Company will stipulate a purchase price range per share within which sales offers may be submitted. The purchase price range may be adjusted if, during the submission period, the share price deviates significantly from the share price prevailing at the time of publication of the request to submit sales offers. The purchase price per share (excluding ancillary acquisition costs) to be paid by

the Company and that the Company calculates on the basis of the received sales offers must not be more than 10% above or below the arithmetic mean of the closing auction prices of the Company's no-par value shares in the Frankfurt Stock Exchange's Xetra trading system (or an equivalent successor system) over the last three stock exchange trading days before the cutoff date described below. The cutoff date is the date on which the Company's Management Board makes its final and formal decision on the publication of the request to submit sales offers or the adjustment thereof.

The volume of offers that may be accepted may be limited. If, due to the limited volume, not all of several equal sales offers can be accepted, tender rights, if any, may be partially excluded so that shares may be acquired based on the percentages of tendered shares rather than based on the shareholding percentages. Tender rights, if any, may also be partially excluded such that priority is given to smaller lots of up to 100 shares tendered per shareholder and such that the number of shares is rounded in accordance with commercial rounding principles in order to avoid fractions of shares.

- If acquisition is made by granting tender rights to the shareholders, the rights may be allocated per Company share. A number of tender rights determined based on the ratio of the Company's capital stock to the volume of shares to be bought back by the Company will entitle a tendering shareholder to sell one Company share to the Company. Tender rights may also be allocated in such a way that one tender right is allocated for a certain number of shares determined based on the ratio of the capital stock to the buyback volume. Fractions of tender rights will not be allocated; in case thereof, partial tender rights are excluded. The price or the limits of the offered purchase price range (in each case excluding ancillary acquisition costs) at which a share may be sold to the Company when a tender right is exercised will be determined in accordance with the provisions of the sub-section above, with the relevant cutoff date being the date of publication of the buyback offer with the granting of tender rights, and adjusted if necessary also in accordance with the provisions of the sub-section above, with the relevant cutoff date being the date of publication of the adjustment. The Company's Management Board will determine the further details of the tender rights, in particular their conditions, term and, where appropriate, tradability.

In addition, the Management Board is authorized to sell treasury shares in a manner other than via the stock exchange or by means of an offer to all shareholders if the shares are sold for cash at a price that is not substantially below the stock exchange price of the Company's shares at the time of sale. The shareholders' subscription rights are excluded in this context. However, this authorization is subject to the condition that the shares sold with the exclusion of subscription rights pursuant to section 186 (3) sentence 4 AktG must not exceed in aggregate 10% of the capital stock either at the time the authorization becomes effective or – if this is lower – at the time the authorization is exercised. This limit of 10% of the capital stock includes those shares that are issued during the term of this authorization until the sale of treasury shares from authorized capital with the exclusion of subscription rights pursuant to section 186 (3) sentence 4 AktG. This limit of 10% of the capital stock also includes those shares that are issued or are to be issued in order to service warrant and/or conversion rights and/or conversion obligations provided that the bonds were issued during the term of this authorization in analogous application of section 186 (3) sentence 4 AktG with the exclusion of subscription rights.

The Management Board is also authorized, in addition to a sale via the stock exchange or a use in another manner that complies with the principle of equal treatment of all shareholders, to use treasury shares for the following purposes:

- As (partial) consideration in connection with the acquisition of companies or interests in companies or parts of companies or in connection with business combinations.

- To float shares of the Company on foreign stock exchanges on which they were previously not admitted to trading. The price at which these shares are floated on foreign stock exchanges (excluding ancillary acquisition costs) must not be more than 5% below the arithmetic mean of the prices of the Company's no-par value shares in the closing auctions of the Frankfurt Stock Exchange's Xetra trading system (or an equivalent successor system) over the last three stock exchange trading days before the day of their flotation on the foreign stock exchange.
- To grant United Internet shares as part of remuneration and/or employee stock ownership programs such that United Internet shares are offered or transferred to members of the Management Board of United Internet AG and/or to individuals who are or were in an employment relationship with the Company and/or to members of the management of affiliated companies. Insofar as United Internet shares are to be transferred to members of the Company's Management Board, the decision on this is incumbent upon the Company's Supervisory Board.

Shareholders' statutory subscription rights with regard to these treasury shares will be excluded in accordance with sections 71 (1) no. 8 and 186 (3) and (4) AktG to the extent that these shares are used pursuant to the above authorizations. Furthermore, the Managing Board is authorized to exclude shareholders' subscription rights for fractional shares if treasury shares are sold by means of an offer to all shareholders.

The authorizations to exclude subscription rights are in aggregate limited to an amount of up to 20% of the capital stock existing at the time these authorizations become effective or – if this amount is lower – at the time the resolution to sell treasury shares is adopted. This maximum amount of 20% of the capital stock includes the proportionate share of capital stock attributable to shares that are subject to conversion and/or warrant rights or conversion obligations under bonds issued pursuant to the authorization of the Annual Shareholders' Meeting of May 20, 2020, with the exclusion of subscription rights, as well as the proportionate share of the capital stock attributable to shares issued from Authorized Capital 2020 on the basis of the authorization of the Annual Shareholders' Meeting of May 20, 2020, with the exclusion of subscription rights.

In addition, the Management Board is authorized to redeem treasury shares without any further resolution of the Annual Shareholders' Meeting being required either for the redemption or the implementation thereof. The redemption may also be implemented in accordance with section 237 (3) no. 3 AktG without a capital reduction and in such a manner that, as a result of the redemption, the proportionate share of the Company's remaining no-par value shares in the capital stock is increased in accordance with section 8 (3) AktG. In accordance with section 237 (3) no. 3 2nd half-sentence AktG, the Management Board is authorized to amend the number of shares specified in the Articles of Association accordingly. The redemption may also be implemented in combination with a capital reduction, in which case the Management Board is authorized to reduce the capital stock by the proportionate share of capital stock attributable to the redeemed shares. The Supervisory Board is authorized to amend the number of shares and the capital stock amount specified in the Articles of Association.

The foregoing authorizations are granted for the period beginning September 19, 2020. They may be exercised once or several times, in their entirety or partially, individually or collectively. They also cover the use of treasury shares that have been acquired on the basis of previous authorizations to acquire treasury shares and treasury shares that have been acquired in accordance with section 71d sentence 5 AktG or (i) by any company controlled or majority-owned by the Company or (ii) by third parties acting for the account of the Company or of any company controlled or majority-owned by the Company.

Material agreements conditional to a change of control following a takeover bid

A bank consortium has granted United Internet AG a syndicated loan facility of € 810 million until January 2025. In fiscal 2020, the Company exercised a contractually agreed extension option and extended the term of the revolving syndicated credit facility entered into on December 21, 2018 for the period January 2025 to January 2026. A credit facility of € 690 million was agreed for this extension period.

- The members of the consortium were granted the right to terminate their share of the syndicated loan facility or the syndicated loan if a third party or a group of third parties acting in concert acquired a majority of the shares in United Internet AG or held the majority of voting shares at an Annual Shareholders' Meeting of the Company. The right of termination is available to each member of the bank consortium individually within 30 days of the announcement of the change of control by the Company. However, this right of termination does not apply if the majority of shares or voting rights at an Annual Shareholders' Meeting are acquired by Mr. Ralph Dommermuth or his direct relatives.

Furthermore, several promissory note loans of United Internet AG totaling € 1,100.0 million are outstanding at the end of the reporting period on December 31, 2022.

- The lenders of the promissory notes were granted the right to terminate their share of the respective promissory note loans if a third party or a group of third parties acting in concert acquired a majority interest in United Internet AG. The right of termination is available to each lender individually within 30 days of the announcement of the change of control by the Company. However, this right of termination does not apply if the majority of the shares are acquired by Mr. Ralph Dommermuth.

Compensation agreements in the event of a change of control following a takeover bid

No compensation agreements have been concluded with members of the Management Board or employees of the Company in the event of a change of control following a takeover bid.

7. DECLARATION ON COMPANY MANAGEMENT

The disclosures made in chapter "7. Declaration on Company Management" are "non-audited management report disclosures" as an audit of the disclosures contained in the Declaration on Company Management in accordance with section 317 (2) sentence 6 German Commercial Code ("Handelsgesetzbuch" – HGB) is limited to the fact that the information has been provided and the Corporate Governance Report in chapter 7 constitutes a "non-management report-related disclosure" which is not subject to a substantive audit.

Principles of corporate governance

As a German public company listed on the stock exchange, the management of United Internet AG is primarily determined by the German Stock Corporation Act (AktG) and the rules of the German Corporate Governance Code (the "Code").

The term Corporate Governance stands for responsible corporate management and control geared to sustainable value creation. Efficient cooperation between Management Board and Supervisory Board, respect for stockholder interests, openness and transparency of corporate communications are key aspects of good corporate governance.

The Management Board and Supervisory Board of United Internet AG regard it as their duty to secure the Company's continued existence and sustainable value creation through responsible corporate governance focused on the long term. Appropriate consideration is given to environmental and social objectives.

The following report contains the "Declaration on company management", in accordance with section 289f HGB for the parent company and in accordance with section 315d HGB for the Group, of the Management Board and Supervisory Board pursuant to Principle 22 of the Code.

Management and corporate structure

In accordance with its legal status, United Internet AG operates a dual management and monitoring structure comprising two corporate bodies: the Management Board and the Supervisory Board. The third body is the Shareholders' Meeting. All three bodies are committed to serving the Company's interests.

Management Board

Working procedures of the Management Board

The Management Board is the body charged with managing the Group's operations. In the fiscal year 2022, it consisted of 2 persons (namely Mr. Ralph Dommermuth and Mr. Martin Mildner). For initial appointments, a term of office of three years is considered. An assessment is made on a case-by-case basis as to which term of office within the legally permissible term of appointment appears appropriate. Beyond this, Management Board members are appointed for no longer than five years. The Management Board conducts operations in accordance with its legal and statutory obligations, as well as the rules of procedure adopted by the Supervisory Board, and the corresponding recommendations of the Code – unless deviations are declared pursuant to section 161 AktG.

The Management Board is responsible for preparing the Interim and Annual Financial Statements as well as for appointing key managers within the Company. In addition, it systematically defines the risks and opportunities for the Company associated with social and environmental factors, as well as the environmental and social impact of the Company's activities, and subsequently assesses these. In addition to long-term economic objectives, the corporate strategy also takes appropriate account of environmental and social objectives. Corporate planning includes both the corresponding financial and sustainability-related targets. Further information on sustainability can be found on the Company's website at www.united-internet.de under Company/Sustainability.

Decisions of fundamental importance require the approval of the Supervisory Board. The Management Board reports to the Supervisory Board in accordance with the statutory provisions of section 90 AktG and provides the Chairman of the Supervisory Board at least once a month with an oral overview – and at the request of the Chairman of the Supervisory Board also in writing – of the current status of relevant reporting items pursuant to section 90a AktG. The Chairman of the Supervisory Board is thus informed without delay by the Chairman or Speaker of the Management Board, or the Chief Financial Officer, about important events that are essential for assessing the Company's situation and development, as well as for the management of the Company. Important items also include any substantial deviation from the budget or other forecasts of the Company. The Chairman or Speaker of the Management Board, or Chief Financial Officer, shall also inform the Chairman of the Supervisory Board, in advance where possible otherwise immediately thereafter, about all ad hoc announcements of the Company pursuant to Art. 17 MAR.

There is an age limit of 70 for members of the Management Board. This requirement is currently complied with in full.

The Management Board conducts the Company's business with joint responsibility and according to common objectives, plans, and policies. Irrespective of the joint responsibility of the Management Board, each member bears responsibility for his assigned division, but is required to subordinate the interests of his assigned division to the overall good of the Company.

The full Executive Board regulates the division of responsibilities in a business distribution plan.

The Management Board members inform each other about important events within their divisions. Matters of greater importance which are not approved in the budget must be discussed and decided by at least two Management Board members, whereby one of the two Management Board members must be responsible for the Finance division.

Irrespective of their areas of responsibility, all Management Board members constantly monitor those results and data which are crucial for the Company's business development so they are always able to help avert potential disadvantages, or implement desirable improvements and expedient changes by drawing them to the attention of the full Management Board.

The full Management Board resolves on all matters of particular importance and scope for the Company or its subsidiaries and investment companies.

Resolutions are adopted by the full Management Board with a simple majority. Should the vote result in a tie, the Chairman of the Management Board has a casting vote. The resolutions of the Management Board are recorded in the minutes.

The full Management Board meets regularly once a month and otherwise as required.

Each Management Board member immediately discloses any conflict of interest to the Chairman of the Supervisory Board and the Chairman of the Management Board or Speaker of the Management Board and informs the other Management Board member about it where necessary.

Current composition of the Management Board

The Management Board of United Internet AG comprised the following members in the fiscal year 2021:

Management Board members on December 31, 2022

- Ralph Dommermuth Company founder and Chief Executive Officer
(with the Company since 1988)
- Martin Mildner, Chief Financial Officer
(with the Company since October 1, 2020)

Supervisory Board

Working procedures of the Supervisory Board

In the fiscal year 2022, the Supervisory Board elected by the Annual Shareholders' Meeting consisted of six members until August 21, 2022. Since August 22, 2022, the Supervisory Board has comprised five members. The members of the Supervisory Board are generally elected for a period of five years.

In accordance with German law, the Company's articles, its rules of procedure, and the corresponding recommendations of the Code – unless deviations are declared pursuant to section 161 AktG – the Supervisory Board is in regular contact with the Management Board and monitors and advises it with regard to the management of business, and the Company's risk and opportunity management system. This mainly comprises questions relating to the topic of sustainability.

The Supervisory Board meets at regular intervals to discuss with the Management Board all matters of relevance to the Company regarding strategy and its implementation, as well as planning, the development of business, the risk position, risk management, and compliance. Together with the Management Board, it discusses the quarterly statements and half-year reports before publication and approves annual budgets. It examines the Annual Financial Statements of the parent company and the Group and adopts them if it has no reservations. In doing so, it also takes the reports of the Company's external auditors into account.

The Supervisory Board's responsibilities also include appointing members of the Management Board, as well as determining and regularly monitoring their remuneration in compliance with the latest legal regulations and recommendations of the Code – unless deviations are declared pursuant to section 161 AktG.

When appointing members of the Management Board, the Supervisory Board strives to achieve the best possible, diverse and mutually complementary composition for the Company and pays attention to long-term succession planning. Experience and industry knowledge as well as professional and personal qualifications play a particularly important role.

As part of its long-term succession planning, the Supervisory Board, with the involvement of the Management Board, regularly discusses highly skilled executives who could be considered as potential candidates for Management Board positions.

The Supervisory Board conducts regular tests to assess the efficiency of the Supervisory Board as a whole, as well as its Audit and Risk Committee. In accordance with Recommendation D.13 of the German Corporate Governance Code, the Supervisory Board and its committee assess how effectively they each perform their duties as a body. For this purpose, a self-assessment by means of questionnaires is conducted every two years or so.

At its meeting on December 6, 2022, the Audit and Risk Committee of United Internet AG conducted a self-assessment for the fiscal year 2022 in the presence of all committee members and the Audit Committee Chairman. The self-assessment was carried out on the basis of a comprehensive catalog of questions, which included in particular an assessment of the working methods and activities, as well as the size and structure of the Audit and Risk Committee. In addition, an assessment was made of the work with the auditor and interaction with the Management Board and the Group's departments.

The last self-assessment of the Supervisory Board was conducted and evaluated in the fourth quarter of 2022. The self-assessment was carried out on the basis of a comprehensive catalog of questions, focusing in particular on expectations, time commitment, composition of the Supervisory Board, independence of the Supervisory Board and how it deals with conflicts of interest, Management Board and Supervisory Board remuneration, and accounting matters.

The result of the self-assessment confirms that there is a good and open exchange within the bodies, as well as a trusting and cooperative working relationship with the auditor, the Management Board and the Company's departments. This professional cooperation is reflected, for example, in the receipt of well-prepared documents/information, which are always provided appropriately and on time. Specific suggestions are addressed and implemented during the year as part of the work of the Supervisory Board and Audit and Risk Committee.

Following a thorough evaluation, it can therefore be assumed that the activities of the Supervisory Board and its Audit and Risk Committee are performed efficiently.

The members of the Supervisory Board complete the training and further education measures required for their tasks on their own, but receive appropriate support in this context from the Company. The measures conducted are detailed in the Report of the Supervisory Board.

The Supervisory Board is convened at least twice every half of a calendar year. Supervisory Board meetings are convened in writing by its Chairman at least 14 days in advance. Further and more detailed information on the exact number of meetings and the topics discussed at these meetings can be found in the Report of the Supervisory Board to the Annual Shareholders' Meeting of the Company.

When meetings are convened, the Supervisory Board members are informed of the agenda items. If an agenda item has not been properly announced, a resolution concerning it may only be adopted if no Supervisory Board member objects prior to the vote.

Resolutions of the Supervisory Board are generally adopted at meetings held with physical attendance. However, it is permissible for meetings of the Supervisory Board to be held in the form of a video or telephone conference call or for individual members of the Supervisory Board to be connected by video or telephone call and, in such cases, for resolutions to be adopted or votes to be cast by video or telephone conference call. Meetings are chaired by the Chairman of the Supervisory Board. If so

arranged by the Chairman, resolutions may also be adopted outside of meetings by other means, for example by phone or e-mail, if no member objects to this procedure.

The Supervisory Board has a quorum if all members have been officially invited and at least three members participate in the resolution. A member shall also be deemed to participate in a resolution if he abstains from voting.

Unless the law prescribes otherwise, resolutions of the Supervisory Board are adopted with a simple majority.

Minutes are kept of the Supervisory Board's discussions and resolutions.

The Chairman of the Supervisory Board is authorized to submit on behalf of the Supervisory Board the declarations of intent required for the implementation of the Supervisory Board's resolutions.

Moreover, it should be noted that with the subsequent election to the Supervisory Board at the Annual Shareholders' Meeting 2023, the Supervisory Board aims to fulfill the required level of expertise specified in section 100 (5) AktG.

The Audit and Risk Committee assists the Supervisory Board in its monitoring of accounting practices and the integrity of the accounting process, as well as in monitoring the effectiveness and functionality of the internal control system, the risk management system, the compliance system, and the internal auditing system. Moreover, it supports the Supervisory Board in monitoring the auditing of the financial statements, the services provided by the auditor, the auditing fees, and the additional services provided by the auditor.

The Audit and Risk Committee closely examines the Annual Financial Statements and Consolidated Financial Statements, the Combined Management Report for the Company and the Group, the non-financial statement and the non-financial Group statement, and the Management Board's proposal for the appropriation of balance sheet profit. It discusses with the Management Board and the auditors the audit reports, the audit process, the audit focus areas and methodology, as well as the audit results, also with regard to the internal control system relating to the accounting process, and makes recommendations to the Supervisory Board. It regularly assesses the quality of the audit. Prior to their publication, it discusses the quarterly statements and the half-year financial report with the Management Board.

The Audit and Risk Committee prepares the negotiations and resolutions of the Supervisory Board for the election proposal of the auditor to the Annual Shareholders' Meeting and decisions on corporate governance issues, as well as resolving on the approval of related party transactions in accordance with section 111b (1) AktG. The Audit Committee discusses with the auditor the assessment of the audit risk, the audit strategy and audit planning, and the audit results. The Chairman of the Audit Committee regularly discusses current issues relating to the audit and its progress with the auditor, also in the presence of all members of the Audit and Risk Committee. The Audit Committee also consults regularly with the auditor without the presence of the Management Board. A total of 10 consultation meetings were held with the auditor in 2022.

The Chairman of the Audit Committee regularly reports to the Supervisory Board on the activities of the Audit and Risk Committee. In the event of significant occurrences and findings by the Audit and Risk Committee, its Chairman must inform the Chairman of the Supervisory Board without delay.

Targets for the composition of the Supervisory Board / status of implementation

The Company's Supervisory Board aims to achieve a composition of the Supervisory Board that enables qualified supervision and advice for the Company's Management Board.

In view of

- the size of the Supervisory Board,
- the business in which the Company operates,
- the size and structure of the Company,
- the scope of the Company's international activities, and
- its current shareholder structure,

the Company's Supervisory Board has adopted the following targets for its future composition. These take into account the statutory requirements both with regard to the requirements placed on individual Supervisory Board members and with regard to the composition of the entire Supervisory Board and – unless expressly stated otherwise – the requirements of the Code. In particular, a skills profile is planned with regard to the overall body.

The Supervisory Board will take these targets into account in the case of nomination proposals and make sure that the candidates meet the respective requirements. The specific situation of the Company must be taken into consideration.

Requirements for individual members

The Company's Supervisory Board aims to ensure that each Supervisory Board member meets the following requirements:

General requirement profile

Each member of the Supervisory Board should have the requisite knowledge and experience to enable them to carefully monitor and advise the Company and to assess any risks for the Company's business. Moreover, the Supervisory Board will ensure that all its members have a personal profile that enables them to maintain the Company's public reputation.

Time availability

All members of the Supervisory Board must have sufficient time to exercise their duties with due care throughout the entire period of office. In particular, the members of the Supervisory Board should observe the legal requirements and those of the Code regarding the permissible number of Supervisory Board mandates.

Conflicts of interest

Supervisory Board members should not engage in any other activities likely to cause frequent conflicts of interest. These include management positions with key competitors.

Age limit for Supervisory Board members

As a rule, members of the Supervisory Board should not have reached the age of 70 at the time of their election or re-election.

Requirements regarding the composition of the Supervisory Board as a whole

In addition to the individual requirements for Supervisory Board members, the Company's Supervisory Board also strives to reach the following targets for the composition of the Supervisory Board as a whole in line with recommendation C.1 of the German Corporate Governance Code.

Skills profile for the Supervisory Board as a whole

The members of the Supervisory Board must collectively have the knowledge, skills, and professional experience necessary for them to carry out their tasks as required. The Supervisory Board strives to ensure that the Supervisory Board as a whole covers the widest possible range of knowledge and experience relevant to the Company, and in particular meets the following requirements:

- In-depth knowledge and experience of the telecommunications and internet sector;
- Expertise or experience from other sectors of the economy;
- Entrepreneurial or operational experience;
- At least one member with several years of experience working abroad or working for a company with international activities;
- At least one member with special knowledge and experience in the application of accounting principles and internal control processes;
- Expertise in sustainability issues of significance for the Company;
- At least one member with expertise in the field of accounting, whereby the expertise in the field of accounting must consist of special knowledge and experience in the use of accounting principles and internal control and risk management systems and must also apply to sustainability reporting;
- At least one additional member with expertise in the field of auditing, whereby the expertise in the field of auditing must consist of special knowledge and experience in the field of auditing and must also apply to the auditing of sustainability reporting;
- Knowledge and experience of strategy development and implementation;
- In-depth knowledge and experience of controlling and risk management;
- Knowledge and experience of HR planning and management;
- In-depth knowledge and experience in the field of governance and compliance;
- Expertise in the needs of capital market-oriented companies.

Diversity

The Supervisory Board aims to ensure that the Supervisory Board is composed of a wide variety of members so that the Supervisory Board as a whole has sufficient diversity of opinion and knowledge. In

its nominations, the Supervisory Board will take into account the diversity concept established by the Company.

Independence

The Supervisory Board aims to ensure that at least four of its six members are also independent within the meaning of the criteria set out in the recommendations of the Code.

The Supervisory Board once again addressed the above objectives for its composition during the reporting year. In particular, it discussed them with regard to the skills profile for the full Supervisory Board. It also adhered to them and further expanded them. The Supervisory Board strives to fulfill the skills profile developed by the Supervisory Board for the Supervisory Board as a whole.

Current composition of the Supervisory Board/implementation status

The Supervisory Board of United Internet AG comprised the following members in the fiscal year 2022:

Supervisory Board members as at December 31, 2022

- Philipp von Bismarck,
Chairman of the Supervisory Board since May 2021, member of the Audit and Risk Committee since May 2021
(since July 2020)
- Dr. Manuel Cubero del Castillo-Olivares,
Deputy Chairman of the Supervisory Board since May 2021
(since May 2020)
- Prof. Dr. Andreas Söffing,
Chairman of the Audit and Risk Committee since May 2021
(since May 2021)
- Stefan Rasch,
Member of the Audit and Risk Committee since May 2021
(since May 2021)
- Prof. Dr. Yasmin Mei-Yee Weiß
(since July 2020)

Departed in the fiscal year 2022

- Dr. Claudia Borgas-Herold
(from May 2020 to August 2022)

The Supervisory Board believes that all five members of the current Supervisory Board, Ms. Weiß, Mr. von Bismarck, Mr. Cubero del Castillo-Olivares, Mr. Söffing, and Mr. Rasch are also independent within the meaning of Recommendation C.7 of the German Corporate Governance Code.

Skills matrix:

		Philipp von Bismarck	Dr. Manuel Cubero del Castillo-Olivares	Stefan Rasch	Prof. Dr. Andreas Söffing	Prof. Dr. Yasmin Mei-Yee Weiß
Length of	Member since	2020	2020	2021	2021	2020
Age limit (70)	Year of birth	1975	1963	1962	1962	1978
Personal suitability	Independence	✓	✓	✓	✓	✓
	No overboarding	✓	✓	✓	✓	✓
	Former Management Board member					
	No conflicts of interest	✓	✓	✓	✓	✓
Diversity	Gender	Male	Male	Male	Male	Female
	Nationality	German	Spanish	German	German	German
Professional suitability	Telecommunications sector	✓	✓	✓		
	Media and / or IT sector		✓	✓		
	Expertise / experience in other sectors	✓	✓	✓	✓	✓
	Entrepreneurial or operational experience	✓	✓	✓	✓	✓
	Use of accounting principles, internal control & risk management systems, incl. sustainability reporting	✓		✓	✓	
	Auditing of financial statements, incl. auditing of sustainability reporting	✓			✓	
	Expertise in sustainability issues of importance to the Company					
	Strategy development and implementation	✓	✓	✓	✓	✓
	Controlling and risk management			✓		
	HR planning and management		✓			✓
	Governance and compliance	✓				
	Expertise regarding the needs of capital market-oriented companies	✓			✓	
	Several years of work abroad or operational experience in an internationally active company (e.g., in the field of financial engineering, telecommunications, M&A)	✓	✓	✓	✓	✓
International experience						

In addition to taking these objectives into account and endeavoring to meet the skills profile for the entire body, the Supervisory Board's proposals for the election of Supervisory Board members shall continue to be oriented towards the welfare of the Company as a whole. In doing so, the specific situation of the Company is to be taken into consideration.

Subject to the formation of short fiscal years, the current term of office of the Supervisory Board members ends on expiry of the Annual Shareholders' Meeting of the year 2025.

Targets for the share of women on the Supervisory Board, Management Board, and in management positions / implementation status

The "Law on Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions" (FührposGleichberG) of April 24, 2015 resulted in amendments to the German Stock Corporation Law and a number of other laws.

The new legislation has led to the following obligations in particular for United Internet AG:

- setting of targets by the Supervisory Board for the share of women on the Supervisory Board of United Internet AG
- setting of targets by the Supervisory Board for the share of women on the Management Board of United Internet AG
- setting of targets by the Management Board for the share of women on the first and second management levels below the Management Board of United Internet AG

The following targets are to be set for a period of no more than five years.

After careful examination, the Supervisory Board and Management Board of United Internet AG adopted the following based on resolutions of March 16, 2021 and March 28, 2023:

- The Supervisory Board set the deadline for the attainment of the current targets for the share of women on the Supervisory Board and Management Board as the expiry of the Annual Shareholders' Meeting that decides on the discharge of the Supervisory Board for the fiscal year 2024 (May 2025).
- After a target of "0" had previously been set for the Supervisory Board, a target of 30% has now been set for the share of women (section 111 (5) AktG). The Supervisory Board currently comprises one woman and four men. A corresponding new appointment to the Supervisory Board is planned for the Annual Shareholders' Meeting 2023.
- A target of "0" has been set for the Management Board (section 111 (5) AktG). The Management Board was composed exclusively of two men in the fiscal year 2022. With effect from April 1, 2023, the Management Board will be enlarged to three members. After extensive and careful consideration, the Supervisory Board has decided, based on the Company's interest in a steady continuation of the successful work of the Management Board's experienced members who are already familiar with the Group's structures, that the Management Board should continue to consist only of male members in

the future and that the target for the Management Board thus remains "0". At the same time, it was decided that in the event of a further increase in the size of the Management Board, the target for the proportion of women would be set at 25%.

- Irrespective of this, the selection shall always be made according to the individual skills profile of the potential board members, whereby the Supervisory Board shall endeavor to give preference to women in the case of equal qualifications.
- No target has been set for the share of women on the first and second management levels below the Management Board, as United Internet AG does not have any management levels below the Management Board due to its holding structure.
- With regard to the share of women on the Supervisory Board and Management Board, the Supervisory Board reserves the right to resolve again on the target should there be any indication of a new appointment.

The Supervisory Board and Management Board of United Internet AG continue to expect the above mentioned targets to be reached by the end of the specified period. The above mentioned target for the Management Board is met at present.

Diversity concept (sections 289f (2) number 6, 315d HGB)

Diversity aspects are always taken into account in the composition of the Management Board and the Supervisory Board. The Company considers diversity to be not only desirable, but also crucial to the success of the Company. The Company therefore pursues an appreciative corporate culture in which individual diversity in terms of culture, nationality, gender, age group, and religion is desired and equal opportunities – irrespective of age, disability, ethnic and cultural origin, gender, religion and ideology, or sexual identity – are promoted.

The Company aims to ensure that the Management Board and Supervisory Board are composed of many different types of people and that the bodies as a whole have a sufficiently wide variety of opinions and knowledge.

In particular, the following criteria should be taken into account:

- The members of the Management Board and Supervisory Board should complement each other within their respective committees with regard to their experience, education, and professional background in order to develop a good understanding of the current status and the longer term opportunities and risks associated with the Company's business activities.
- With the exception of an age limit of 70, no differentiation is made according to age for the members of the Management Board and Supervisory Board, and the sole differentiation should be according to the required knowledge and experience.
- In view of the current size of the Management Board and Supervisory Board, consisting of just two and five members respectively, no targets have been set with regard to geographical origin. In order to ensure international experience, the Supervisory Board already stipulates that at least one member of the Supervisory Board should have several years of experience abroad or have gained operational experience with an internationally active company.

Individual strengths – in other words, everything that makes individual employees unique and distinctive within the Company – made it possible for the Company to become what it is today. A workforce comprising a wide variety of personalities offers the best possible conditions for creativity and productivity – and thus also for employee satisfaction. The resulting potential for ideas and innovation strengthens the Company's competitiveness and increases its opportunities in future markets. With this in mind, the aim is not only to find the field of activity and the function for each employee in which their individual potential and talents are best utilized, but also to ensure diversity in the composition of the Management Board and Supervisory Board – in the Company's own interests – with regard to age, gender, and professional experience, for example.

The Management Board and Supervisory Board believe that the above diversity requirements for the Management Board and Supervisory Board are currently fulfilled. The Company considers additional or more specific criteria to be inappropriate. In view of the current size of the Management Board and Supervisory Board, more or more specific diversity aspects would create considerable difficulties to fill the positions taking into account all diversity criteria.

Annual Shareholders' Meeting

The Annual Shareholders' Meeting is the body which formulates and expresses the interests of the shareholders of United Internet AG. At the ordinary Annual Shareholders' Meeting, the Annual Financial Statements of the parent company and Consolidated Financial Statements are presented to the shareholders. The shareholders decide on the appropriation of the balance sheet profit and vote on resolutions concerning other statutory topics, such as releasing the Management Board members from their responsibility for the past fiscal year and appointing external auditors. Each share entitles the owner to one vote. All shareholders who register in time and are listed in the Share Register on the day of the Annual Shareholders' Meeting are entitled to attend. Shareholders may also exercise their rights at the Annual Shareholders' Meeting by means of a proxy vote. The Company provides a proxy who votes according to the shareholder's instructions, providing he receives the required order.

Compliance

Compliance is an integral component of corporate and management culture throughout the United Internet Group. For United Internet AG, compliance means ensuring its activities comply with all relevant laws for its business, as well as with its own principles and regulations.

This includes open and fair communication with our employees, customers, business partners, shareholders, and the public. As an internet service provider with several million customers and a large number of business partners, United Internet's legally and ethically compliant behavior is vital for retaining the trust of its customers and business associates.

To ensure conduct in line with our corporate culture, the Management Board has created a binding framework for the Company's ethical principles and values. Moreover, it has defined values and management guidelines, and compiled the most important rules of behavior in a Code of Conduct. This "culture of cooperation" provides guidance for employees in their everyday work and creates a secure framework for making the correct decisions. The framework applies equally to the Management Board, directors, managers, and all employees.

The Management Board has established a Compliance Organization to ensure adherence to the legal and internal regulations.

The Compliance Organization is part of an holistic risk management system which not only includes the "GRC" functions Corporate **G**overnance, **R**isk Management & **C**ompliance, but also the Corporate Audit and Legal Department. These risk-mitigating functions are headed by the Group General Counsel, who reports directly to the CFO of United Internet AG.

The Compliance Organization is responsible for the creation of suitable structures and processes to support the implementation of compliance throughout the Company and to align measures with the respective risks. The compliance processes include release procedures in the field of corruption prevention and trustworthy reporting paths that give employees the possibility to highlight possible misconduct or legal violations within the Company.

The compliance organization is present and anchored in the business units via functional and local Compliance Managers (FCMs and LCMs). In addition to their normal functions, the FCMs and LCMs support the area of compliance.

The overarching element of the compliance system remains the responsibility of all managers for compliance. This includes acting as a role model, as enshrined in the Company's management guidelines, and goes beyond this: all managers of the Company must set an example with regard to compliance and ensure that decisions and actions in their area of responsibility are always in line with the relevant legal provisions and the Company's own values and rules.

Risk management

To secure the Company's long-term success, it is essential to effectively identify and analyze the risks involved in its business activities and to eliminate or limit them by means of suitable control measures. The Company's risk management system ensures that these risks are handled responsibly. In particular, it is designed to identify, assess and manage risks at an early stage. The system is continuously refined and adapted to changing circumstances. Where necessary, the Supervisory Board is regularly informed by the Management Board about existing risks and how they are being dealt with. The effectiveness of

the internal control system and the risk management system was assessed by the Supervisory Board in its entirety.

The main features of the internal control and risk management system with regard to the accounting process are described in detail in the Management Report in accordance with section 289 (4) HGB and in the report on the Position of the Company and of the Group in accordance with section 315 (4) HGB. The Management Board also reports there in detail on existing risks and their development.

Financial disclosures / transparency

It is the declared aim of United Internet to inform institutional investors, private shareholders, financial analysts, employees, and the public simultaneously and with equal treatment about the Company's situation by means of regular, open, and up-to-date communication.

To this end, all important information, such as press releases, ad-hoc announcements, and other mandatory disclosures (e.g., directors' dealings and notifications of voting rights), as well as all financial reports, are published in accordance with statutory regulations. In addition, United Internet provides extensive information on its corporate website (www.united-internet.de), where documents and information on Annual Shareholders' Meetings and other economically relevant facts can be found.

United Internet provides shareholders, analysts, and the press with four reports each fiscal year on the Company's business development and its financial and earnings position. The publication dates of these reports are stated in a binding financial calendar, which the Company posts on its website and regularly updates in accordance with legal obligations.

The Management Board also provides immediate information in the form of ad-hoc announcements about any events not known to the public which might significantly affect the share price.

As part of its investor relations activities, the Company's management team regularly meets with analysts and institutional investors. We also hold analyst conferences to announce our semi-annual and annual figures, which investors and analysts can also participate in via telephone.

Accounting and auditing

The Group's accounts are drawn up according to the principles of the International Financial Reporting Standards (IFRS, as applicable in the EU) with consideration of section 315e HGB. However, the Annual Financial Statements of the parent company – relevant for all dividend and tax matters – are drawn up according to the rules of the German Commercial Code (HGB). The Annual Financial Statements and the Consolidated Financial Statements are audited by independent auditors. The respective auditing company is selected by the Annual Shareholders' Meeting. The Supervisory Board issues the auditing mandate, determines auditing focal points, approves the auditing fee, and examines the independence of the auditors.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft has audited the Annual Financial Statements of United Internet AG and the Group since the fiscal year 2022. Mr. Erik Hönig was the chief auditor for the fiscal year 2022.

Remuneration of Management Board and Supervisory Board

The remuneration system and the disclosure of remuneration for members of the Management Board and Supervisory Board for the fiscal year 2022 in accordance with section 162 AktG can be found in the "Remuneration Report 2022", which is published on the Company's website at <https://www.united-internet.de/en/investor-relations/publications/reports.html>.

Information on Management Board and Supervisory Board remuneration can also be found in note 42 of the Notes to the Consolidated Financial Statements.

Stock option plans

The principles of the stock-based compensation plan of United Internet AG can be found in the "Remuneration Report 2022", which is published on the Company's website at <https://www.united-internet.de/en/investor-relations/publications/reports.html>.

Further details can also be found in note 36 of the Notes to the Consolidated Financial Statements.

Declaration of conformity with regard to the recommendations of the German Corporate Governance Code in accordance with section 161 German Stock Corporation Act (AktG)

The corporate governance of United Internet is based on the German Corporate Governance Code (the "Code"), which the Government Commission set up by the Federal Justice Minister in September 2001 published for the first time on February 26, 2002.

The Code aims to make the dual German corporate governance system transparent and understandable. It contains **principles**, **recommendations** and **suggestions** governing the management and monitoring of German listed companies that are accepted nationally and internationally as standards of good and responsible governance. It aims to promote confidence in the management and supervision of German listed companies by investors, customers, employees and the general public. The Government Commission reviews the Code annually to check whether it still complies with current corporate governance best practice and, where necessary, adjusts it accordingly.

The **principles** reflect material legal requirements for responsible governance, and are used here to inform investors and other stakeholders.

Recommendations of the Code are indicated in the text by using the word "**shall**". Companies may depart from recommendations, but in this case they are obliged to disclose and explain any departures each year ("comply or explain"). This enables companies to take into account sector- or company-specific special characteristics. Well-justified departures from recommendations of the Code may be in the best interests of good corporate governance.

Finally, the Code contains **suggestions** from which companies may depart without disclosure; suggestions are indicated in the text by using the word "**should**".

On December 21, 2021, the Management Board and Supervisory Board of United Internet AG submitted their current annual declaration of conformity (presented below) in accordance with section 161 AktG

and immediately published it on the Company's website (www.united-internet.de), as well as in the Federal Gazette ("Bundesanzeiger").

In accordance with section 161 German Stock Corporation Act (AktG), the Management Board and Supervisory Board of United Internet AG declare that:

United Internet AG has complied with the recommendations of the German Corporate Governance Code (the "Code") as last revised on December 16, 2019, on which the last Declaration of Conformity issued on May 27, 2021 was based, with the declared exceptions, and will continue to comply with the recommendations of the Code as most recently revised on December 16, 2019, which became effective upon publication in the Federal Gazette on March 20, 2020, with the following exceptions in future:

**Formation of a nomination committee
(Recommendation D.5)**

The Supervisory Board does not form any other committees in addition to the Audit and Risk Committee, but performs all other tasks as a whole. The Supervisory Board considers this to be appropriate, as efficient plenary discussions and an intensive exchange of opinions are possible even with a six-member Supervisory Board. Accordingly, the Supervisory Board sees no need to establish a Nomination Committee.

**Management Board remuneration – Remuneration system
(Recommendations G.1 to G.5 inclusive of the Code)**

Taking into account the Act Implementing the Second Shareholders' Rights Directive ("ARUG II") and the new German Corporate Governance Code (the "Code"), the Supervisory Board developed and agreed changes to the remuneration system for members of the Management Board.

With the recommendation to the Annual Shareholders' Meeting in May 2021, the remuneration system became the basis for service agreements with Management Board members concluded in the future. The remuneration system developed takes into account the recommendations in G.1 up to and including G.5 of the Code without any restrictions. Existing service agreements with Management Board members remain unaffected by this, which is why the deviation from the recommendations in G.1 up to and including G.5 of the Code is explained.

**Management Board remuneration – Long-term variable remuneration
(Recommendation G.10 of the Code)**

According to G.10 of the Code, variable remuneration granted to members of the Management Board is to be predominantly invested in company shares or granted correspondingly as share-based remuneration. Moreover, the respective Management Board member should only be able to receive such amounts after a period of four years. As a long-term variable remuneration program for the Management Board, the Company provides share-based remuneration in the form of its Stock Appreciation Rights (SARs) program. This program has a total term in each case of six years. Within these six years, the respective Management Board member can already exercise a part (25%) of the allocated SARs at specified times – no earlier, however, than after two years. Thus, Management Board members can already receive part of their long-term variable remuneration after two years. After 5 years, full exercising of all SARs is possible for the first time.

The Supervisory Board believes that this long-term variable remuneration system has proved effective and sees no reason to further postpone the granting of remuneration earned under this program. By linking remuneration to the share price of United Internet AG and the possibility to add shares in order to meet claims arising from the program, the Supervisory Board believes that Management Board members already participate adequately in the risks and opportunities of United Internet AG as a company. Since the program has a term of six years and the SARs are allocated pro rata over this

period, and no earlier than after two years, the Supervisory Board believes that the program is ideally suited to maintaining loyalty and steering incentives in the interests of United Internet AG, and thus does not require any alteration.

**Management Board remuneration – Retaining/reclaiming variable remuneration
(Recommendation G.11 of the Code)**

According to G.11 of the Code, the Supervisory Board shall have the possibility to withhold or reclaim variable remuneration in justified cases. The current service agreements of Management Board members do not include such provisions. A claw-back clause for the reclaim of variable compensation has been included in the new remuneration system and will be taken into account in future service agreements to be concluded with Management Board members.

**Management Board remuneration – Remuneration system
(Recommendations G.8, 9 and 12 of the Code)**

According to G.8, 9 and 12 of the Code, agreed targets and target attainment, as well as regulations on maturity and holding periods, should not be changed retrospectively. The Company reserves the right to deviate from this in justified cases in the context of the departure of Management Board members, insofar as this is permissible within the framework of the respective applicable remuneration system.

**Management Board remuneration – Benefits on contract termination
(Recommendation G.13 of the Code)**

According to G.13 of the Code, any payments made to Management Board members due to early termination of their Management Board activity shall not exceed twice the annual remuneration and shall not constitute remuneration for more than the remaining term of the employment contract. If post-contractual non-compete clauses apply, such severance payments shall be taken into account in the calculation of any compensation payments. The current service agreements of Management Board members do not include an option to take this into account. This was included in the new remuneration system and in future will be taken into account in new service agreements to be concluded with Management Board members (and any related termination agreements).

8. REMUNERATION REPORT

The German Act Implementing the Second Shareholder Rights Directive (ARUG II) transposed Directive (EU) 2017/828 of the European Parliament and of the Council of May 17, 2017 into national law. As a result, new statutory requirements for remuneration reporting were introduced for listed companies, which apply to fiscal years beginning on or after January 1, 2021.

The “new” Remuneration Report has been removed from financial reporting to create a separate report. Significant disclosures which were previously required, in particular individualized reporting on Management Board compensation and the main features of the remuneration system, have been transferred from the (Group) Management Report to the new Remuneration Report in accordance with section 162 of the German Stock Corporation Act (AktG).

The remuneration system and disclosure of compensation for members of the Management Board and Supervisory Board for the fiscal year 2022 pursuant to section 162 AktG can be found in the “Remuneration Report 2022”, which is published on the corporate website at www.united-internet.de/en/investor-relations/publications/reports.html.

Disclosures on Management Board and Supervisory Board remuneration are also provided in note 42 of the Notes to the Consolidated Financial Statements.

9. DEPENDENT COMPANY REPORT

In compliance with section 312 (1) AktG, the Management Board declares that the Company received adequate compensation (quid pro quo) for all legal transactions and measures listed in the report on relations with affiliated companies, in accordance with the circumstances known at the time when such transactions or measures were carried out, or the measure involved was executed or omitted, and that the Company was not disadvantaged by such measures being executed or omitted.

Montabaur, March 29, 2023

The Management Board

A handwritten signature in blue ink, appearing to read 'Ralph Dommermuth'.

Ralph Dommermuth

A handwritten signature in blue ink, appearing to read 'Martin Mildner'.

Martin Mildner

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BALANCE SHEET

as of December 31, 2022 in €k

ASSETS	Note	December 31, 2022	December 31, 2021
Current assets			
Cash and cash equivalents	18	40,523	110,116
Trade accounts receivable	19	418,832	380,450
Contract assets	20	648,381	619,722
Inventories	21	120,561	96,492
Prepaid expenses	22	282,066	213,974
Other financial assets	23.1	106,571	118,992
Income tax claims	15	34,741	46,354
Other non-financial assets	23.2	19,717	8,097
		1,671,392	1,594,198
Non-current assets			
Shares in associated companies	24	429,304	431,625
Other financial assets	25	10,721	11,617
Property, plant and equipment	26	1,850,999	1,379,625
Intangible assets	27, 29	2,029,262	2,059,426
Goodwill	28, 29	3,623,435	3,627,831
Trade accounts receivable	19	41,396	47,269
Contract assets	20	216,704	205,954
Prepaid expenses	22	428,970	287,730
Deferred tax assets	15	56,289	23,810
		8,687,080	8,074,887
Assets held for sale	24	0	0
Total assets		10,358,472	9,669,084

LIABILITIES	Note	31. Dezember 2022	December 31, 2021
Current liabilities			
Trade accounts payable	30, 35	561,515	583,395
Liabilities due to banks	31, 35	656,653	325,364
Income tax liabilities	15, 35	52,723	58,430
Contract liabilities	32, 35	157,093	157,886
Other accrued liabilities	33, 35	5,098	16,248
Other financial liabilities	34.1, 35	333,551	329,177
Other non-financial liabilities	34.2, 35	68,956	135,733
		1,835,590	1,606,233
Non-current liabilities			
Liabilities due to banks	31, 35	1,498,845	1,497,358
Deferred tax liabilities	15	309,671	290,481
Trade accounts payable	30, 35	4,298	2,475
Contract liabilities	32, 35	31,290	32,151
Other accrued liabilities	33, 35	67,075	66,026
Other financial liabilities	34.3, 35	1,313,313	1,251,186
		3,224,492	3,139,676
Total liabilities		5,060,082	4,745,909
EQUITY			
Capital stock	37	194,000	194,000
Capital reserves	38	1,966,150	1,954,652
Accumulated profit	38	2,835,819	2,562,566
Treasury shares	39	-231,451	-231,451
Revaluation reserves	38	1,283	601
Currency translation adjustment	38	-15,708	-12,938
Equity attributable to shareholders of the parent company		4,750,093	4,467,428
Non-controlling interests	40	548,298	455,747
Total equity		5,298,390	4,923,175
Total liabilities and equity		10,358,472	9,669,084

NET INCOME

from January 1 to December 31, 2022 in €k

		2022	2021
	Note	January - December	January - December
Sales	5	5,915,063	5,646,177
Cost of sales	6, 11, 12	-3,906,328	-3,684,931
Gross profit		2,008,735	1,961,246
Selling expenses	7, 11, 12	-907,241	-835,732
General and administrative expenses	8, 11, 12	-248,524	-243,040
Other operating expenses	9.1	-46,524	-21,151
Other operating income	9.2	92,327	54,818
Impairment of receivables and contract assets	10	-117,359	-86,285
Operating result		781,414	829,855
Financial expenses	13	-69,262	-56,224
Financial income	14	31,074	23,380
Result from associated companies	24	-31,730	-23,673
Pre-tax result		711,496	773,337
Income taxes	15	-246,758	-250,186
Net income		464,738	523,151
thereof attributable to			
non-controlling interests		97,543	106,679
Shareholders of United Internet AG		367,196	416,473

	Note	2022 January - December	2021 Januar - Dezember
Result per share of shareholders of United Internet AG (in €)			
basic	16	1.97	2.23
diluted	16	1.96	2.22
Weighted average of outstanding shares (in million units)			
basic	16	186.72	187.05
diluted	16	187.18	187.61
Reconciliation to total comprehensive income			
Net income		464,738	523,151
Items that may be reclassified subsequently to profit or loss			
Currency translation adjustment - unrealized	38	-4,187	10,610
Items that are not reclassified subsequently to profit or loss			
Market value changes of financial assets measured			
at fair value through other comprehensive income	38	615	1,556
Tax effect	38	0	0
Share in other comprehensive income of associated companies	38, 24	67	3,417
Other comprehensive income		-3,504	15,583
Total comprehensive income		461,234	538,735
thereof attributable to			
non-controlling interests	40	96,125	109,137
Shareholders of United Internet AG		365,109	429,598

CASH FLOW

from January 1 to December 31, 2022 in €k

		2022	2021
	Note	January - December	January - December
Result from operating activities			
Net income		464,738	523,151
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization of intangible assets and property, plant and equipment	11	352,783	333,741
Depreciation and amortization of assets resulting from company acquisitions	11	128,331	140,143
Employee expenses from employee shareholdings	36	12,427	19,702
Result from associated companies	24	31,730	23,673
Income from the sale of associated companies	9.2, 24	-1,910	0
Distributed profits of associated companies	24, 46	206	229
Other non-cash items from tax adjustments	15	-16,514	-39,607
Other non-cash items	6, 13, 14	20,025	-13,241
Operative cash flow		991,816	987,793
Change in assets and liabilities			
Change in receivables and other assets		-26,012	-28,480
Change in inventories		-24,068	-11,102
Change in contract assets		-39,409	-51,567
Change in income tax claims		11,613	18,468
Change in deferred expenses		-209,332	-142,526
Change in trade accounts payable		-20,057	46,383
Change in other accrued liabilities		-10,101	1,019
Change in income tax liabilities		-5,708	-56,191
Change in other liabilities		-67,272	121,250
Change in contract liabilities		-3,953	2,587
Change in assets and liabilities, total		-394,300	-100,160
Cash flow from operating activities		597,516	887,633

	Note	2022 January - December	2021 January - December
Cash flow from investing activities			
Capital expenditure for intangible assets and property, plant and equipment	26, 27	-681,378	-289,757
Payments from disposals of intangible assets and property, plant and equipment		4,417	2,936
Payments for company acquisitions less cash received	4.1	0	-20,554
Payments from company disposals less cash sold	46	0	8,789
Purchase of shares in associated companies	4.1, 24	-30,685	-226,295
Payments for loans granted	42	0	-2,423
Payments received from the sale of associated companies	25	3,043	0
Payments received from the repayment of other financial assets		1,058	0
Cash flow from investment activities		-703,545	-527,304
Cash flow from financing activities			
Purchase of treasury stock	39	0	-18,721
Taking out of loans	46	700,278	1,020,000
Repayment of loans	46	-367,500	-667,048
Redemption of spectrum liabilities	42, 46	-61,266	-61,266
Redemption of lease liabilities	44, 45	-126,007	-105,630
Dividend payments	17	-93,358	-93,615
Dividend payments to non-controlling interests	40	-1,893	-3,043
Payments to minority interests	4.1, 40	-15,184	-456,775
Cash flow from financing activities		35,069	-386,098
Net increase in cash and cash equivalents		-70,960	-25,770
Cash and cash equivalents at beginning of fiscal year		110,116	131,270
Currency translation adjustments of cash and cash equivalents		1,367	4,615
Cash and cash equivalents at end of fiscal year	18	40,523	110,116

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the fiscal year 2022 and 2021 in €k

Note		Capital stock	Capital reserves	Accumulated profit	Treasury shares	
		37	38	38	39	
	Share	€k	€k	€k	Share	€k
Balance as of January 1, 2021	194,000,000	194,000	2,322,780	2,240,473	6,769,137	-212,731
Net income				416,473		
Other comprehensive income				0		
Total comprehensive income				416,473		
Purchase of treasury shares					514,972	-18,721
Employee stock ownership program			23,722			
Dividend payments				-93,615		
Profit distributions				0		
Transactions with shareholders			-392,128			
Other transactions			277	-765		
Balance as of December 31, 2021	194,000,000	194,000	1,954,651	2,562,566	7,284,109	-231,451
Balance as of January 1, 2022	194,000,000	194,000	1,954,651	2,562,566	7,284,109	-231,451
Net income				367,196		
Other comprehensive income				0		
Total comprehensive income				367,196		
Employee stock ownership program			8,697			
Dividend payments				-93,358		
Profit distributions				0		
Transactions with shareholders			2,802	-585		
Balance as of December 31, 2022	194,000,000	194,000	1,966,150	2,835,819	7,284,109	-231,451

	Revaluation reserves	Currency translation difference	Equity attributable to shareholders of United Internet AG	Non-controlling interests	Total equity
	38, 25	38		40	
	€k	€k	€k	€k	€k
	-4,372	-21,091	4,519,060	392,151	4,911,210
			416,473	106,679	523,151
	4,973	8,152	13,125	2,458	15,583
	4,973	8,152	429,598	109,137	538,735
			-18,721		-18,721
			23,722	5,689	29,411
			-93,615		-93,615
			0	-3,043	-3,043
			-392,128	-49,380	-441,508
			-488	1,194	706
	601	-12,938	4,467,428	455,747	4,923,175
	601	-12,938	4,467,428	455,747	4,923,175
			367,196	97,543	464,738
	682	-2,769	-2,087	-1,417	-3,504
	682	-2,769	365,109	96,125	461,234
			8,697	504	9,201
			-93,358		-93,358
			0	-1,893	-1,893
			2,217	-2,186	31
	1,283	-15,707	4,750,093	548,297	5,298,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

Basis of preparation and accounting policies

1. General information on the company and accounting

United Internet AG (hereinafter referred to as the "United Internet Group" or the "Company") is Europe's leading internet specialist with its business divisions Access (landline and mobile internet access products) and Applications (applications for using the internet), which are each divided into Business and Consumer segments.

United Internet AG is domiciled in 56410 Montabaur, Elgendorfer Strasse 57, Germany and is registered there at the District Court under HR B 5762. The Group has numerous branches and subsidiaries in Germany and around the world.

The Consolidated Financial Statements of United Internet AG were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the relevant supplementary regulations of section 315e (1) German Commercial Code (HGB).

The reporting currency is euro (€). Amounts stated in the Notes to the Consolidated Financial Statements are in euro (€), thousand euro (€k) or million euro (€m). The Consolidated Financial Statements are always drawn up on the basis of historical costs. The exception to this rule are individual financial instruments which are stated at fair value.

The reporting date is December 31, 2022.

The Supervisory Board approved the Consolidated Financial Statements for 2021 at its meeting on March 16, 2022. The Consolidated Financial Statements were published on March 17, 2022.

The Consolidated Financial Statements for 2022 were prepared by the Company's Management Board on March 29, 2023 and subsequently submitted to the Supervisory Board. The Consolidated Financial Statements will be presented to the Supervisory Board for approval on March 29, 2023. Theoretically, there may still be changes until the Consolidated Financial Statements are approved and released for publication by the Supervisory Board. However, the Management Board expects that the Consolidated Financial Statements will be approved in the present version. They are to be published on March 30, 2023.

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, those accounting standards applied for the first time in these financial statements are explained, as are those accounting standards recently published but not yet applied.

2.1 Explanation of main accounting and measurement methods

Consolidation principles

The Consolidated Financial Statements comprise the Annual Financial Statements of United Internet AG 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 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. Consolidation 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 inter-company 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 ownership interest of a subsidiary, without a 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 interest, 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, a 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 proportion of the result and net assets which is not attributable to the Group's shareholders. Non-controlling interests are disclosed separately in the Consolidated Balance Sheet. They are disclosed in the Consolidated Balance Sheet as part of shareholders' equity, but separate to the equity capital attributable to the shareholders of United Internet AG. For purchases of shares without a controlling influence (minority shareholding) or disposals of shares with a controlling influence but without loss of the controlling influence, the carrying amounts of shares with or without a controlling influence are adjusted to reflect the change in the respective shareholding. The amount by which compensation paid or received for the change in shareholding exceeds the carrying value of the respective share without a controlling influence is recognized directly in equity as a transaction with the shareholders.

Investments in associated companies

Investments in associated companies are valued according to the equity method. An associated company is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the associated company, but not to control or jointly steer the decision-making processes.

In the case of successive acquisition of company shares, the carrying amount is measured using the equity method as of the date on which the prerequisites for accounting as an associated company are met. United Internet measures the old shares in the case of successive share purchases according to the retrospective method (cost-based approach). The original purchase cost of the old shares is included as acquisition cost using the equity method. Any differences between the cost of the associate thus defined and the fair value of the previously recognized investment are recognized in profit or loss.

Using the equity method, investments in associated companies are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associated company. Goodwill connected with an associated company is included in the carrying value of the investment and not subjected to scheduled amortization. The income statement includes the Company's portion of the success of the associated company. Changes recognized directly in the equity capital of the associated company are recognized by the Company in proportion to its shareholding and – where applicable – reported in "Changes in shareholders' equity". Profits and losses from transactions between the Company and the associated company are eliminated in proportion to the shareholding 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 to be 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 and measurement methods.

After application of the equity method, the Group ascertains whether it is necessary to recognize an additional impairment loss for 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 associate 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 associate. A significant or prolonged decline in the fair value of an associate below cost also constitutes objective evidence of impairment. A significant decline is assumed if the decrease in the fair value of an associate at the end of the reporting period is more than 25% of cost. A prolonged decline is assumed if the decrease in the fair value over a period of at least 12 months is more than 10% of the acquisition cost.

An impairment loss is recognized when the recoverable amount is less than the associate's total carrying amount. Impairment losses are recognized in the statement of comprehensive income in the result from companies accounted for using the equity method. If the recoverable amount increases in future periods, the impairment loss is reversed accordingly.

Disclosure of disposal gains and losses from the sale of investments

Insofar as they concern effects on the income statement, regular carrying amounts and valuations of investments in associated companies are disclosed in the financial result (see explanations on the financial result).

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

Foreign currency translation

Functional currency and presentation currency

The items included in the Consolidated Financial Statements of all Group companies are measured using the currency of the primary economic environment in which the companies operate ("functional currency"). The Consolidated Financial Statements are presented in euro; this is the functional and presentation currency of United Internet AG.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing when the transactions occurred. Currency gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in profit or loss. They are deferred in equity if they result from net investment in a foreign operation.

Currency gains and losses relating to borrowings are recognized as financial expenses in the income statement. All other currency gains and losses are disclosed net as other operating income/expenses in the income statement.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing when fair value was determined. Translation differences on assets and liabilities carried at fair value are disclosed as part of the gain or loss on fair value measurement. Translation differences from non-monetary assets and liabilities, such as equity instruments measured at fair value through profit or loss, are recognized in profit or loss as part of the gain or loss on fair value measurement, and

translation differences from equity instruments measured at fair value through other comprehensive income are disclosed in other comprehensive income.

Group companies

The expenses, income, assets, and liabilities of foreign operations whose functional currency is different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated for each balance sheet presented as of the respective balance sheet date
- Income and expenses are translated at average exchange rates for each presentation of profit or loss and other comprehensive income (unless this is not a reasonable approximation of the cumulative effect of translation at the transaction rates, in which case income and expenses are translated at the exchange rate prevailing on the transaction date), and
- All resulting translation differences are recognized in other comprehensive income

On consolidation, currency differences arising from the translation of net investments in foreign operations and from borrowings and other financial instruments designated as hedges of such investments are recognized in other comprehensive income. If a foreign operation is sold or borrowings that form part of the net investment are repaid, the related currency differences are reclassified to profit or loss as part of the gain or loss on disposal.

Goodwill and amounts to adjust the carrying amounts of assets and liabilities from the acquisition of a foreign operation to fair value are treated as assets and liabilities of the foreign operation and translated at closing rates.

The exchange rates of major currencies developed as follows:

(in relation to 1 €)	Closing rate		Average rate	
	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

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is accounted for using the following five steps:

- Identification of the contract or contracts with a customer
- Identification of distinct performance obligations in the contract
- Determination of the transaction price
- Allocation of transaction price to the performance obligations
- Revenue recognition on fulfillment of performance obligations

Revenue is recognized separately for each of the Group's different segments (see also explanations on segment reporting in Note 5).

Revenues in the separate segments are recognized according to the following principles:

■ Consumer Access segment

The Consumer Access segment mainly comprises landline-based and mobile-based internet access products. The range comprises "Mobile Internet" and "Broadband".

In these product lines, the Group generates revenue from the provision of the aforementioned access products, as well as from additional services such as internet and mobile telephony. The transaction price consists of fixed monthly basic fees, as well as variable additional usage fees for certain services (e.g., for foreign calls and mobile phone connections not covered by any flat-rate), and proceeds from the sale of the respective hardware.

Revenue recognition is based on a separation of the transaction price for the customer contract on the basis of the relative standalone selling prices of the individual performance obligations. The United Internet Group generally offers comparable tariffs both with and without hardware. In these cases, the standalone selling price for the service component is therefore based on the tariff conditions of a service tariff without hardware. By contrast, the standalone selling prices for hardware are determined on the basis of the adjusted market assessment approach, as only a very small amount of the relevant hardware is sold to customers without a mobile contract. In this connection, the Group primarily uses hardware prices determined and regularly provided by a third-party provider and links these to the contractual terms and conditions specified when the contract is concluded.

The resulting revenue share allocated to hardware is recognized on delivery to the customer (time-related revenue recognition). It usually exceeds the fee invoiced to the customer and then results in the recognition of a contract asset. This contract asset value is reduced by the customer's payments over the contract period. The revenue share allocated to the service component is recognized over the minimum term of the customer contract (period-related revenue recognition).

If the one-off fees invoiced to the customer on conclusion of the contract, such as activation fees, do not represent a material right (e.g., favorable renewal option), these are not recognized as a separate performance obligation but are allocated to the identified performance obligations as part of the transaction price and recognized in accordance with their performance. If the customer is granted material rights in the form of options to use additional goods or services, these represent an additional performance obligation to which part of the transaction price is allocated, taking into account the expected utilization. The corresponding revenue is recognized when these future goods or services are transferred or when the option expires. If one-off fees qualify as a favorable renewal option, revenue is recognized over the expected duration of the customer contract.

The United Internet Group grants its customers time-limited promotion discounts at the time of contract conclusion. These discounts are included in the calculation of the transaction price and are allocated to the performance obligations by means of an allocation mechanism.

Within the context of the 1&1 Principle, United Internet grants its customers a voluntary 30-day right of cancellation. If customers make use of the 1&1 Principle and cancel their contracts, they have the right to be reimbursed for individual transaction components, such as one-off fees and basic fees which have been invoiced. Any usage fees are excluded from the reimbursement claim. In return, United Internet has the right to demand the return of any hardware supplied. No revenue is recognized for expected customer cancellations. The payments received from the customer and to be reimbursed are carried as reimbursement liabilities and the claims for reimbursement resulting from the 1&1 Principle for delivered hardware are disclosed as non-financial assets.

In determining the transaction price, United Internet reviewed the materiality of a financing component. An analysis of current customer contracts determined that the financing components are not to be considered material. However, a change in the assumed interest rates or tariffs could lead to a significant financing component in the future. The financing effect is therefore reviewed for materiality at regular intervals.

1&1 applies the portfolio approach as permitted by IFRS 15.4 for a part of its stock of contracts. In this case, customer contracts of the same kind are pooled and average values taken for certain valuation-relevant parameters, in particular transaction prices, standalone selling prices, and amortization periods.

It can be reasonably assumed that whether a portfolio or the individual contracts or performance obligations within this portfolio are assessed, it will have no material impact on the annual financial statements.

■ **Business Access segment**

The Business Access segment comprises revenue from various standardized and customized telecommunications products for business and wholesale customers. In addition to the provision of traditional landline connections, the telecommunications services also include broadband services, network solutions as telecommunications infrastructure (leased lines) or VPN, added-value services, interconnection, IP services, and cloud solutions.

In the case of products that do not meet the definition of a finance lease pursuant to IAS 16, the transaction price consists of fixed monthly basic fees and/or variable, additional per-minute usage fees for certain services (which are not covered by a flat rate) and, to an insignificant extent, revenue from the sale of related hardware. Revenue recognition is based on a separation of the transaction price for the customer contract on the basis of the relative standalone selling prices of the individual performance obligations. The transaction price for the sale of hardware is based on standard market prices. The standalone selling price for the service component is based on the tariff conditions of a comparable service tariff without hardware.

Temporary discounts or basic fee exemptions are also granted to a lesser extent at the beginning of the term. These discounts are included in the transaction price and allocated on a straight-line basis in the course of revenue recognition.

Certain products are provided on a lease basis. If all material opportunities and risks from a lease are transferred to the lessee, the present value of the minimum lease payments from this economic sale is recognized as revenue on commencement of the lease; as part of the subsequent accounting of finance lease receivables, interest income is recognized in subsequent periods. Leased assets are derecognized through cost of sales. In addition to the monthly payments, the minimum lease payments include any customer activation fees payable at the beginning of the lease term.

In the case of operating leases, where the lessor retains the material opportunities and risks, the lease payments are recognized as revenue on a straight-line basis over the lease term. Activation fees for operating leases are deferred and amortized over the lease term.

■ **Consumer Applications segment**

The Consumer Applications segment comprises United Internet's consumer application business – whether ad-financed or via fee-based subscriptions – as well as the sales platforms for fee-based partner products.

Besides Germany, the United Internet Group also operates in Austria and the USA in this segment.

In the field of ad-financed applications (generally free e-mail solutions from GMX and WEB.DE), the Group generates advertising income and e-commerce commission mainly via the WEB.DE, 1&1, GMX, and smartshopping portals. This business is based on the frequent use of free applications and the correspondingly high number of hits for the portals. In the field of online advertising, space is offered on the websites of portals. Revenues are generated depending on the placing of advertising and number of screenings or according to click rates. In its e-commerce business, the Group receives commissions for the sale of products or brokerage of customers. For these products, revenue is recognized at a specific point in time.

In the field of fee-based subscriptions for the WEB.DE, 1&1, GMX, and smartshopping portals, revenue is mainly generated from fixed monthly fees for the use of extended applications, as well as for administration and storage. Customers generally pay in advance for a contractually fixed time period for the services to be provided by the Company. Revenue is recognized pro rata over the period of service provision. The payments received in advance result in contractual liabilities which are reduced accordingly over the performance period.

Revenues from partner products (affiliates) are recognized and measured according to the Group's intermediary function. A distinction is made as to whether the delivery or service provided to the end customer results in delivery revenue and the Group is thus acting on its own account (principal) or whether the Group's services are limited to brokerage or commission (agent). Acting as a principal is assumed if the Group controls the goods or services owed to the end customer before they are transferred to the customer. Acting as an agent is assumed if the Group's performance obligation is basically to broker the supply of goods and services of another company.

■ Business Applications segment

In the Business Applications segment, a wide range of e-mail, hosting, cloud, and e-business applications are offered for 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 Group also offers its customers performance-based advertising and sales opportunities via Sedo.

In this segment, the United Internet Group is active in Germany, as well as – in particular – France, the UK, Spain, Austria, Switzerland, Poland, Italy, Canada, Mexico, and the USA. It is one of the leading companies in all the countries mentioned. The services are rendered by various subsidiaries of the United Internet Group 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 product group Domains consists of domain registration for the end customer with the respective registry. With regard to the time-related recognition of revenue from domain registration, the special regulations regarding licenses are applied. As in the case of domains, a right of use is granted to an intellectual property existing at the time the license is granted (static), revenue is recognized at a specific moment 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 (Webpace) and software-as-a-service (SaaS). The service Webpace concerns the provision of storage space on servers at the data centers of the United Internet Group. SaaS refers to the customer's use of software (e.g., to create websites) hosted on servers of the United Internet Group. Both the Webpace and SaaS services are performance obligations based on time periods, as the customer benefits continuously from the corresponding flow of benefits.

Customer contracts in the web hosting product category generally comprise several separate performance obligations, which are recognized both on a time-related basis (domain registration performance obligation) and a period-related basis (Webpace 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 Webpace and SaaS, and a high degree of price variability, the residual method is used to allocate the total fee. The revenue share attributable to the period-related services is therefore determined on the basis of the total fee less the standalone selling price of the included domains.

In addition to application revenue, this segment also includes revenue from the performance-based advertising form of domain marketing.

In Domain Marketing, United Internet operates (via Sedo GmbH) a trading platform for the secondary domain market (domain trading). At the same time, the Group offers domain owners the possibility to market unused domains to advertisers (domain parking). In addition to these customer domains, the Group also holds its own portfolio of marketable and salable domains. In domain trading, the Group 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 based on 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 offers of the advertisers (primarily via cooperation agreements with search engines). The Group 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 Group recognizes sales commissions as revenue when the service is rendered. Revenue is thus recognized on completion of the transaction or provision of the service. In the case of domain parking, the monthly payments credited by cooperation partners are recognized as revenue.

Government grants

Government grants are recognized where there is reasonable certainty that the grant will be received and the Company will satisfy all attaching conditions. Where the grants relate to an expense item, they are recognized as income in scheduled amounts over the period necessary to match the grants to the costs they are intended to compensate. Grants relating to an asset item reduce the carrying value of that item.

Financial income

Interest income is recognized as 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 with the inception of the legal right to payment.

Income taxes

The tax expense for a period comprises current taxes and deferred taxes. Taxes are recognized in the income statement, 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 valued at the amount at which a refund from the tax authorities or a payment to the tax authorities is expected. The amount is calculated on the basis of the tax rates and tax laws applicable on the reporting date in those countries in which the Group operates and generates taxable income, or which will soon apply.

The liability method is used to create deferred taxes on all temporary differences existing on the reporting date between the carrying value of an asset or a liability in the balance sheet and the fiscal carrying value.

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

- where the deferred tax liability 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 value 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 year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted as of the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except for the following cases:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax 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 sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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 acquisition cost of intangible assets resulting from the business combination corresponds to its fair value at the time of acquisition. In the following periods, intangible assets are valued at cost less cumulative amortization and cumulative impairment charges.

With the exception of those development costs which can be capitalized, costs for internally generated intangible assets are expensed in the period incurred.

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

- The completion of the intangible asset can be technically realized to the extent that it can be used or sold;
- United Internet intends to complete the intangible asset and to use or sell it;
- United Internet has the ability to use or sell the intangible asset;
- The way in which the intangible asset is expected to generate future economic benefits; United Internet 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;
- United Internet has the ability to reliably measure the expenditure attributable to the intangible asset during its development.

A distinction is made between usable intangible assets with finite and indefinite useful lives and intangible assets which are not yet usable (spectrum licenses).

Intangible assets with limited useful lives are amortized over their economic useful life and tested for possible impairment if there is any indication that the asset may be impaired. Intangible assets that are

not yet usable are also tested for possible impairment. The impairment test is conducted in the same way as for goodwill. The useful lives and amortization methods of intangible assets with limited useful lives are reviewed at least at the end of each fiscal year. Necessary changes to the depreciation method and useful life are treated as changes to assumptions.

Amortization of intangible assets with limited useful lives are recognized in the income statement under the expense category corresponding to the function of the intangible asset in the Company.

Amortization of capitalized development costs begins from the point in time at which the asset can be used. It is recognized over the period during which future benefits are expected and recognized in the expense category that reflects the function of the intangible asset. An impairment test is performed annually during the development phase.

Intangible assets with indefinite useful lives, as well as intangible assets not yet usable, are not amortized in scheduled amounts. 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 this is not the case, a prospective change is made from indefinite useful life to limited useful life. Amortization of intangible assets which are not yet usable (spectrum licenses) will begin at the time of actual network operation.

The useful life periods can be found in the following summary:

	Useful life in years
Trademarks	Indefinite
Customer base	4 to 25
Spectrum licenses	up to 19
Rights similar to concessions	5
Other rights and licenses	2 to 15
Software	2 to 5
Rights of use intangible assets	6
Internally generated intangible assets	3 to 5

A review is also conducted on each reporting date to determine whether there is any indication that a previously recognized impairment loss no longer exists or has decreased in size. In the case of such an indication, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is only reversed if there has been a change in the assumption used to determine the recoverable amount since recognition of the last impairment loss. If this is the case, the asset's carrying value is raised to its recoverable amount. This amount may not exceed the carrying amount, less depreciation, that would have been determined had no impairment loss been recognized for the asset in prior years.

Property, plant and equipment

Property, plant and equipment is always carried at cost less cumulative scheduled depreciation.

Items of property, plant and equipment are eliminated either on their disposal or when no further economic use is expected from the continued use or sale of the asset. Gains and losses from the disposal of an asset are recognized in the income statement.

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 assets are depreciated over their expected economic useful life using the straight-line method.

The useful life periods can be found in the following summary:

	Useful life in years
Leasehold improvements	up to 10
Buildings	10 or 50
Vehicles	5 to 6
Telecommunication equipment	7 to 10
Distribution networks	25
Other operational and office equipment	3 to 19
Office furniture and fixtures	5 to 13
Servers	3 to 5

Due to developments and investments which have already occurred or are expected in connection with the 5G network, the useful life periods of distribution networks were prolonged from 20 to 25 years in the previous year.

For property, plant and equipment acquired in connection with company acquisitions, the applicable remaining useful life is determined primarily on the basis of the aforementioned useful lives and the useful lives elapsed at the time of acquisition.

Impairment tests and the recognition of impairment losses or reversals are conducted in the same way as for intangible assets with limited useful lives (see below).

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 purchase method. This involves the recognition of all identifiable assets and liabilities of the acquired operation at fair value.

The initial recognition of goodwill results from the excess of the acquisition cost of the entity over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is valued at amortized cost. Goodwill is subjected to an impairment test at least once annually or whenever there is any event or change in circumstances which might indicate impairment.

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 cash-generating units of the Group

which are to profit from the synergy effects of the combination. This does not depend on whether other assets and liabilities of the Group are already allocated to these cash-generating units.

The impairment need is determined by comparing the recoverable amount of the cash-generating units to which goodwill refers with their carrying value. 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 transaction costs and its value-in-use. In order to determine the value-in-use, expected future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market expectations regarding the interest effect and the specific risks of the asset. A suitable measurement model is used to determine fair value less sales costs. This is based on DCF models, valuation multipliers, the share prices of listed subsidiaries or other available indicators for fair value. If the carrying amount of an asset, or cash-generating unit, exceeds its recoverable amount, the asset, or cash-generating unit, is regarded as impaired and is written down to the recoverable amount. An impairment loss recognized for 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.

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 disclosed separately as a receivable. Contract assets are regularly assessed for impairment. The procedure is the same as for financial assets.

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value comprises the estimated sales proceeds, realizable in the ordinary course of business, less estimated necessary selling costs. Adequate allowances for excess inventories are made to provide for inventory risks.

Measurement is also based in part on time-related writedowns for inventories. Both the size and distribution over time of such writedowns represents a best-possible estimation of net realizable value and are thus subject to uncertainties. On indication of decreased net realizable value, inventories are corrected by recognizing suitable impairment charges.

Contract initiation and contract fulfillment costs

Additional costs incurred in initiating a contract with a customer (e.g., sales commissions) are capitalized if the Group expects to recover these costs.

In addition, the Group capitalizes the costs incurred in fulfilling a contract with a customer (e.g., customer activation fees and expected termination fees) if these costs are

- not within the scope of a standard other than IFRS 15 (e.g., IAS 2 Inventories, IAS 16 Property, Plant, and Equipment or IAS 38 Intangible Assets),
- related to an existing or expected contract,
- for the creation of resources or the improvement of resources of the Company that will be used in the future for the (continued) fulfillment of performance obligations, and
- likely to lead to an expected settlement of the costs.

Capitalized contract initiation and fulfillment costs are amortized over the estimated period of use. They are recognized in the balance sheet within deferred expenses. The amortization of contract initiation costs is disclosed in selling expenses and the amortization of contract fulfillment costs is disclosed in cost of sales.

The amortization periods for contract initiation costs are 1 to 5 years and for contract fulfillment costs 3 to 4 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 the rendering of services less the costs still to be incurred.

Classification as current and non-current

The Group classifies its assets and liabilities in the balance sheet as current and non-current assets and liabilities. An asset is classified as current if

- the asset is expected to be realized within the normal operating cycle or the asset is held for sale or consumption within that period,
- the asset is held primarily for the purpose of trading,
- the asset is expected to be realized within twelve months after the reporting date or
- the asset is cash or a cash equivalent, unless restricted from being exchanged or used to settle a liability for a period of at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is current if

- 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 twelve months after the end of the reporting period or
- the Group has no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or

that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items in the balance sheet.

Leases

United Internet acts as both lessee and lessor. The majority of the Group's lessee contracts relate to the renting of network infrastructure, buildings, technical equipment and vehicles. In the case of buildings, various rental objects/leased items such as space (office space, computer center space, storage space or parking space etc.) may be listed as contractual objects (i.e., for rental by UI). The rented network infrastructure mainly comprises unlit fiber-optic cable (dark fiber), empty conduit systems, copper twin wires, leases of subscriber lines (local loops), and antenna locations.

The determination of whether an arrangement contains a lease is based on the economic substance of the arrangement at the time of signing and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and 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.

Group as lessee

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
Buildings	1 to 17
Network infrastructure	0.5 to 25
Intangible assets	6
Operating and office equipment	1 to 7

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including de facto 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 (unless they are incurred to produce inventories) 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 17 years from risk-free interest rates with appropriate maturities, increased by credit risk premiums.

Short-term leases, leases of low-value assets, and other policy choices

The standard includes exemptions from accounting according to IFRS 16 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. IFRS 16 is to be initially applied in fiscal year beginning on or after January 1, 2019. United Internet only has a small amount 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 carry 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.

There is an option to form a portfolio of contracts with the same or similar characteristics. This option has been used for the asset classes subscriber lines (local loop) and main distribution frame locations (MDFs).

The option to recognize each lease component of a contract and all related non-lease components as a single lease component is applied for the asset classes underlying fiber-optic, MDFs, and cars, but not to lease arrangements for buildings.

Group as lessor

In those cases where Group companies agree finance leases as the lessor, a receivable is recognized at an amount equal to the net investment in the lease. The lease payments are apportioned between repayment of principal and finance income.

If the Group bears all substantial risks and rewards (operating lease), the leased asset is recognized in the balance sheet by the lessor. Measurement of the leased asset is then based on the accounting policies applicable to that asset. The lease payments are recognized in profit or loss by the lessor.

Fair value measurement

In some cases, assets and liabilities are measured either on initial recognition or during subsequent valuations at fair value.

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 for 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 Group uses measurement 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) market prices in active markets for identical assets or liabilities
- **Level 2** – measurement techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3** – measurement 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 Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the 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.

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 the rules or conventions of the respective market (standard market purchases) are recognized as of the trading 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 financial assets. For subsequent measurement, financial assets are classified in three categories:

- Financial assets (debt instruments) at amortized cost (ac)
- Financial assets (equity instruments) at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (fvoci)
- Financial assets at fair value through profit or loss (fvtpl)

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through other comprehensive income (equity instruments) with no recycling of cumulative gains and losses 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. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the income statement when the right of payment has been established, unless the dividends recover part of the cost of the financial asset. In this case, such gains are recognized in other comprehensive income. Equity instruments measured at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets must be classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading. Financial assets with cash flows that are not solely payments of principal and interest are also classified and measured at fair value through profit or loss, irrespective of the business model. Debt instruments may also be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks of the embedded derivative are not closely related to the host, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid contract is not measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are carried in the balance sheet 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 primarily derecognized (i.e., removed from the Consolidated Balance Sheet) if one of the following conditions is met:

- The rights to receive cash flows from the financial asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to

the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

The gains and losses recognized in other comprehensive income for financial assets measured at fair value in other comprehensive income are reclassified to cumulative profit or loss. In the case of a pro rata disposal, a pro rata transfer 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 term is recognized at each reporting date.

Expectations of future credit losses are formed on the basis of regular reviews and measurements as part of credit monitoring. Historical data is regularly used to derive relationships between credit losses and various factors (e.g., payment agreement, overdue period, dunning level etc.). On the basis of these relationships, 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 debt instruments which are not held 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 based on a default event within the next twelve months. For those financial instruments for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized in the amount of the credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

The Group's operating business is mainly in the mass customer business. Default risks are thus taken into account by means of individual value adjustments and lump-sum individual value adjustments. The specific bad debt allowances for overdue receivables are mainly based on the age structure of the receivables with different valuation discounts, which are mainly derived from the success rates of those 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 positive feedback or payment for an impaired receivable is unexpectedly received, or if the customer's inability to pay is known before or after transfer to the collection agencies.

Impairment charges in connection with non-current loans to affiliates are recognized in the financial result.

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

Financial liabilities – initial recognition and measurement

On initial recognition, financial liabilities are classified as financial liabilities measured at fair value through profit or loss, or as financial liabilities measured at amortized cost.

All financial liabilities are recognized initially at fair value and, in the case of financial liabilities measured at amortized cost, net of directly attributable transaction costs.

Financial liabilities – subsequent measurement

The subsequent measurement of financial liabilities depends on their classification:

Financial liabilities at fair value through profit or loss

This category also includes derivative financial instruments entered into by the Group. Separated embedded derivatives are also classified as held for trading. Gains or losses on financial liabilities held for trading are recognized through profit or loss.

Financial liabilities at amortized cost

After initial recognition, financial liabilities classified at amortized cost are subsequently measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Amortization using the effective interest method is included as part of finance costs in the income statement.

Financial liabilities – derecognition

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement. 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 liability.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Balance Sheet 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.

Financial instruments – derivative financial instruments and hedging relationships

The Group occasionally uses derivative financial instruments in order to hedge against interest and exchange rate risks. Derivative financial instruments are recognized at fair value on the date of the agreement and carried at fair value in the subsequent periods. The fair value of interest derivatives is calculated on the basis of present value models using market information (interest rate curves) as well as – where material – the individual credit risk of the Company. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative. Profit or loss resulting from changes in the fair value of derivative financial instruments are recognized immediately in the income statement.

When entering into a hedging relationship to hedge against the risk of cash flow fluctuations, certain derivatives are allocated to underlying transactions which can be attributed to a risk connected with a recognized asset or liability or the risk connected with the intended transaction (cash flow hedge). The hedging instruments in a hedge are also carried at market values. However, changes in value relating to the effective portion are recognized in the cash flow hedge reserve, a separate item under equity ("Cash flow hedge reserve"). Any ineffectiveness is recognized in profit or loss. Effectiveness is measured as at the end of the reporting period using the hypothetical derivative method. The amounts recognized in equity are reclassified to the statement of comprehensive income in the period in which the hedge influences the period result, e.g., when hedged financial income or expenses are recognized or when an expected sale is made.

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 3 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.

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 contractual liability is recognized at the time of payment or at the latest at the time when the payment becomes due. Contractual liabilities are recognized as revenue as soon as the Group fulfills the contractual obligations.

Accruals

Accruals are formed if the Group has a present legal or actual obligation resulting from a past event, and it is probable that the settlement of the obligation will give rise to the outflow of resources whose amount can be reliably estimated. No accruals are formed for future operating losses.

Accruals are measured at present value based on management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the accrual due to the passage of time is recognized as interest expense.

If the Group expects at least partial compensation for a recognized accrual (e.g., in the case of an insurance policy), this compensation is recognized as a separate asset if the reimbursement is virtually certain. The expense from forming the accrual is recognized in the income statement after deducting the reimbursement.

Treasury shares

Treasury shares are deducted from shareholders' equity. The purchase, sale, issue or retirement of treasury shares is not recognized in the income statement.

The cancellation of treasury shares results in the pro rata reversal of the item "Treasury shares" disclosed in shareholders' equity at the expense of the remaining shareholders' equity. The Group uses the following application sequence:

- The cancellation of treasury shares is always deducted from share capital in the amount of the par value.
- The amount exceeding par value is first derecognized in the amount of the value contribution from employee stock ownership plans (SARs and convertible bonds) against capital reserves.
- Any amount exceeding the value contribution from employee stock ownership plans is derecognized against accumulated profit.

Share-based payment

Group employees and Management Board members receive share-based payments as remuneration for their work in the form of equity instruments and the granting of stock appreciation rights, which for the majority of plans may be settled in cash or via equity instruments at the Company's discretion. As the United Internet Group has no current obligation to settle in cash for any agreement with such an option, all share-based payment transactions are carried in the balance sheet as equity-settled transactions.

The cost of such equity-settled agreements is measured using the fair value of such equity instruments on the date of granting. Fair value is measured using a suitable option price model; the Black-Scholes model and Monte Carlo simulation are employed for this purpose. At each balance sheet date, the expected exercise volume is reassessed with a corresponding adjustment of the additional amount. Any necessary adjustment bookings are to be made in the period in which new information about the exer-

cise volume becomes available. Expenses from the granting of equity-settled agreements are recognized over the period in which the related service is rendered (the so-called vesting period). This period ends on the date on which all vesting conditions (service and performance conditions) are fulfilled, i.e., the date on which the employee concerned has gained 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 Group's best-possible estimate of the number of awards that will ultimately vest. A fluctuation probability of 0% is applied in each case. The income or expense recognized in personnel expenses 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 cancellation 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. For canceled equity instruments, the full outstanding expense is recognized immediately at the time of cancellation.

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.

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.

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.

In addition, undiluted and diluted earnings per share are disclosed separately for continued and discontinued operations.

2.2 Summary of measurement principles

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

Balance sheet item	Measurement
ASSETS	
Cash and cash equivalents	Amortized cost
Trade accounts receivable	Amortized cost
Contract assets	Amortized cost
Intangible assets	
with limited useful lives	Amortized cost
with indefinite useful lives	Impairment-only recognition
Property, plant and equipment	Amortized cost
Share in associated companies	Equity method
Other financial assets	
Equity instruments	Financial assets measured 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 applicable on the reporting date or in the near future
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 applicable on the reporting date or in the near future
Trade accounts payable	Amortized cost
Contract liabilities	Amortized cost
Other accrued liabilities	Expected discounted amount that will lead to outflow of resources
Other financial liabilities	Amortized cost
Derivatives	Fair value through profit or loss
Other	Amortized cost
Other non-financial liabilities	Amortized cost

2.3 Effects of new or amended IFRS standards

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

Standard		Mandatory 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: Costs of Fulfilling a Contract	Jan. 1, 2022	yes
IAS 16	Amendment: Property, Plant & Equipment: Proceeds before Intended Use	Jan. 1, 2022	yes
IFRS 1, IFRS 9, IFRS 16 und 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 IFRSs mentioned above whose application is mandatory, the IASB has also published further IFRSs and IFRICs which have already partly received EU endorsement but which will not become mandatory until a later date. United Internet AG will probably only implement these standards when their adoption in the Consolidated Financial Statements becomes mandatory.

Standard		Mandatory for fiscal years beginning on or after	Endorsed by EU Commission
IAS 1	Amendments: Disclosure of Accounting Policies	Jan. 1, 2023	yes
IAS 8	Amendments: Definition of 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	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	Jan. 1, 2023	Ja
IAS 1	Classification of Liabilities as Current or Non-current including deferral of effective date	01.01.2024 (ursprünglich 2023)	No
IFRS 16	Lease liabilities in the event of a sale and leaseback transaction	01.01.2024	No

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

3. Significant accounting judgments, estimates, and assumptions

The application of accounting and measurement methods in preparing the Consolidated Financial Statements requires management to make certain accounting judgments, estimates, and assumptions. These have an effect on the disclosed amounts of earnings, expenditure, assets and liabilities, as well as contingent liabilities, as of the reporting date. Actual amounts may differ from these estimates and assumptions, which may lead in future to significant adjustments to the carrying amounts of the assets and liabilities concerned.

Judgments, estimates, and assumptions

In the application of accounting and measurement methods, management made the following accounting judgments which significantly affect amounts in the Consolidated Financial Statements.

The most important forward-looking assumptions and other major sources of uncertainty as of the reporting date, which involve the risk of significant adjustments to the carrying amounts of assets and liabilities in the coming fiscal year, are explained below.

Impact of the coronavirus pandemic

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

Trade accounts receivable

The recoverability of receivables as a result of the coronavirus pandemic has remained essentially unchanged compared to December 31, 2021.

Intangible assets and property, plant and equipment

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

According to the Robert Koch Institute (RKI), the coronavirus pandemic is gradually transitioning into an endemic wave-like event. This transition cannot be clearly defined on the basis of threshold figures and is also not occurring at the same time everywhere in the world. It can thus only be assessed in retrospect. However, the Group does not expect any significant impact from the coronavirus pandemic in the future.

Impact of climate change

Environmental and social concerns can impact the recoverability of Group assets in various ways. In particular, these risks include rising energy prices for renewable energies to operate our 5G mobile communications network. The recoverability of the 5G spectrum was reviewed as part of the impairment test (Note 29).

The Company currently assumes that any impact caused by environmental and social issues will not have a material effect on the Consolidated Financial Statements.

War in Ukraine and the macroeconomic situation

The full-scale attack on the entire territory of Ukraine launched by Russia on February 24, 2022, marked the beginning of the Ukrainian War of 2022. The EU, the USA, the UK, and other states reacted to the attack by imposing stringent sanctions against Russia, Belarus, and the separatist regions of eastern Ukraine.

The United Internet Group does not actively pursue any business activities in the countries involved in the war. Ukraine, Russia, and Belarus are not target countries for United Internet companies and there are no locations in the aforementioned countries. Against this backdrop, the war has had no direct impact on the business performance and position of the Company or the Group.

However, the macroeconomic conditions caused by the war deteriorated significantly during the course of 2022. The high rate of inflation in particular, with hitherto unprecedented hikes in electricity and gas prices, has placed a considerable burden on citizens and companies – both nationally and internationally. Significantly higher energy costs compared with the previous year have also negatively impacted United Internet's earnings, with a burden on key earnings figures for the fiscal year 2022 of € -22.4m.

Revenue recognition

The standalone selling prices for hardware are determined on the basis of the adjusted market assessment approach, which requires an estimate of the relevant market prices for the respective hardware. Changes in these estimates may affect the allocation of the transaction price to the individual performance obligations and thus also affect the amount and timing of revenue recognition.

In addition, various other assumptions and estimates are made during application of the portfolio approach, which are based on past experience and available knowledge at the end of the reporting period. Changes in these assumptions and estimates in their entirety can also have a material effect on the amount and timing of revenue recognition.

The guiding principle for considering whether an entity is acting as a principal or as an agent is whether it has control over the specified good or service before transferring it to the customer. When examining the question of control, significant discretionary decisions often have to be made. This relates in particular to services in connection with the marketing of websites and the sale of third-party products and services by the Group.

Costs of contract fulfillment and contract initiation

The calculation of the estimated amortization periods for contract costs is based on past experience and subject to significant uncertainties, in particular with regard to unforeseen customer or technology developments. A change in the estimated amortization period affects the timing of the recognition. The carrying amount of capitalized contract initiation and contract fulfillment costs as of December 31, 2022 amounted to € 250,252k (prior year: € 275,177k).

Impairment of non-financial assets

Goodwill and other intangible assets with indefinite useful lives, as well as not yet usable assets with finite useful lives, are assessed at least once a year or on indication of impairment. Other non-financial

assets are tested for impairment if there is any indication that the carrying value exceeds the recoverable amount. The recoverable value of the respective cash-generating unit to which the goodwill or intangible assets have been allocated is calculated either as "value-in-use" or fair value less cost of sell. As of December 31, 2022, the carrying amount of goodwill was € 3,623,435k (prior year: € 3,627,831k).

In order to estimate value-in-use or fair value less cost of sell, management must estimate expected future cash flows of the asset or cash-generating unit and select a suitable discount rate to assess the present value of these cash flows.

Further details, including a sensitivity analysis of significant assumptions, are presented in the Note "Impairment of goodwill and intangible assets with indefinite useful lives as well as of intangible assets not yet usable (spectrum licenses)".

The most important management assumptions for the measurement of the recoverable value of cash-generating units include assumptions regarding the development of sales, margins, and the discount rate.

Carrying amounts and impairment test for investments in associated companies

As of the reporting date, the United Internet Group holds investments in various associated companies. If the consideration for the acquisition of the shares is made by contributing a subsidiary or other investment, the acquisition costs of the associated company are to be determined by means of a company valuation. This valuation is closely related to the assumptions and estimates made by management with respect to the future development of the respective company and the applicable discount rate.

In accordance with IAS 28.40, the Group examines on the reporting date whether the net investment of the United Internet Group in the respective associated company requires an additional impairment charge.

The carrying amount for shares in associated companies is measured on the basis of their prorated annual results. If the annual results for the fiscal year are not known, an estimate is made on the basis of the latest publicly available financial information of the respective associated company.

The recoverable amounts of non-listed companies consider both the available past experience for the respective company and expectations of its future development. As these expectations are based on numerous assumptions, the calculation of recoverable amounts depends on discretionary factors. The carrying value of investments in non-listed associated companies as of December 31, 2022 amounted to € 429,472k (prior year: € 431,625k).

Share-based payment

For share-based payment arrangements, the cost of equity-settled arrangements is measured at the fair value of such equity instruments on the date of granting. In the case of share-based payment arrangements with cash settlement, the fair value of the liability is remeasured at each reporting date and at the date of settlement. A suitable measurement model must be used to estimate fair value when granting equity instruments; this depends on the contractual terms. Suitable data must also be chosen for the valuation process, including the expected option term, volatility, exercise behavior, and dividend yield, as well as the corresponding assumptions.

In the reporting period, expenses for share-based remuneration amounted to € 12,427k (prior year: € 19,702k).

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. 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 forms accruals, 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 accruals is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile. The carrying value of income tax liabilities as of December 31, 2022 amounted to € 52,723k (prior year: € 58,430k) and, as in the previous year, mainly related to current taxes of the fiscal year, as well as tax liabilities from the completed tax audit 2012–2015.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement 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.

Trade accounts receivable and contract assets

Trade accounts receivable and contract assets are carried in the balance sheet less impairment charges made. Allowances for doubtful claims are made on the basis of expected credit losses by means of regular reviews as well as valuations conducted as part of credit monitoring. Assumptions concerning the payment behavior and creditworthiness of customers are subject to significant uncertainties. The carrying value of trade accounts receivable as of December 31, 2022 amounted to € 460,228k (prior year: € 427,720k). The carrying value of contract assets as of December 31, 2022 amounted to € 865,085k (prior year: € 825,676k).

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value comprises the estimated sales proceeds less the necessary expected costs up to the time of sale. Measurement is also based in part on writedowns for inventories. The size of such writedowns represents a best-possible estimation of net realizable value and is thus subject to uncertainties. The carrying amounts of inventories as of the reporting date amounted to € 120,561k (prior year: € 96,492k). Please refer to Note 21 for further details.

Property, plant and equipment, and intangible assets

Property, plant and equipment, and intangible assets are valued at cost on initial recognition. After initial recognition, property, plant and equipment, and intangible assets with limited useful lives are depreciated over their expected economic useful lives using the straight-line method. Expected useful

lives are based on historical experience and thus subject to significant uncertainties, especially with regard to unforeseen technological developments. When determining the timing of capitalization and the start of amortization for the 5G spectrum, discretionary decisions were made.

The carrying value of property, plant and equipment, and intangible assets with limited useful lives amounted to € 3,306,074k as of December 31, 2022 (prior year: € 3,138,807k). This amount includes spectrum licenses of € 1,069,740k (prior year: € 1,070,187k).

Right-of-use assets and lease liabilities

For the duration of the lease, a right-of-use asset in the amount of the present value of the future lease payments plus initial direct costs, advance payments, and restoration costs, and less incentive payments received is capitalized and 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.

The leases for the business premises in Montabaur and Karlsruhe contain extension options. In order to determine the terms of these leases, a period until 2033 was assumed due to their strategic importance for the Group – with the exception of two leases for buildings in Karlsruhe that were newly occupied in 2020 and have assumed terms until 2035. For leases of office buildings at the other locations, extension options are predominantly not included in the determination of the terms, as these assets could be replaced by the Group without significant cost.

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 25 years from risk-free interest rates with appropriate maturities, plus credit risk premiums.

Accounting for business combinations

Business combinations are accounted for using the purchase method. The initial recognition of goodwill results from the excess of the acquisition cost of the entity over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Costs accrued in the course of the business combination are recognized under other operating expense.

However, assumptions made to determine the respective fair value of the acquired assets and liabilities as of the date of acquisition are subject to significant uncertainties. For the identification of intangible assets, depending on the type of intangible asset and complexity of determining its fair value, the Company either uses independent appraisals of external assessors or fair value is determined internally using a suitable assessment technique for the respective intangible asset, generally based on a forecast of total expected future cash flow generation. These valuations are closely related to assumptions and estimates which management has made about the future development of the respective assets and the applicable discounted interest rate.

Accruals

Accruals are formed if the Group has a legal or actual obligation resulting from a past event which will probably give rise to the outflow of resources with an economic benefit to fulfill the obligation, provided that the level of the obligation can be reliably estimated. Such estimates are subject to significant uncertainties. The carrying value of accruals as of December 31, 2022 amounted to € 72,173k (prior year: € 82,274k).

4. Business combinations and investments

4.1 Business combinations in the fiscal year

There were no business combinations in the fiscal year 2022.

4.2 Business combinations in the previous year

Acquisition of shares in we22 Aktiengesellschaft

On February 1, 2021, United Internet AG reached an agreement with the shareholders of the German software company we22 AG regarding the 100% acquisition of the company and its subsidiaries via the United Internet subsidiary IONOS SE (formerly: 1&1 IONOS SE).

we22 AG, headquartered in Cologne, was founded in 1999 under the name Content Management AG. Today, the company employs more than 140 people at its locations in Cologne, Berlin and Erfurt. The company develops highly scalable software and infrastructure solutions for the creation, maintenance and hosting of websites. At the core of its offering is the white-label software CM4all, which is used by around 10,000 business customers and three million consumers worldwide to create websites. Since 2000, CM4all has been an integral part of the product offerings of more than 50 hosting providers worldwide with over 25 language versions. In addition, we22 AG offers website creation and online marketing services to small businesses under the Web4Business brand in Germany. In 2021, the company generated revenues of around € 11.1m (prior year: € 12.0m) with its services.

With the full-service website creation offering of we22 AG, United Internet AG has created an ideal complement to its hosting business and is continuing its strategy of focusing on organic growth as well as acquisitions.

The products and services of we22 are to be made available to customers of all companies in the Business Applications segment. In particular, the company's expertise will be used to expand business in the professional creation of websites for end customers. CM4all will continue to be offered as a white-label solution for other internet providers and business customers. Customers and partners of we22 AG will benefit from even faster development and the expertise of IONOS.

The cash purchase price for the shares amounted to € 22.6m. In connection with the acquisition, additional purchase price components amounting to a maximum of € 3.1m were agreed subject to further conditions precedent in 2021 and 2022. Until that time, this part of the cash purchase price will be held in escrow. For IFRS purposes, however, these are classified as share-based consideration components. The additional purchase price components represent separate transactions or payments for services after conclusion and are not part of the transferred consideration for gaining control of we22 AG.

IONOS SE assumed control over we22 AG and its subsidiaries with effect from February 1, 2021 (date of acquisition).

In the course of the business combination, total transaction costs of € 216k were expensed.

we22 AG and its subsidiaries were first included in the consolidated financial statements of IONOS TopCo as of the date of acquisition. Initial consolidation of we22 AG was made in accordance with IFRS 3 - Business Combinations using the acquisition method.

The net cash outflow from the acquisition was as follows:

Cash flow from investing activities	€k
Cash purchase price	22,561
Less assumed cash	-2,007
Net cash outflow	20,554

The assets and liabilities of we22 AG were recognized on the basis of a preliminary purchase price allocation. Goodwill of € 14,660k resulted from this purchase price allocation. The fair value of other intangible assets amounts to € 12,448k. These mainly include software (€ 10,354k), customer relationships (€ 1,881k), and others (€ 211k).

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

Assets	€k
Current	
Cash and cash equivalents	2,007
Trade accounts receivable	2,062
Other financial assets	398
Non-current	
Property, plant and equipment	1,860
Intangible assets	12,448
Other financial assets	11
Liabilities	
Current	
Trade accounts payable	694
Liabilities due to banks	780
Other financial liabilities	1,164
Other non-financial liabilities	492
Non-current	
Liabilities due to banks	2,900
Other financial liabilities	968
Deferred tax liabilities	3,887
Total identifiable net assets	7,901
Preliminary goodwill from business acquisition	14,660
Transferred consideration	22,561

Gross trade accounts receivable amounted to € 2,249k. The fair value of assumed trade accounts receivable and expected cash flow amounted to € 2,062k.

The Group measured the acquired lease liabilities at the present value of the remaining lease payments to be made at the date of acquisition. The right-of-use assets were measured at the same amount as the lease liabilities.

Deferred tax liabilities mainly comprise the impact of higher tax depreciation of intangible assets.

Non-tax-deductible goodwill is allocated above all to non-separable assets, such as expected synergy effects, strategic benefits, and employee know-how.

As a result of the initial consolidation of we22 AG, sales revenue increased by € 10.2m and earnings after taxes decreased by € 1.3m in the fiscal year 2021. If we22 AG had already been included in the consolidated group of the United Internet Group as of January 1, 2021, sales revenue would have increased by € 11.1m and earnings after taxes decreased by € 1.5m as of December 31, 2021.

Acquisition of further shares in 1&1 AG

The Group acquired a further 3.22% of shares in 1&1 AG in the previous year, thus increasing its stake to 78.32%. The individual purchases were made via the stock exchange and amounted to a total of € 148.6m. The corresponding carrying amount of the net assets of 1&1 AG amounted to € 2,345.8m. The acquisition of further shares in 1&1 AG is shown below:

	Mio. €
Consideration paid in cash to holders of non-controlling interests	148.6
Carrying amount of further shares in 1&1 AG	-72.3
Difference recognised in capital reserves	76.3

Increased stake in IONOS Group SE (formerly: IONOS TopCo SE)

The Group acquired a further 8.43% of shares with voting rights of IONOS Group SE (formerly: IONOS TopCo SE) on May 1, 2021, thus increasing its stake to 75.10%. Compensation of € 309.8m was paid to the owners of non-controlling interests for this purchase, of which € 308.3m in cash. The corresponding carrying amount of the net assets of IONOS Group SE (formerly: IONOS TopCo SE) amounted to € -270.9m. The acquisition of further shares in IONOS Group SE (formerly: IONOS TopCo SE) is shown below

	T€
Consideration paid in cash to holders of non-controlling interests	309.8
In connection with the acquisition of derivatives received	-16.9
Carrying amount of further shares in IONOS Group SE	22.8
In den Kapitalrücklagen erfasster Unterschiedsbetrag	315.7

4.3 Investments in companies in the previous year

Acquisition of shares in Kublai GmbH

On April 15, 2021, the Group acquired 40% of shares in Kublai GmbH, domiciled in Frankfurt, Germany, and included the company for the first time in the Consolidated Financial Statements as an associated company.

The acquisition was made in several steps. In a first step, the 29.90% of shares held in Tele Columbus as at December 31, 2020 were contributed to the bidding company at the offer price. Shares in Kublai GmbH were granted as consideration. In the next step, further shares in Kublai GmbH were acquired in order to hold a total of 40% of shares in Kublai. Further information is provided in Note 24.

Explanations of items in the income statement

5. Sales/segment reporting

According to IFRS 8, the identification of operating segments to be included in the reporting process is based on the so-called management approach. External reporting should therefore be based on the Group's internal organization and management structure, as well as internal financial reporting to the Chief Operating Decision Maker. In the United Internet Group, the Management Board is responsible for assessing and controlling the success of the various segments.

The Group's operating business is divided into the two business divisions "Access" and "Applications", which in turn are divided into the reporting segments "Consumer Access" and "Business Access", as well as "Consumer Applications" and "Business Applications".

A description of the products and services is provided in Note 2.1 in the explanation of revenue recognition. The segment "Corporate" comprises mainly management holding functions.

The Management Board of United Internet AG mainly controls operations on the basis of key performance figures. It measures segment success primarily on the basis of sales revenue, and earnings before interest, taxes, depreciation and amortization (EBITDA). Transactions between segments are charged at market prices. Information on sales revenue is allocated to the country in which the company is domiciled. Segment earnings are reconciled with the total amount for the United Internet Group.

Segment reporting of United Internet AG in fiscal year 2022 was as follows:

January - December 2022 (€m)	Segment Consumer Access	Segment Business Access	Segment Consumer Applications	Segment Business Applications	Corporate	Reconciliati on/Consoli- dation	United Internet Group
Segment revenue	3,943.0	542.8	283.9	1,248.1	1.2	-103.9	5,915.1
- thereof domestic	3,943.0	542.8	277.0	550.1	1.2	-24.5	5,289.6
- thereof foreign	0	0	6.9	698.0	0	-79.4	625.5
Segment revenue from transactions with other segments	1.8	80.9	17.7	3.5	0		103.9
Segment revenue from contracts with customers	3,941.2	461.9	266.2	1,244.6	1.2		5,915.1
- thereof domestic	3,941.2	461.9	263.9	621.4	1.2		5,289.6
- thereof foreign	0	0	2.3	623.2	0		625.5
EBITDA	696.5	155.6	118.8	309.3	-17.6	-0.1	1,262.5
Financial result							-38.2
Result from associated companies							-30.7
EBT							711.5
Income taxes							-246.8
Net income							464.7
Assets (non-current)	2,180.8	398.3	230.0	824.1	431.2	---	4,064.4
- thereof domestic	2,180.8	398.3	230.0	492.7	431.2	---	3,733.0
- thereof shares in associated companies	0.0	0	0.0	1.1	427.9	---	429.0
- thereof other financial assets	2.3	0.0	4.2	0.8	3.3	---	10.6
- thereof goodwill	2,178.5	398.3	225.8	490.8	0	---	3,293.4
- thereof foreign	0	0	0	331.4	0	---	331.4
- thereof shares in associated companies	0	0	0	1.3	0	---	1.3
- thereof other financial assets	0	0	0	0.1	0	---	0.1
- thereof goodwill	0	0	0	330.0	0	---	330.0
Investments in intangible assets and property, plant and equipment (without goodwill)	280.8	479.1	40.2	141.8	24.1	-14.9	951.1
Amortization/depreciation	158.8	194.9	23.3	101.7	2.2	0.2	480.9
- thereof intangible assets, and property, plant and equipment	67.6	182.7	23.3	76.8	2.2	0.2	352.6
- thereof assets capitalized during company acquisitions	91.2	12.2	0	24.9	0	0	128.3
Number of employees	3,163	1,336	1,036	4,247	692	---	10,474
- thereof domestic	3,163	1,336	1,033	2,326	692	---	8,550
- thereof foreign	0	0	3	1,921	0	---	1,924

Segment reporting of United Internet AG in fiscal year 2021 was as follows:

January - December 2021 (€m)	Segment Consumer Access	Segment Business Access	Segment Consumer Applications	Segment Business Applications	Corporate	Reconciliati on/Consoli- dation	United Internet Group
Segment revenue	3,883.0	514.4	279.1	1,062.7	1.6	-94.6	5,646.2
- thereof domestic	3,883.0	514.4	271.9	485.8	1.6	-24.3	5,132.4
- thereof foreign	0	0	7.2	576.9	0	-70.3	513.8
Segment revenue from transactions with other segments	1.4	75.2	15.3	2.7	0		94.6
Segment revenue from contracts with customers	3,881.6	439.2	263.8	1,060.0	1.6		5,646.2
- thereof domestic	3,881.6	439.2	261.3	548.7	1.6		5,132.4
- thereof foreign	0	0	2.5	511.3	0		513.8
EBITDA	714.0	160.5	122.5	315.4	-10.4	1.7	1,303.7
Financial result							-32.8
Result from associated companies							-23.7
EBT							773.3
Income taxes							-250.1
Net income							523.2
Assets (non-current)	2,180.4	398.3	232.1	829.4	429.5	---	4,069.7
- thereof domestic	2,180.4	398.3	232.1	494.3	429.5	---	3,734.6
- thereof shares in associated companies	0.0	0	0.0	1.3	428.0	---	429.3
- thereof other financial assets	1.9	0.0	6.3	1.8	1.5	---	11.5
- thereof goodwill	2,178.5	398.3	225.8	491.2	0	---	3,293.8
- thereof foreign	0	0	0	336.4	0	---	336.4
- thereof shares in associated companies	0	0	0	2.3	0	---	2.3
- thereof other financial assets	0	0	0	0.1	0	---	0.1
- thereof goodwill	0	0	0	334.0	0	---	334.0
Investments in intangible assets and property, plant and equipment (without goodwill)	67.5	232.1	21.7	141.8	11.6	-37.1	437.6
Amortization/depreciation	164.1	183.2	22.6	101.1	2.6	---	473.6
- thereof intangible assets, and property, plant and equipment	66.5	170.7	22.6	71.1	2.6	---	333.5
- thereof assets capitalized during company acquisitions	97.6	12.5	0	30.0	0	---	140.1
Number of employees	3,167	1,238	1,004	3,998	568	---	9,975
- thereof domestic	3,167	1,238	1,000	2,226	568	---	8,199
- thereof foreign	0	0	4	1,772	0	---	1,776

Non-current segment assets comprise shares in associated companies, other financial assets, and goodwill.

In the fiscal year 2022, revenue of the Consumer Access segment from contracts with customers includes hardware sales of € 767,600k (prior year: € 757,050k). Revenue of the Business Access segment from contracts with customers for the fiscal year 2022 includes hardware sales of € 7,625k (prior year: € 2,985k). The remaining revenue of the two segments is attributable to service revenue. The other business segments only generate revenue from services.

In the reporting periods, there was no significant concentration of individual customers in the customer profile. As in the previous year, the United Internet Group did not generate more than 10% of total external sales revenue with any single customer. Foreign sales accounted for 10.6% (prior year: 9.1%) of total Group revenue.

In addition to investments, the highest management committee only monitors shares in associated companies, other non-current financial assets, and goodwill. The depreciation disclosed in the segments refers to other, non-monitored intangible assets, and property, plant and equipment, as these are largely determined automatically once the relevant useful life has been determined.

Contract balances developed as follows in the fiscal year 2022:

in €k	Dec. 31, 2022	Dec. 31, 2021
Trade accounts receivable (Note 19)	460,228	427,720
Contract assets (Note 20)	865,085	825,676
Contract liabilities (Note 32)	188,383	190,037

Apart from customer growth, the main reason for the year-on-year increase in contract assets was the increased subsidizing of hardware in the fiscal year 2022.

In fiscal year 2022, revenue of € 157,886k (prior year: € 152,094k) was recognized which was contained in contract liabilities at the beginning of the fiscal year.

The total transaction price of performance obligations still unfulfilled at the end of the reporting period amounted to € 1,670,738k (prior year: € 1,562,970k) as of December 31, 2022. The following table shows the time bands in which the transaction prices from unfulfilled or partially unfulfilled performance obligations as of the reporting date are expected to be recognized:

in €k	Total	2023	2024	>2024
Consumer Access	1,288,072	955,745	332,326	0
Business Access	366,001	159,666	91,411	114,925
Consumer Applications	11,261	9,775	1,487	0
Business Applications	5,403	3,200	1,728	476
Total	1,670,738	1,128,386	426,951	115,401

The transaction prices shown relate to unfulfilled performance obligations from contracts with customers with an original contract term of more than 12 months. They relate to service components with period-based revenue recognition and to contracts for which a one-off fee has been invoiced and which are now recognized as revenue over the relevant original minimum contract term.

6. Cost of sales

€k	2022	2021
Cost of services	2,312,861	2,169,940
Cost of goods	829,496	824,940
Amortization/depreciation	316,780	307,422
Personnel expenses	282,128	262,764
Other	165,063	119,865
Total	3,906,328	3,684,931

Cost of sales in relation to sales revenue decreased to 66.0% compared with the previous year (prior year: 65.3%), resulting in a rise in gross margin to 34.0% (prior year: 34.7%).

In the previous year, the cost of sales included non-period income of € 39.4m in connection with the new national roaming agreement, whose conditions applied as of July 1, 2020, and which represents a retroactive adjustment of pre-service prices for the fiscal year 2020. Since the conclusion of the new national roaming agreement in May 2021, the Company is entitled – via its subsidiary 1&1 (Segment Consumer Access) – to reduce or increase the pre-service capacities it had ordered within contractually defined ranges, with a positive impact on the cost of sales.

The other cost of sales mainly include operating costs for the data centers and logistics expenses.

7. Selling expenses

€k	2022	2021
Personnel expenses	295,587	284,589
Amortization/depreciation	129,449	134,991
Sales commissions	121,572	124,849
Marketing expenses	290,021	224,576
Other	70,612	66,727
Total	907,241	835,732

Other selling expenses mostly comprise customer relationship costs and product management expenses.

8. General and administrative expenses

€k	2022	2021
Personnel expenses	97,833	98,079
Amortization/depreciation	34,884	31,472
Legal and consulting expenses	34,306	45,243
Chargeback fees and other costs of monetary transactions	24,650	20,247
Maintenance costs	10,066	9,618
Other	46,785	38,381
Total	248,524	243,040

The other general and administrative expenses mostly comprise expenses in connection with accounts receivable management, third-party services, insurance contributions, and auditing fees.

9. Other operating income/expenses

9.1 Other operating expenses

€k	2022	2021
Expenses from foreign currency translation	14,425	11,105
Other taxes	2,100	3,942
Expenses relating to other periods	2,592	1,658
Losses from the disposal of property, plant and equipment	692	1,209
Derivatives	22,705	0
Other	4,010	3,237
Total	46,524	21,151

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 expense of € 242k (prior year: net expense of € 3,598k). Other taxes mainly relate to foreign sales tax or comparable country-specific taxes, resulting from activities outside Germany. Other items primarily concern the reclassification of income from the reversal of accruals.

9.2 Other operating income

€k	2022	2021
Income from dunning and return debit charges	32,091	29,270
Income from foreign currency translation	14,183	7,507
Derivatives	21,750	4,941
Income from other periods	3,017	2,763
Income from the disposal of property, plant and equipment	831	1,463
Income from the reversal of accrued liabilities	9,104	0
Income from deconsolidation	1,910	0
Other	9,441	8,874
Total	92,327	54,818

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 gains from measurement as of the reporting date. Currency losses from these items are reported under other operating expenses. Income from derivatives relates to a hedging transaction. Income from deconsolidation results from the sale of shares in the associate Intellectual Property Management Company Inc. in the Business Applications segment.

10. Impairment of receivables and contract assets

Impairment of receivables and contract assets comprised the following:

€k	2022	2021
Trade accounts receivable	69,078	54,727
Contract assets	48,281	31,558
Total	117,359	86,285

The main drivers of the significant increase in impairment are higher payment default rates and the increased cut-off limits for defaulting customers under the revised German Telecommunications Act. During the course of the fiscal year 2022, the financial burden on people increased noticeably; since March 2022, inflation rates in Germany have been well above 7 percent – the highest level in decades. This led to an increase in defaults. In the fiscal year 2021, on the other hand, the restrictions imposed by the German government as a result of the coronavirus pandemic still had a positive effect on the payment behavior of customers. Raising the cut-off limits leads to an increase in the amounts subject to impairment in the event of payment default.

11. Depreciation and amortization

Depreciation and amortization of intangible assets, and property, plant and equipment consist of the following:

€k	2022	2021
Cost of sales	316,780	307,422
Selling expenses	129,449	134,991
General and administrative expenses	34,885	31,472
Total	481,114	473,885

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

€k	2022	2021
Intangible assets		
Customer base/ order backlog	117,476	123,698
Software	4,324	6,442
Trademark	0	3,100
	121,799	133,240
Tangible assets		
Network infrastructure	6,532	6,903
Total	128,331	140,143

Intangible assets with indefinite useful lives in the consolidated financial statements for the fiscal year 2022 were subjected to an impairment test on the level of the cash-generating units as of the reporting date.

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

€k	2022	2021
1&1	91,239	97,610
STRATO	13,681	15,874
1&1 Versatel	12,158	12,530
Arsys	2,458	3,653
home.pl	2,801	3,104
IONOS SE	1,694	2,904
World4You	1,880	2,248
we22	2,409	2,208
Cronon	12	12
Total	128,331	140,143

12. Personnel expenses

Personnel expenses are divided among the various divisions as follows:

€k	2022	2021
Cost of sales	282,128	262,764
Selling expenses	295,587	284,589
General and administrative expenses	97,833	98,079
Total	675,548	645,432

Personnel expenses include wages and salaries of € 576,253k (prior year: € 551,971k), and social security costs of € 99,295k (prior year: €93,461k). Personnel expenses in connection with employee stock ownership plans totaled € 11,276k (prior year: € 22,394k).

The number of employees increased by 5.0%, from 9,975 employees in the previous year to 10,474 employees at year-end 2022:

	2022	2021
Germany	8,550	8,199
Outside Germany	1,924	1,776
thereof the Philippines	468	392
thereof Spain	422	381
thereof Poland	352	333
thereof UK	246	251
thereof Romania	242	229
thereof USA	120	121
thereof Austria	67	65
thereof France	7	4
Total	10,474	9,975
thereof male	68%	67%
thereof female	32%	33%

The average number of employees in fiscal year 2022 amounted to 10,231 (prior year: 9,920), of which 8,356 (prior year: 8,143) were employed in Germany and 1,875 abroad (prior year: 1,777).

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 disclosed as an expense in the respective year. In fiscal year 2022, they totaled € 41,623k (prior year: € 40,627k) and mostly concerned contributions paid to the state pension fund in Germany.

As a result of contribution exemptions, an amount of € 0k (prior year: € 0k) of this total referred to contributions paid to related parties.

13. Financial expenses

€k	2022	2021
Loans and overdraft facilities	18,659	14,756
Subsequent valuation of embedded derivatives	30,096	19,536
Interest expense from deferral of frequency liabilities	6,473	11,000
Financing costs from leases	11,907	8,473
Interest expense from tax audit	1,399	2,124
Other	728	335
Total financial expenses	69,262	56,224

The subsequent measurement of embedded derivatives refers to the measurement through profit or loss of the derivatives agreed in the course of the Warburg Pincus investment in the Business Applications segment as well as purchase price liabilities from the acquisition of STRATO and InterNetX.

The interest expense from the deferral of spectrum liabilities results from the agreement with the Federal Ministry of Transport and Digital Network Infrastructure under which the payment obligation for mobile communications spectrum was extended to 2030. Please refer to Note 34.3 for further details.

Please refer to Note 45 for an explanation of the financial expense from leases.

14. Financial income

€k	2022	2021
Subsequent valuation of embedded derivatives	22,732	19,060
Interest income from tax audit	5,452	2,029
Interest Income from leases	632	822
Income from loans to associated companies	328	318
Other financial income	1,931	977
Total financial income	31,074	23,380

The subsequent measurement of embedded derivatives refers to the measurement through profit or loss of derivatives agreed in the course of the Warburg Pincus investment in the Business Applications segment. Income from dividends of € 174k mainly refers to dividends of investees. Other financial income mainly comprises interest income from credit balances with banks. With regard to income from loans to associated companies, please refer to Note 42.

15. Income taxes

The income tax expense is comprised as follows:

€k	2022	2021
Current income taxes		
- Germany	-249,553	-277,135
- Outside Germany	-13,597	-12,659
Total (current period)	-263,150	-289,793
Deferred taxes		
- Due to tax loss carryforwards	3,088	8,180
- due to tax interest carryforwards	16,150	9,019
- Tax effect on temporary differences	576	22,399
- Due to tax rate changes	-3,422	10
Total deferred taxes	16,392	39,608
Total tax expense	-246,758	-250,186

Under German tax law, income taxes comprise corporate income tax and trade tax, as well as the solidarity surcharge.

The effective trade tax rate depends on the municipalities in which the Group operates. The average trade tax rate in fiscal year 2022 amounted to approx. 15.64% (prior year: 15.3%).

As in the previous year, 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, current income taxes include non-period tax expenses of € 4,824k (prior year: tax income of € 868k).

Deferred tax assets are recognized for tax loss carryforwards, interest carryforwards, and temporary differences if it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets for tax loss carryforwards in certain countries are shown in the table below:

€k	2022	2021
Germany	87,076	83,988
	87,076	83,988

Deferred taxes for loss carryforwards mainly relate to the 1&1 Versatel Group. Taking into consideration significant taxable temporary differences, the realization of loss carryforwards is based in particular on the considerable strategic importance of Versatel as an intercompany service provider for the existing Layer II products of 1&1 Telecom GmbH and significant positive earnings forecasts, as well as the planned provision of the backbone network for the establishment of the 5G mobile communications network of 1&1 AG.

The following time limits apply for the use of tax loss carryforwards in different countries:

- USA: 20 years for loss carryforwards incurred before 2018, indefinite for loss carryforwards incurred from 2018 onwards
- Germany: Indefinite, but minimum taxation

Tax loss carryforwards for which no deferred tax assets have been formed, refer to the following countries (excluding Germany):

€k	2022	2021
USA Federal *	27,307	23,059
USA State **	349	182
	27,656	23,241

* Tax rate 21.0%

** Tax rate 10.0%

A breakdown of income tax types results in the following loss carryforwards for Germany for which no deferred taxes have been formed:

€k	2022		2021	
	Corporation tax	Trade tax	Corporation tax	Trade tax
Germany	106,250	25,093	60,470	27,609

Loss carryforwards in Germany for which no deferred tax assets have been formed mainly refer to loss carryforwards of 1&1 Versatel GmbH, 1&1 Energy GmbH, and IONOS Group SE (formerly: IONOS TopCo SE).

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 formed, amounts to € 89,648k (prior year: € 112,962k).

In the reporting period, additional deferred tax assets were recognized on interest carryforwards due to the positive planning of tax results. The resulting tax relief amounted to € 16,150k in the financial period (prior year: € 9,019k). Deferred tax receivables on interest carryforwards from previous years account for € 6,321k of this total.

In fiscal year 2022, no interest and loss carryforwards were used (prior year: € 0k) for which deferred taxes had been formed in the previous year.

Deferred taxes resulted from the following items:

€k	2022		2021	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Trade accounts receivable	1,031	7,927	1,192	9,087
Inventories	155	122	152	139
Contract assets – current*	0	174,418	0	165,701
Contract assets – non current	0	62,169	0	58,327
Other financial assets – current	828	1,242	2,248	1,371
Other financial assets – non-current	858	668	736	1,174
Other assets	47	9,243	2,895	1,326
Prepaid expenses	193,991	73,606	183,188	74,378
Property, plant and equipment	2,268	19,823	2,040	14,063
Right-of-use from leases	131	199,587	49	154,501
Intangible assets	42,339	287,731	43,709	304,273
Other accrued liabilities	51,135	8,959	52,581	8,238
Contract liabilities	23,529	49,141	22,222	49,653
Other liabilities	2,586	692	915	0
Lease liabilities – current	31,609	11	26,266	1,438
Lease liabilities – non current	168,308	2	130,212	59
Gross value	518,815	895,342	468,405	843,730
Tax loss carryforwards	87,076	n.a	83,988	n.a
Tax interest carried forward	36,069	n.a.	19,919	n.a.
Adjustments for consolidation	0	0	10,519	5,771
Offsetting	-585,671	-585,671	-559,021	-559,021
Consolidated balance sheet	56,289	309,671	23,810	290,481

*Im Berichtsjahr 2022 wurden die Konsolidierungsanpassungen auf die einzelnen Bilanzpositionen, aus denen sich die betreffenden latenten Steuern ableiten, allokiert

The net balance of deferred tax liabilities of € 266,671k in the previous year decreased to a net balance of deferred tax liabilities of € 253,383k. As a result, the total change in the net balance of deferred taxes amounted to € 13,288k (prior year: € 44,556k). This change was mainly due to the following factors:

- Increase in deferred tax liabilities on contract assets not recognized in the tax balance sheet (€ 12.6m).
- Increase in deferred tax assets from leases and employee stock ownership plans of € 14.5m
- Increase in deferred tax assets on accrued hardware subsidies, and assumed activation fees in the tax balance sheet (€ 6.4m).
- Decrease in deferred tax liabilities from intangible assets in connection with the amortization of assets from company acquisitions of € 12.1m.
- Increase in deferred tax assets from loss carryforwards and interest carryforwards of € 19.2m.

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

€k	2022	2021
Deferred tax income + / Deferred tax expense -	16,392	39,607
Addition in connection with business combinations	0	-3,887
Deferred tax effects recognised directly in equity	-4,096	8,836
Change in the net balance of deferred taxes	12,296	44,556

In the previous year, the addition from business combinations relates to the acquisition of we22 AG.

The deferred tax effects recognized in equity result mainly from the employee stock ownership programs, which are recognized in equity.

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

%	2022	2021
Anticipated tax rate	31.46	31.08
Actual and deferred taxes for previous years	0.7	-0.1
Costs in connection with business combinations	0.0	0.1
Non-tax-deductible writedowns on financial assets	0.3	0.1
Non-tax-deductible writedowns on intangible assets	0.3	0.0
Tax-reduced profit from disposals and income from investments	0.0	-0.1
Tax effects in connection with internal Group dividends and disposals	0.1	0.2
Differences due to tax rate changes	-1.2	-1.6
Employee stock ownership programs	0.1	0.0
First-time capitalization of interest carryforwards that can be used in the future	-0.7	-0.3
Non-tax-deductible interest from back tax payments	0.0	0.1
Tax losses and non-deductible interest of the fiscal year for which no deferred taxes were recognized	1.3	0.6
Non-taxable at-equity results	1.4	0.6
Trade tax additions	0.6	0.6
Balance of other tax-free income and non-deductible expenses	0.3	0.9
Effective tax rate	34.7	31.9

The item actual and deferred taxes mainly refers to actual tax expenses from the tax audit and relates to previous years.

Non-taxable at-equity results mainly relate to the prorated results of the associated companies Kublai and AWIN.

The anticipated tax rate corresponds to the tax rate of the parent company, United Internet AG.

As in the previous year, income tax claims mainly relate to receivables from tax authorities in Germany and amounted to € 34,741k (prior year: € 46,354k) as of the balance sheet date.

As in the previous year, income tax liabilities relate primarily to liabilities to tax authorities in Germany and amounted to € 52,723k (prior year: € 58,430k) as of the balance sheet date.

16. Earnings per share

As of December 31, 2022, capital stock was divided into 194,000,000 registered no-par shares (prior year: 194,000,000 shares) each with a theoretical share in the capital stock of € 1. On December 31, 2022, United Internet held 7,284,109 treasury shares (prior year: 7,284,109). These treasury shares do not entitle the Company to any rights or proportional dividends and are thus deducted from equity. The weighted average number of shares outstanding used for calculating undiluted earnings per share was 186,715,891 for fiscal year 2022 (prior year: 187,051,294).

As of the reporting date, there was a dilutive effect from employee stock ownership programs of subsidiaries of € 0.01 (prior year: € 0.01) per share.

The calculation of the dilutive effect from conversion is made by first determining the number of potential shares. On the basis of the average fair value of the shares, the number of shares is then calculated which could be acquired from the total amount of payments (par value of the rights plus additional payment). If the difference between the two values is zero, the total payment is exactly equivalent to the fair value of the potential shares and no dilutive effect need be considered. If the difference is positive, it is assumed that these shares will be issued in the amount of the difference without consideration.

Based on an average market price of € 26.44 € (prior year: € 34.96), this would result in the issuance of 461,921 shares (prior year: 554,714) without consideration. The number of shares used to calculate diluted earnings per share for the fiscal year 2022 is therefore 187,177,812 (prior year: 187,606,008).

The following table shows the underlying amounts for the calculation of undiluted and diluted earnings:

€k	2022	2021
Profit attributable to the shareholders of United Internet AG	367,196	416,473
Earnings per share (in €)		
– undiluted	1.97	2.23
– diluted	1.96	2.22
Weighted average of outstanding shares (in million units)		
– undiluted	186.72	187.05
– diluted	187.18	187.61

17. Dividend per share

The virtual Annual Shareholders' Meeting of United Internet AG on May 19, 2022 voted to accept the proposal of the Management Board and Supervisory Board to pay a dividend of € 0.50 per share. The total dividend payment of € 93.4m was made on May 24, 2022.

In accordance with section 21 of the Company's articles, the Annual Shareholders' Meeting decides on the appropriation of the balance sheet profit. For the fiscal year 2022, the Management Board will propose to the Supervisory Board a dividend of € 0.50 for each share entitled to dividends for the past fiscal year 2022.

The Management Board and Supervisory Board will discuss this dividend proposal at the Supervisory Board meeting on March 29, 2023.

Pursuant to section 71b AktG, the Company does not accrue any rights from treasury shares and thus has no pro-rated dividend rights. As at the date of signing the Consolidated Financial Statements, the United Internet Group holds 19,183,705 treasury shares (prior year: 7,284,109). The number of shares with dividend rights may change before the Annual Shareholders' Meeting. In this case, a proposal will be made to the Annual Shareholders' Meeting to maintain the dividend of € 0.50 per entitled no-par value share with a corresponding adjustment to the proposal for the appropriation of profit.

Explanations of items in the balance sheet

18. Cash and cash equivalents

As of the reporting date, cash and cash equivalents amounted to € 40,523k (prior year: € 110,116k). Cash and cash equivalents consist of bank balances, checks, and cash in hand. Bank balances generally bear variable interest rates for call money. As in the previous year, United Internet received no interest on bank balances denominated in euro.

The development and application of cash and cash equivalents is stated in the Consolidated Cash Flow Statement.

19. Trade accounts receivable

€k	2022	2021
Trade accounts receivable	542,684	495,922
Less		
Bad debt allowances	-82,456	-68,202
Trade accounts receivable, net	460,228	427,720
thereof trade accounts receivable - current	418,832	380,450
thereof trade accounts receivable - non-current	41,396	47,269

As of December 31, 2022 bad debt allowances for trade accounts receivable amounted to € 82,456k (prior year: € 68,202k). The development of bad debt allowances can be seen below:

€k	2022	2021
As of January 1	68,202	74,487
Utilization	-54,239	-58,588
Additions charged to the income statement	74,981	56,691
Reversals	-6,546	-4,547
Exchange rate differences	58	159
As of December 31	82,456	68,202

Additions charged to the income statement of each period under review do not comprise receivables arising during the year and eliminated before the reporting date.

As of December 31, the age profile of trade accounts receivable less the aforementioned allowances was as follows:

€k	2022	2021
Trade accounts receivable, net		
< 5 days	406,358	380,023
6 – 15 days	9,831	11,349
16 – 30 days	12,094	7,696
31 – 180 days	25,725	17,567
181 – 365 days	5,241	6,607
> 365 days	978	4,477
	460,228	427,720

20. Contract assets

€k	2022	2021
Contract assets	929,266	885,516
Less		
Bad debt allowances	64,181	59,840
Contract assets, net	865,085	825,676
thereof contract assets – current	648,381	619,722
thereof contract assets – non-current	216,704	205,954

The development of bad debt allowances was as follows:

€k	2022	2021
As of January 1	59,840	57,893
Utilization	-43,940	-29,612
Additions charged to the income statement	48,281	31,558
As of December 31	64,181	59,840

21. Inventories

As of December 31, 2022, inventories consisted of the following items:

€k	2022	2021
Merchandise		
Mobile telephony / mobile internet	109,601	80,551
DSL hardware	12,954	12,014
SIM cards	5,933	4,299
IP-TV	2,779	2,711
Other	720	2,109
Domain stock held for sale	2,725	2,973
	134,712	104,657
Less		
Bad debt allowances	-14,151	-9,497
Payments on account	0	1,332
Inventories, net	120,561	96,492

Goods recognized as material expense from inventories in cost of sales amounted to € 828,053k in the reporting period (prior year: € 824,940k). Of this total, an amount of € 2,220k (prior year: € 2,053k) refers to impairment of inventories.

Allowances include € 11,507k (prior year: € 6,537k) for mobile telephony/mobile internet and IP-TV, and € 2,644k (prior year: € 2,960k) for domain stock.

22. Prepaid expenses

	31.12.2022		
	Current	Non-current	Closing balance
Contract initiation costs	94,050	81,583	175,634
Contract fulfillment costs	40,642	30,293	70,936
Advance payments made Preliminary suppliers	83,605	314,147	397,752
other	63,768	2,947	66,715
	282,066	428,970	711,036
	31.12.2021		
	Current	Non-current	Closing balance
Contract initiation costs	86,825	82,473	169,298
Contract fulfillment costs	46,862	34,092	80,954
Advance payments made Preliminary suppliers	26,081	171,165	197,246
other	54,206	0	54,206
	213,974	287,730	501,704

The increase in prepaid expenses results mainly from contingent payments to pre-service providers amounting to € 189.2m.

Prepaid expenses are deferred and charged to the income statement on the basis of the underlying contractual period.

	2022	2021
Expensing of wholesale fees	27,928	31,227
Amortization of capitalized contract initiation costs	77,617	84,018
Amortization of capitalized contract performance costs	50,201	59,970
	155,747	175,215

23. Other current assets

23.1 Other current financial assets

€k	2022	2021
Derivatives	64,201	70,394
Receivables from pre-service providers	20,445	23,012
Creditors with debit balances	7,870	5,497
Payments on account	5,794	9,240
Deposits	1,101	977
Other	7,160	9,872
Other financial assets, net	106,571	118,992

The derivatives mainly relate to the embedded derivatives agreed as part of Warburg Pincus' investment in the Business Applications segment, as well as other derivatives. For further information, please refer to Note 34.

Payments on account mainly refer to the account held with the central registration authority for the top-level domain .de (DENIC).

The decrease in receivables from pre-service providers mainly relates to advertising cost subsidies.

The creditors with debit balances mainly relate to financial recovery claims from suppliers.

23.2 Other current non-financial assets

€k	2022	2021
Receivables from tax office	15,272	3,761
Return claims hardware	4,445	4,336
Other non-financial assets	19,717	8,097

24. Shares in associated companies

The Group holds interests in several associated companies. The main investment in 2022 are AWIN AG, Berlin, and Kublai GmbH, Frankfurt am Main, which the Group holds via its subsidiary United Internet Investments Holding AG & Co.KG, Montabaur.

AWIN AG, Berlin, is a global affiliate marketing network which offers services in the field of e-commerce and online marketing. AWIN is the world's largest affiliate marketer, linking network advertisers and publishers around the world. The Group holds 20% of shares in AWIN AG.

Kublai GmbH is the parent company of Tele Columbus. Tele Columbus AG, Berlin, is an independent broadband cable network operator active in the German multimedia and communication sector with most of its network infrastructures in eastern Germany (Berlin, Brandenburg, Saxony, Saxony-Anhalt, and Thuringia), as well as in North Rhine-Westphalia and Hesse. Tele Columbus offers its customers digital TV program packages, as well as internet and telephone connections.

The following table contains summarized financial information of the main associated companies on the basis of a 100% shareholding as of December 31, 2022:

Summarized financial information on the main associated companies:	Kublai GmbH €k	AWIN AG T€
Current assets	196,542	549,661
Non-current assets	2,312,828	318,578
Current liabilities	216,793	435,377
Non-current liabilities	1,466,141	39,720
Equity attributable to the shareholders of Kublai GmbH	788,337	393,191
Non-controlling interests	38,099	0
Shareholders' equity	826,435	393,191
Sales	446,634	178,473
Other comprehensive income	2,338	-1,134
Net profit/loss	-104,759	26,262
Total comprehensive income	-102,421	25,128

A reconciliation with the carrying amount in the Consolidated Financial Statements as of December 31, 2022 – with an estimation of investment results for the fourth quarter – is presented below:

€k	Kublai GmbH T€	AWIN AG T€
United Internet Group's share in the net asset values	315,335	78,638
Impairment / impairment reversal effects	0	0
Closing date-related reconciliation effects	0	0
Buchwert zum 31. Dezember 20212	315,335	78,638

As an anchor investor in Tele Columbus AG, United Internet AG signed an agreement with Morgan Stanley Infrastructure Partners on December 21, 2020 to provide sustained support for the implementation of Tele Columbus's Fiber Champion strategy. With this strategy, Tele Columbus plans to play a major role in driving the expansion of Germany's fiber optic infrastructure.

Kublai GmbH (formerly UNA 422. Equity Management GmbH), a bidding company behind which is Morgan Stanley Infrastructure Partners, announced a voluntary public takeover offer of € 3.25 per Tele Columbus share on December 21, 2020. The takeover offer of Kublai GmbH was published on February 1, 2021.

On November 17, 2022, TeleColumbus conducted a capital increase. As the majority shareholder, Kublai GmbH subscribed for the shares attributable to its subscription rights. The shareholders of Kublai GmbH, United Internet AG and Hilbert Management GmbH, agreed to make a voluntary additional payment to equity. United Internet AG contributed a total amount of € 30,623k in several stages to the equity of Kublai GmbH.

As the takeover offer in the previous year was successful, United Internet contributed or sold its stake in Tele Columbus of around 29.90% to the bidding company. In return, United Internet received a shareholding in the bidding company. Due to the successful completion of the transaction in the previous year, United Internet increased its stake in the bidding company to 40%. The option to increase the stake was included in the agreement of December 21, 2020.

The acquisition costs for the shares in Kublai GmbH comprise the following items:

	€k
Non-cash purchase price due to contribution	123,955
Cash-effective capital increase	213,918
Cost of acquisition	6,152
Acquisition costs	344,025

The shareholding in Kublai GmbH corresponds to the proportion of voting rights. The shares in Kublai GmbH are valued using the equity method. In the previous year, the Group also already held 40% of shares in Kublai GmbH.

The following table contains summarized financial information of the main associated companies on the basis of a shareholding of 100% as at December 31, 2021:

Summarized financial information on the main associated companies:	Kublai GmbH*	AWIN AG
	€k	€k
Current assets	197,286	495,405
Non-current assets	2,330,337	323,975
Current liabilities	184,695	393,061
Non-current liabilities	1,500,333	54,075
Shareholders' equity	842,595	368,134
Sales	462,884	166,455
Other comprehensive income	0	17,086
Net profit/loss	-94,373	23,867
Total comprehensive income	-94,373	40,953

* Auf Basis einer vorläufigen Kaufpreisallokation und ungeprüften Finanzinformationen von Tele Columbus AG

A reconciliation with the carrying amounts in the Consolidated Financial Statements as of December 31, 2021 – with an estimation of investment results for the fourth quarter – is presented below:

€k	Kublai GmbH*	AWIN AG
United Internet Group's share in the net asset values	319,512	73,627
Impairment / impairment reversal effects	0	0
Closing date-related reconciliation effects	0	0
Carrying amount on Dec. 31, 2021	319,512	73,627

* Auf Basis einer vorläufigen Kaufpreisallokation

As of December 31, 2022, other associated companies disclosed an aggregated carrying amount of € 35,331k (prior year: € 38,536k) and an aggregated loss of € 2,009k (prior year: € 2,401k). The earnings/loss contributions of other associated companies are only included in the aggregated loss on a prorated basis. Financial information is based in part on local accounting regulations as a reconciliation of this financial information with IFRS would incur disproportionately high costs.

25. Other non-current financial assets

Other non-current financial assets as at December 31, 2022 of € 10,721k (prior year: € 11,617k) mainly comprise loans to related parties of € 8,175k (prior year: € 8,923k).

26. Property, plant and equipment

€k	2022	2021
Acquisition costs		
- Telecommunication equipment	1,206,943	998,712
- Right of use	1,074,461	833,378
- Operational and office equipment	698,197	615,247
- Network infrastructure	222,601	240,343
- Payments on account	244,521	86,366
- Land and buildings	36,440	22,672
	3,483,163	2,796,719
Less		
Accumulated depreciation	-1,632,164	-1,417,094
Property, plant and equipment, net	1,850,999	1,379,625

Further details and an alternative presentation of the development of property, plant and equipment in the fiscal years 2022 and 2021 can be found in the exhibit to the Notes to the Consolidated Financial Statements (Development of Non-current Assets).

The carrying value of property, plant and equipment held as lessee as part of lease arrangements amounts to € 636.2m as of December 31, 2022 (prior year: € 500.6m).

As of the reporting date, there are purchase obligations for property, plant and equipment totaling € 370.8m (prior year: € 150.8m).

27. Intangible assets (without goodwill)

€k	2022	2021
Historical acquisition costs		
- Customer base	1,234,815	1,238,525
- Spectrum licenses	1,070,187	1,070,187
- Software / licenses	233,935	296,501
- Trademarks	213,556	212,496
- Rights similar to concessions	165,000	165,000
- Internally generated intangible assets	57,918	48,887
- Payments on account	129,772	13,686
- Right of use	9,282	9,282
- Other intangible assets	73,680	74,062
	3,188,143	3,128,626
Less		
Accumulated depreciation	-1,158,881	-1,069,200
Intangible assets, net	2,029,262	2,059,426

Further details and an alternative presentation of the development of intangible assets in the fiscal years 2022 and 2021 can be found in the exhibit to the Notes to the Consolidated Financial Statements (Development of Non-current Assets).

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

€k	Dec. 31, 2022	Dec. 31, 2021
1&1	226,586	317,659
Strato	80,995	94,549
1&1 Versatel	90,487	96,113
World4You	15,937	17,784
home.pl	8,318	11,299
we22	1,604	1,748
Arsys	0	2,458
	423,927	541,610

The residual amortization period for the customer base from the acquisition of the Drillisch Group (now 1&1 AG) amounts to 2 to 10 years, depending on the customer groups, whereby 5 years applies to the major share. The residual amortization period for the customer base from the acquisition of STRATO AG amounts to 1 to 10 years, depending on the product groups, whereby 8 years applies to the major share. The residual amortization period for the customer base of the home.pl transaction amounts to 5 years and for Arsys 2 years. The residual amortization period for the customer base from the acquisition of the Versatel Group amounts to 1 to 18 years, depending on the products and services, whereby 18 years applies to the major share.

Spectrum licenses

In the fiscal year 2019, the United Internet subsidiary 1&1 Drillisch participated in the 5G spectrum auction and purchased two frequency blocks of 2 x 5 MHz in the 2 GHz band, which are limited until December 31, 2040, and five frequency blocks of 10 MHz in the 3.6 GHz band, which are limited until 2040. While the 3.6 GHz spectrum is already available, the frequency blocks in the 2 GHz band will only be available from January 1, 2026.

The intangible assets resulting from the purchase were recognized at cost.

The carrying amounts of the frequency blocks are comprised as follows:

€k	Dec. 31, 2022	Dec. 31, 2021
3.6 GHz	734,743	735,190
2 GHz	334,997	334,997
	1,069,740	1,070,187

In the fiscal year 2022, the frequency blocks in the 3.6 GHz band were amortized by € 447k. The acquired frequency blocks in the 2 GHz band will not be amortized until actual network operation commences and if these frequency blocks are also available at that time. These spectrum licenses are not yet usable and were therefore subjected to an impairment test in the fiscal year 2022. The impairment test was performed on the balance sheet date on the level of the cash-generating unit 5G. It did not result in any impairment in the fiscal year.

The following table provides an overview of trademarks according to the cash-generating units:

€k	Dec. 31, 2022	Dec. 31, 2021
1&1 Versatel	62,000	62,000
1&1	53,200	53,200
Mail.com	25,606	24,136
Strato	20,070	20,070
WEB.DE	17,173	17,173
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	463	463
	207,711	206,927

The carrying amounts of intangible assets with indefinite useful lives (trademarks) totaled € 207,711k (prior year: € 206,927k). Intangible assets with indefinite useful lives were subjected to an impairment test on the level of the cash-generating units as of the reporting date.

The useful life of trademarks is determined as being indefinite, as there are no indications that the flow of benefits will end in future. Intangible assets with indefinite useful lives were subjected to an impairment test on the level of the cash-generating units as of the reporting date.

The rights similar to concessions result from a one-off payment in the fiscal year 2020 in connection with the exercise of the first prolongation option of the MBA MVNO agreement in order to secure direct access to 5G technology and as a necessary component for the establishment of the Group's own mobile communications network.

Internally generated intangible assets relate to capitalized costs from software.

As of the balance sheet date, there were purchase commitments for intangible assets amounting to € 143.9m (prior year: € 1.2m).

The increase in payments on account mainly relates to software for operating the 1&1 mobile communications network.

28. Goodwill

Further details, including a presentation of the development of goodwill in the fiscal years 2022 and 2021, can be found in the exhibit to the Notes to the Consolidated Financial Statements (Development of Non-current Assets).

29. Impairment of goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives are subjected to an impairment test at least once per year. With reference to its internal budgeting process, the Group has chosen the last quarter of the fiscal year to conduct its statutory annual impairment test.

Goodwill acquired in the course of business combinations is allocated for impairment test purposes to cash-generating units.

Impairment charges are always disclosed separately in the Income Statement and the Statement on the Development of Non-current Assets.

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

€k	Dec. 31, 2022	Dec. 31, 2021
Consumer Access		
1&1 Consumer Access	2,178,460	2,178,460
	2,178,460	2,178,460
Business Access		
1&1 Versatel	398,261	398,261
	398,261	398,261
Consumer Applications		
1&1 Mail & Media	225,870	225,850
	225,870	225,850
Business Applications		
we22*	0	14,660
Strato	401,822	401,822
home.pl	116,484	117,389
Arsys	100,496	100,495
Fasthosts	61,394	64,822
World4You	51,250	51,250
united-domains	35,925	35,925
IONOS SE	43,138	28,562
InterNetX	5,237	5,237
Domain marketing	5,097	5,098
	820,844	825,260
Carrying amount according to balance sheet	3,623,435	3,627,831

*Cash generating units we22 has been merged into IONOS SE

Goodwill after company acquisitions

The carrying amounts of goodwill according to cash-generating unit result from various transactions over the past years. The Group's goodwill is mainly the result of the following company acquisitions:

- The goodwill of the cash-generating unit we22 results from the acquisition of we22 AG in 2021 and has been part of the cash-generating units IONOS SE since this fiscal year.
- The goodwill of the cash-generating unit World4You results from the acquisition of World4You in 2018.
- The goodwill of the cash-generating unit 1&1 Consumer Access (formerly Drillisch) results from the acquisition of the Drillisch Group in 2017 and the merger of the cash-generating units 1&1 Telecom and Drillisch in 2018.
- The goodwill of the cash-generating unit IONOS Cloud (formerly: ProfitBricks) results from the acquisition of the ProfitBricks Group in 2017. Due to the merger in fiscal year 2019, the cash-generating unit IONOS Cloud has been incorporated into the cash-generating unit 1&1 Hosting.

- The goodwill of the cash-generating units Versatel and 1&1 Telecom reflect goodwill from the acquisition of the Versatel Group in 2014. In the fiscal year 2018, goodwill of the cash-generating unit 1&1 Telecom was combined with the cash-generating unit 1&1 Consumer Access.
- The goodwill of the cash-generating unit STRATO results from the acquisition of the STRATO Group in 2017.
- The goodwill of the cash-generating unit home.pl results from the acquisition of home.pl S.A. in 2015.
- The goodwill of the cash-generating unit Arsys results from the acquisition of Arsys Internet S.L. in 2013.
- The goodwill of the cash-generating unit united-domains results from the acquisition of united-domains AG in 2008.
- The goodwill of the cash-generating unit Fasthosts results from the acquisition of Fasthosts Internet Ltd. in 2006 and the acquisition of Dollamore Ltd. in 2008.
- The goodwill of the cash-generating unit InterNetX results from the acquisition of InterNetX GmbH in 2005.
- The goodwill of the cash-generating unit 1&1 Mail & Media mainly comprises goodwill from the acquisition of the portal business of WEB.DE AG in 2005.

Scheduled impairment test on December 31, 2022

Measurement at fair value less disposal costs

For the Business Access, Consumer Applications, and Business Applications segments, the recoverable amounts of the cash-generating units are determined on the basis of a calculation of fair value less disposal costs using cash flow forecasts. The hierarchy of fair value less disposal costs as defined by IFRS 13 is set at Level 3 for these impairment tests.

The cash flow forecasts are based on the Company's budgets for the fiscal year 2023. These planning calculations were extrapolated by management for a period of up to 10 years (prior year: up to 10 years) for the respective cash-generating units on the basis of external market studies and internal assumptions. Following this period, management assumes the following increase in cash flow:

	Dec. 31, 2022	Dec. 31, 2021
Business Access	0.50%	0.05%
Consumer Applications	1.00%	0.05%
Business Applications	1.0% - 2.4%	0.1% - 0.8%

The expected increase corresponds to long-term average growth of the sector in which the respective cash-generating unit operates.

The following discount rates were used for cash flow forecasts in the reporting period:

	Dec. 31, 2022	Dec. 31, 2021
Business Access	3.9%	3.0%
Consumer Applications	7.0%	5.8%
Business Applications	6.9% – 9.5%	5.3% – 6.8%

The cash flow forecasts depend heavily on the estimation of future sales revenue. The management of the respective cash-generating unit expects a varied development of sales within its planning horizon.

Sales revenue figures in the detailed planning period are based on the following average annual sales growth rates:

	Dec. 31, 2022	Dec. 31, 2021
Business Access	3.4%	3.4%
Consumer Applications	7.0%	5.6%
Business Applications	4.4% – 8.0%	3.4% – 11.1%

Fair value less disposal costs is mainly based on the present value of the perpetual annuity, which is particularly sensitive to changes in assumptions on the long-term growth rate and the discount rate. For the calculation of fair value less disposal costs, disposal cost rates of between 0.2% and 3.0% were assumed (prior year: between 0.2% and 3.0%).

The business segments contain the following trademarks:

	Dec. 31, 2022	Dec. 31, 2021
Business Access	62,000	62,000
Consumer Applications	42,779	41,309
Business Applications	49,732	50,418

Measurement at value-in-use

The recoverable amount of the cash-generating unit 1&1 Consumer Access is determined on the basis of a calculation of the value-in-use with the aid of cash flow forecasts. The hierarchy of value-in-use as defined by IFRS 13 is set at Level 3 for this impairment test (in the previous year also Level 3).

The cash flow forecasts are based on a Group budget for the fiscal year 2023 as well as a planning calculation for the fiscal years 2024 to 2028. These planning calculations were extrapolated by management on the basis of external market studies and internal assumptions for the cash-generating unit. As it is expected that a sustainable level of sales and earnings will not yet have been achieved by the end of the detailed planning period (2028), it has been extended to include an interim phase for the years 2029 to 2040 inclusive until a sustainable level of sales and earnings is to be achieved.

The cash flow forecasts depend heavily on the estimation of future sales revenue. Another key basic assumption for the planning of the cash-generating unit 1&1 Consumer Access is the number of subscrib-

ers, the gross profit forecast based on these subscriber numbers and on empirical values, and the discount rates applied. For future years, the number of subscribers is expected to increase and the gross profit to decrease slightly.

Value-in-use is largely determined by the present value of the perpetual annuity, which is particularly sensitive to changes in the assumptions regarding the long-term growth rate and the discount rate.

The following parameters were used for measurement:

	Dec. 31, 2022	Dec. 31, 2021
Increase in cash flow for perpetual annuity	0.5%	0.05%
Discount rates after taxes	5.7%	6.9%
Annual growth rates	1.2%	0.8%
Carrying amount of trademark rights	53,200	53,200

This growth rate corresponds to the long-term average growth rate for the sector.

Basic assumptions of the impairment tests

The following table presents the basic assumptions used when checking impairment of individual cash-generating units to which goodwill has been allocated, in order to determine their fair value less disposal costs, or in the case of the cash-generating unit 1&1 Consumer Access the value-in-use:

	Reporting year	Total proportion of goodwill	Long-term growth rate	Discount rate after taxes
Consumer Access				
1&1 Consumer Access	2022	60.1%	0.50%	5.70%
	2021	60.1%	0.05%	4.70%
Business Access				
1&1 Versatel	2022	11.0%	0.50%	3.90%
	2021	11.0%	0.05%	3.00%
Consumer Applications				
1&1 Mail & Media	2022	6.2%	1.00%	7.00%
	2021	6.2%	0.05%	5.80%
Business Applications				
Strato	2022	11.1%	1.02%	6.99%
	2021	11.1%	0.06%	5.30%
home.pl	2022	3.2%	1.73%	8.43%
	2021	3.2%	0.47%	6.20%
Arsys	2022	2.8%	2.38%	9.46%
	2021	2.8%	0.84%	6.80%
Fasthosts	2022	1.7%	1.52%	8.04%
	2021	1.8%	0.35%	6.00%
World4You	2022	1.4%	1.34%	7.64%
	2021	1.4%	0.25%	5.70%
united-domains	2022	1.0%	1.00%	6.99%
	2021	1.0%	0.05%	5.30%
InterNetX	2022	0.1%	1.00%	6.94%
	2021	0.1%	0.05%	5.30%
Domain marketing	2022	0.1%	1.00%	6.91%
	2021	0.1%	0.05%	5.30%
IONOS SE (Vormals 1&1 Hosting)	2022	1.2%	1.24%	7.40%
	2021	0.8%	0.21%	5.60%
we22	2022	n/a	n/a	n/a
	2021	0.4%	0.05%	5.30%

* Abzinsungssatz vor Steuern.

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 cash-generating unit World4You, an increase in the discount rate (after taxes) of 2.0 percentage points and a decline in the EBITDA margin of 5.4 percentage points was assumed. These assumptions would result in impairment of € 8.7m. Based on current knowledge, management does not expect any significant deviations in the EBITDA margin. Assumptions

on the possible development of the cost of capital rate are based on the year 2022 due to the external effects of strong interest rate increases. Possible opportunities from the possibilities of price adjustments as a result of increased operating costs are not taken into account in the sensitivity analysis.

In the course of analyzing sensitivity for the other cash-generating units, the discount rates (after taxes) were also increased by the year-on-year change and at the same time a CGU-specific appropriate decrease in the long-term growth rate in perpetuity and alternatively a decrease in the EBITDA margin in perpetuity were assumed. These assumptions would not result in any changes to the impairment tests for these cash-generating units.

Spectrum

The 5G spectrum carried in the balance sheet results from the 5G spectrum auction in 2019. 1&1 purchased two frequency blocks of 2 x 5 MHz in the 2 GHz band and five frequency blocks of 10 MHz in the 3.6 GHz band, which are each usable for a limited period up to December 31, 2040. The frequency blocks in the 3.6 GHz band are immediately available and the frequency blocks in the 2 GHz band will be available from January 1, 2026.

The recoverable amount of the cash-generating unit 5G is determined by calculating value-in-use with the aid of cash flow forecasts. The hierarchy of value-in-use as defined by IFRS 13 is set at Level 3 for these impairment test.

The planning calculation on which the impairment test is based includes income statement planning and capital expenditure planning for the fiscal years 2023 to 2040. As the spectrum runs until 2040, the test was conducted for the period 2023 to 2040. Due to the innovation cycle in the telecommunications industry, no perpetuity was applied.

The cash flow forecasts depend to a large extent on the estimate of future revenue, the assumptions regarding investments in the network infrastructure, and the ongoing operating costs of network operations. The main revenue drivers for the cash-generating unit 5G are growth in the number of 1&1 network subscribers and planning for the future data consumption of customers. The planning calculations were based on subscriber growth in the cash-generating unit 1&1 Consumer Access, while assumptions regarding future customer data consumption are based on empirical values. Planning for investments in the network infrastructure are based on specific rollout plans, which are mainly based on the rollout obligations arising from the spectrum acquisition and the contractually agreed rollout costs. Planning for the ongoing costs of network operation are based on agreements already concluded and assumptions about the development of energy costs based on experience. A further key basic assumption for the planning of the cash-generating unit is the discount rates used.

The following parameters were used for measurement:

Radio spectrum	Dec. 31, 2022	Dec. 31, 2021
Discount rate before taxes	5.10%	3.90%
Disposal costs	n/a	3.0%
Discount rates after taxes	3.90%	2.6%

There was no impairment need in the reporting period. This also reflects the Management Board's qualitative expectations due to the high degree of strategic importance.

Sensitivity of assumptions

The sensitivity of the assumptions made with respect to an impairment of the intangible asset not yet available for use (spectrum) depends on the basic assumptions for the cash-generating unit.

In the course of analyzing sensitivity for the cash-generating unit 1&1 mobile telecommunications network, an increase in the discount rate of 1.0 percentage point and a rise of 5 percent in operating costs for active network technology (in particular energy costs) was assumed. These assumptions would result in impairment of approx. € 570m. Based on current knowledge, management does not expect any significant deviations in the planned costs for passive infrastructure and network rollout costs due to the contractual constellations with the network rollout partners. Assumptions on the possible development of the cost of capital rate are based on the year 2022 due to the external effects of strong interest rate increases. Possible opportunities from the possibilities of price adjustments as a result of increased operating costs are not taken into account in the sensitivity analysis.

30. Trade accounts payable

Trade accounts payable amount to € 565,813k (prior year: € 585,869k), of which liabilities with terms of more than one year total € 4,298k (prior year: € 2,475k).

31. Liabilities due to banks

a) Liabilities due to banks

in € million	Promissory note loan	Syndicated loan	credit	Total
Loan liability as of 31 December 2022	1,100.0	550.0	500.0	2,150.0
Deferred expenses	-1.3	-0.4	0.0	-1.7
Interest liabilities	6.5	0.7	0.0	7.2
As of December 31, 2022	1,105.2	550.3	500.0	2,155.5
thereof current	156.3	0.3	500.0	656.6
thereof non-current	948.9	550.0	0.0	1,498.9

in € million	Promissory note loan	Syndicated loan	credit	Total
Loan liability as of 31 December 2021	1,297.5	250.0	270.0	1,817.5
Deferred expenses	-1.8	-0.8	0.0	-2.6
Interest liabilities	6.9	0.9	0.0	7.9
As of December 31, 2021	1,302.6	250.1	270.0	1,822.7
thereof current	224.4	0.9	100.0	325.4
thereof non-current	1,078.2	249.2	170.0	1,497.4

Promissory note loans

At the end of the reporting period, total liabilities from promissory note loans with terms until 2027 amounted to € 1,100.0m (prior year: € 1,297.5m).

United Internet AG successfully placed three promissory note loans ("Schuldscheindarlehen") in its fiscal years 2014, 2017, and 2021. At the end of the reporting period on December 31, 2021, total liabilities from the above promissory note loans amounted to € 1,297.5m.

In the fiscal year 2022, one tranche of the promissory note loan 2017 amounting to € 100.0m and the last remaining tranche of the promissory note loan 2014 amounting to € 97.5m were redeemed on schedule.

At the end of the reporting period on December 31, 2022, total liabilities from the promissory note loans 2017 and 2021 with maximum terms until July 2027 therefore amounted to € 1,100.0m.

The seven outstanding tranches result from the promissory note loans 2017 and 2021. Six of the seven tranches are fixed-interest. The fixed interest rates vary according to term between 0.70% and 1.57% p.a.. The interest rate of the variable-interest tranche of the promissory note loan 2021 consists of the 6-month EURIBOR rate plus a margin of 0.60% p.a..

The promissory note loans are redeemable on maturity and 100% repayable.

Syndicated loans & syndicated loan facilities

On December 21, 2018, a banking syndicate granted United Internet AG a revolving syndicated loan facility totaling € 810m until January 2025. In the fiscal year 2020, the Company made use of a contractually agreed prolongation option and extended the term of the revolving syndicated loan facility for the period from January 2025 to January 2026. A credit facility of € 690m was agreed for this prolongation period.

As of December 31, 2022, € 550m of the revolving syndicated loan facility had been drawn (prior year: € 250m). As a result, funds of € 260m (prior year: € 560m) were still available to be drawn from the credit facility as at the balance sheet date.

There are also variable interest rates for drawings from the revolving syndicated loan. The effective interest rates for the interest periods of 1, 3, or 6 months are tied to the EURIBOR rate plus a margin p.a.. The margin depends on the ratio of net liabilities to EBITDA (leverage) of the United Internet Group. The applicable interest rate as of the reporting date amounts to 0.45% p.a. (prior year: 0.45%).

In addition, bilateral credit facilities amounting to € 400m (prior year: € 375m) are available to United Internet AG. These have been granted in part until further notice and in part have terms until July 2, 2024. They bear interest at normal market rates. United Internet AG is the sole borrower of these facilities. Drawings of € 300m (prior year: € 100m) had been made from these credit facilities as at the end of the reporting period.

At the end of the reporting period, the United Internet Group thus had free credit lines totaling € 360m (prior year: € 835m).

Credit lines granted (without the revolving syndicated loan facility)		
€k	2022	2021
Credit lines granted	400,000	375,000
Credit lines utilized	300,000	100,000
Available credit lines	100,000	275,000
Average interest rate	2.58	0.19

No collateral was provided for any of the liabilities due to banks.

With the exception of the interest-bearing tranches of the promissory note loan, the fair values of bank liabilities mainly correspond to their carrying amounts. For further information on the promissory note loan, please refer to Note 41.

A euro cash pooling agreement (zero balancing) has been in place between United Internet AG and certain subsidiaries since July 2002. Under the agreement, credit and debit balances of the participating Group subsidiaries are pooled and netted via several cascades in a central bank account of United Internet AG and available each banking day.

b) Guaranty credit facilities

In addition to the above mentioned credit lines, the Group had the following guaranty credit facilities at the end of the reporting period, which in some cases can also be used by other Group companies.

Guaranty credit facilities		
€k	2022	2021
Guaranty lines granted	105,000	105,000
Guaranty lines utilized	28,279	27,473
Available guaranty lines	76,721	77,527
Average interest rate	0.40%	0.40%

The guaranty credit facilities are available in particular for the provision of operational bank guarantees. The guaranty credit facilities granted are mostly for unlimited periods ("until further notice"). One agreement is limited until December 30, 2024. No collateral was provided to banks.

The stated average interest rate as of the reporting date is based on utilization.

32. Contract liabilities

€k	2022	2021
Contract liabilities	188,383	190,037
thereof current	157,093	157,886
thereof non-current	31,290	32,151

Contract liabilities mainly relate to payments on account received, deferred revenue, and deferred activation fees.

33. Other accrued liabilities

The development of accruals in fiscal year 2022 was as follows:

€k	Termination fees	Litigation risks	Restoration obligation	Other	Total
As of January 1	43,475	5,297	23,433	10,069	82,274
Utilization	7,528	862	891	3,784	13,065
Reversals	838	3,678	109	4,886	9,511
Addition	3,195	3,248	3,369	2,205	12,017
Effects of accrued interest	0	0	458	0	458
As of December 31, 2022	38,304	4,005	26,260	3,604	72,173

The accrual for termination fees refers to payments due to network operators in the case that a connection is terminated.

Litigation risks consist of various legal disputes of Group companies.

The accruals for restoration obligations mainly refer to possible obligations to remove active telecommunication technology in leased main distribution frames (MDFs). Where applicable, the reversal was offset against non-current assets directly in equity.

Other accruals refer mainly to accruals for warranties and impending losses.

34. Other liabilities

34.1 Other current financial liabilities

€k	2022	2021
Other current financial liabilities		
- Leasing liabilities	109,744	102,172
- Spectrum liabilities	61,266	61,266
- Salary liabilities	39,126	41,294
- Marketing and selling expenses / commissions	35,542	27,148
- Conditional purchase price liabilities	38,656	51,980
- Creditors with debit balances	13,147	11,464
- Legal and consulting fees, auditing fees	10,236	10,071
- Service / maintenance / restoration obligations	3,586	4,714
- Other	22,248	19,068
Total	333,551	329,177

The current conditional purchase price liabilities refer to variable purchase price components from the acquisition of STRATO AG amounting to € 33,803k (prior year: € 31,680k) and of ProfitBricks GmbH amounting to € 4,416k (prior year: € 4,416k).

34.2 Other current non-financial liabilities

€k	2022	2021
Other current non-financial liabilities		
- Liabilities to the tax office	52,432	125,155
- Other	16,524	10,578
Total	68,956	135,733

Liabilities to the tax office mainly refer to sales tax liabilities. The decrease compared to the previous year is due to a change in the law in the previous year and the associated reverse charge of sales tax for telecommunications services. The resulting sales tax will be paid to the tax authorities after the end of the advance return period.

34.3 Other non-current financial liabilities

€k	2022	2021
Other non-current non-financial liabilities		
- Spectrum liabilities	763,858	825,124
- Leasing liabilities	537,210	413,048
- Other loans	8,150	8,151
- Other	4,095	4,863
Total	1,313,313	1,251,186

Please refer to Note 45 regarding finance lease commitments.

Spectrum liabilities refer to the licenses acquired at auction in the fiscal year 2019. In 2019, the United Internet subsidiary 1&1 AG signed an agreement with the German Federal Ministry of Transport and Digital Infrastructure (BMVI) and the German Federal Ministry of Finance (BMF) regarding the construction of mobile communication sites in so-called "not-spots". 1&1 AG is thus helping to close existing supply gaps and improve the provision of mobile communications in rural regions by building base stations. In return, 1&1 AG benefits from an agreement allowing it to pay for the acquired 5G spectrum in installments. As a result, the license fees which were originally to be paid to the German government 2019 and 2024 can now be spread over the period up to 2030.

35. Maturities of liabilities

The maturities of liabilities are as follows:

€k	Dec. 31, 2022			
	Total	up to 1 year	1 to 5 years	Over 5 years
Financial liabilities				
Liabilities due to banks				
- Revolving syndicated loan facility	550,303	303	550,000	0
- Promissory note loan	1,105,195	156,350	948,845	0
- Credit	500,000	500,000	0	0
Trade accounts payable	565,813	561,515	4,298	0
Other financial liabilities				
- Lease liabilities	646,954	109,744	261,034	276,175
- Others	999,911	223,807	451,942	324,162
Total financial liabilities	4,368,176	1,551,720	2,216,119	600,337
Non-financial liabilities				
Income tax liabilities	52,723	52,723	0	0
Contract liabilities	188,383	157,093	31,290	0
Other accrued liabilities	72,173	5,098	47,812	19,262
Other non-financial liabilities	68,956	68,956	0	0
Total non-financial liabilities	382,234	283,870	79,102	19,262
Liabilities	4,750,410	1,835,589	2,295,221	619,600

The maturities of liabilities in the previous year were as follows:

€k	Dec. 31, 2021			
	Total	up to 1 year	1 to 5 years	Over 5 years
Financial liabilities				
Liabilities due to banks				
- Revolving syndicated loan facility	250,757	757	0	250,000
- Syndicated loan	0			
- Promissory note loan	1,301,964	204,606	872,358	225,000
- Credit	270,000	120,000	150,000	0
Trade accounts payable	585,869	583,395	2,475	0
Other financial liabilities				
- Finance leases	515,220	102,172	223,354	189,694
- Others	1,065,143	227,005	315,622	522,517
Total financial liabilities	3,988,954	1,237,935	1,563,808	1,187,211
Non-financial liabilities				
Income tax liabilities	58,430	58,430	0	0
Contract liabilities	190,037	157,886	32,151	0
Other accrued liabilities	82,274	16,248	47,897	18,129
Other non-financial liabilities	135,733	135,733	0	0
Total non-financial liabilities	466,475	368,298	80,048	18,129
Liabilities	4,455,429	1,606,233	1,643,856	1,205,340

In the course of determining the maturities of liabilities due to banks, management assumed that the amount drawn from the revolving syndicated loan facility as at the respective reporting date would remain constant until the end of the term (2025).

36. Share-based payment – employee stock ownership plans

There were five different employee stock ownership plans in the reporting period 2022. One model with so-called Stock Appreciation Rights model United Internet (SAR UI) is aimed at the group of management board members, senior executives and managers and based on virtual stock options of United Internet AG. The second plan, the Long-Term Incentive Plan Hosting (LTIP Hosting) was introduced in the second half of 2017 and is aimed at the group of management board members, executives and other employees in key positions in the Business Applications segment. The third plan, the Long Term Incentive Plan Versatel (LTIP Versatel) was introduced in the first half of 2018 and is aimed at the group of managing directors, executives and employees in key positions in the Business Access segment. The fourth plan, the Stock Appreciation Rights Drillisch (SAR Drillisch) was introduced in the first half of 2020, is also aimed at the group of management board members, executives and employees in key positions in the Consumer Access segment and replaced in part the former SAR plan of Drillisch in 2020. The fifth plan, the Long-Term Incentive Plan Portal (LTIP Portal) was introduced in the first half of 2019 and is aimed at the group of management board members, executives and employees in key positions in the Consumer Applications segment.

In connection with the planned initial public offering (IPO) of Ionos Group SE, a further employee stock ownership plan was introduced in December 2022 for management board members, executives and other employees in key positions in the Business Applications segment, the so-called IONOS Group Stock Appreciation Rights Plan (SAR Hosting). Moreover, it was announced that the existing LTIP Hosting arrangements would be modified in the event of a successful IPO.

In addition, all claims in connection with the share-based remuneration agreement for shares in Sedo Holding GmbH relating to the acquisition of InterNetX GmbH were settled in 2022.

36.1 Stock Appreciation Rights (SAR United Internet)

United Internet AG has had a Stock Appreciation Rights plan (SAR plan) since 2009. SARs refer to the commitment of United Internet AG (or a subsidiary) to pay the beneficiary 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 120% of the strike price, which is calculated as the average closing price in electronic trading (Xetra) of the Frankfurt Stock Exchange over the ten days preceding issuance of the option. In the case of the current tranches, the beneficiaries were in some cases awarded a maximum strike price of € 30 per SAR. Payment of value growth to the beneficiary is limited – depending on the arrangements of the different tranches – to a) 100% of the calculated share price (strike price), or b) to a fixed euro amount.

An SAR corresponds to a virtual subscription right for one share of United Internet AG. However, it is not a share right and thus not a (genuine) option to acquire shares of United Internet AG. The beneficiaries are not entitled to a possible dividend payment by the Company. As a rule, settlement is in cash. Nevertheless, United Internet AG retains the right to fulfill its commitment (or the commitment of a subsidiary) to pay the SAR in cash by also transferring United Internet AG shares from its stock of treasury shares to the beneficiary, at its own discretion. The program is thus recognized as an equity-settled plan.

Up to 25% of the option right may be converted at the earliest 24 months after the date of issue of the option; up to 50% at the earliest 36 months after the date of issue of the option. A total of up to 75% may be exercised 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 beneficiary concerned has not given notice of termination at the end of each year. The SARs have a basic term of

six years, so that after this period all unexercised SARs lapse without compensation. Beyond this, no further conditions have to be met for the SARs to be successfully awarded.

The fair value of the issued options as at the grant date is determined using an option pricing model (for one beneficiary using the Black-Scholes model and for another beneficiary using the Monte Carlo simulation) in accordance with IFRS 2.

The fair value of the SARs last issued in the fiscal year 2020 was determined using an option pricing model (Black-Scholes model / Monte Carlo simulation) in accordance with IFRS 2. No stock options were issued in the reporting period or in the previous year.

The limited payout per SAR was reflected by deducting the value of an option valuation at twice the strike price. With regard to the exercise windows of the SARs, the Black-Scholes valuation assumed the earliest possible exercise. The Monte Carlo simulation also assumed the earliest possible exercise, but the respective exercise hurdle was additionally simulated.

As the SARs have no dividend entitlement, a dividend yield based on the dividend for the respective fiscal year and the share price of United Internet AG as at the reporting date was taken into account when measuring the SARs in accordance with IFRS 2.B34.

The volatility used to determine the fair value was calculated as a weighted average on the basis of the historical volatility for the last 6 (1/3 weighting) and 12 months (2/3 weighting) prior to the measurement date, respectively. The strike price is calculated on the basis of the average share price of the last 10 days prior to the issuance date.

The SAR United Internet plan has the following effects:

€k	2022	2021
Total program expenditure	41,469	41,468
Accumulated expenses until the end of the fiscal year	39,227	36,866
Expenses attributable to future years	2,242	4,602
Personnel expenses in fiscal year	2,361	2,685

The changes in the virtual stock options granted and outstanding are shown in the following table:

	SAR	Average strike price (€)
Outstanding as of December 31, 2020	877,500	35.61
expired / forfeited	-75,000	31.15
expired / forfeited	-150,000	40
expired / forfeited	-75,000	36.27
Outstanding as of December 31, 2021	577,500	35.61
expired / forfeited	-90,000	30.00
expired / forfeited	-37,500	41.26
Outstanding as of December 31, 2022	450,000	32.50
Exercisable as of December 31, 2022	0	n/a
Exercisable as of December 31, 2021	0	n/a
Weighted average remaining term as at 31 December 2022 (in month)	37	
Weighted average remaining term as at 31 December 2021 (in month)	35	

The range of strike prices (without consideration of minimum payments) for stock options outstanding at the end of the reporting period is between € 31.26 and € 44.06 (prior year: € 30.00 and € 44.06).

36.2 Long Term Incentive Plan Business Applications (LTIP Hosting)

An additional employee stock ownership plan (Long-Term Incentive Plan, LTIP) was introduced for the Business Applications segment (IONOS Group) in the fiscal year 2017. The LTIP is designed to align the long-term interests of management (management board members and senior executives), as well as other key employees of the IONOS Group (Business Applications segment), with the interests of the company, in order to raise the equity value of the parent company (IONOS Group SE) and other companies of the IONOS Group.

Within the LTIP plan, qualifying employees in the Hosting division are awarded so-called Management Incentive Plan (MIP) units (stock appreciation rights). Vesting is on a straight-line basis (beginning with the date of issue) and on condition that the employee concerned has not resigned before the occurrence of an event defined in the LTIP agreement (trigger event). This refers to the complete sale of all shares in IONOS Group SE held by Warburg Pincus.

The partial share sale by Warburg Pincus in 2021 does not constitute such a trigger event. However, 25% of the claims from LTIP Hosting are already fixed at the enterprise value as at April 30, 2021.

In the event of a trigger event, the MIP units represent a claim equivalent to the difference between the individually determined strike price and the enterprise value of IONOS Group SE. The strike price is increased or decreased by equity contributions or repayments.

The entitlements under the LTIP plan can be settled in the form of shares or cash. In the case of settlement in the form of shares, rights may be settled by the provision of shares or options to acquire shares. As there is no current obligation for cash settlement, the plan is carried 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 parameters:

	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	74.2	30.3	44.01	26.11
Volatility	approx. 44%	approx. 41%	approx. 43%	approx. 41%
Maturity at the time of issue	< 1 year	< 1 year	< 1 year	< 1 year
Dividend yield	0	0	0	0
Risk-free interest	0	0	0	0

Fair value is determined on the basis of the individual strike price, the enterprise value as at the grant date and the remaining term until the trigger event, using the Black-Scholes model and taking into account the other assumptions mentioned above.

As the strike prices of the MIP units already take into account equity repayments, there is no need to additionally take account of a dividend yield when measuring the entitlements.

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

The Long Term Incentive Plan Business Applications has the following effects:

€k	2022	2021
Total program expenditure	37,709	34,716
Accumulated expenses until the end of the fiscal year	36,501	32,813
Expenses attributable to future years	1,208	1,903
Personnel expenses in fiscal year	3,688	11,065
Fair value of the commitments granted in the fiscal year at the grant date	0	4,367

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

	Units	Average strike price (€)
Outstanding as of December 31, 2020	380,225	146.42
issued	86,596	292.47
Leaver status correction	1,250	114.70
Outstanding as of December 31, 2021	468,071	173.36
expired / forfeited	0	0
Ausstehend zum 31. Dezember 2022	460,071	173.36
Exercisable as of December 31, 2022	0	n/a
Exercisable as of December 31, 2021	0	n/a

In the fiscal year 2021, the Business Applications segment introduced a further employee stock ownership plan (Long-Term Incentive Plan, LTIP) for selected members of the management board and the managing directors of the we22 Group (we22 AG including subsidiaries and investments). The LTIP is designed to align the long-term interests of employees of the we22 Group (Business Applications segment) with the interests of the company, in order to raise the equity value of the we22 Group and IONOS Group SE.

Within the LTIP plan, qualifying employees of the we22 Group are allocated so-called Management Incentive Plan (MIP) units, whose value is calculated by deducting a fixed strike price from the enterprise value of IONOS Group SE. Vesting is on a straight-line basis over a period of around four years (beginning with the date of issue) and on condition that the respective employee has not resigned by the end of each year or by December 31, 2024. Alternatively, in the event of a change of control at IONOS SE before the end of 2024, a portion of the beneficiaries must remain with the company until nine months after the change of control occurs in order to receive an entitlement. As such a change of control is currently not likely, this variant is not considered in the measurement of the plan. Claims are settled in cash and are therefore recognized as share-based remuneration with cash settlement.

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 parameters:

	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	von rd. 44%	von rd. 43%	von rd. 44%
Maturity at the time of issue	rd. 4 Jahre	4 Jahre	rd. 4 Jahre
Dividend yield	0	0	0
Risk-free interest	0.0%	0.0%	0.0%

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

As the strike prices of the MIP units already take into account equity repayments, there is no need to additionally take account of a dividend yield when measuring the entitlements.

The WE22 plan has the following effects:

€k	2022	2021
Total program expenditure	2,531	2,846
Accumulated expenses until the end of the fiscal year	1,308	669
Expenses attributable to future years	1,224	2,177
Personnel expenses in fiscal year	639	669
Fair value of the commitments granted in the fiscal year at the grant date	0	2,846

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

	Units	Durchschnittl. Ausübungspreis (€)
Outstanding as of December 31, 2021	66,738	161.56
Exercisable as of December 31, 2021	0	n/a
Issued (reported retroactively)	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

36.3 Stock Appreciation Rights (SAR Hosting)

In December 2022, a new incentive plan was also announced for the management board members, managers and employees of IONOS Group SE in the event of a successful IPO. The SAR plan employs so-called Stock Appreciation Rights (SARs) and is treated as an equity-settled, shared-based payment transaction. SARs refer to the commitment of IONOS Group SE to pay the beneficiary 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 calculated as the average closing price in electronic trading (Xetra) of the Frankfurt Stock Exchange over the ten days preceding issuance of the option. Payment of value growth to the beneficiary is limited – depending on the arrangements of the different tranches – to 100% of the calculated share price (strike price), or to 150% of the calculated share price (strike price).

An SAR corresponds to a virtual subscription right for one share of IONOS Group SE. However, it is not a share right and thus not a (genuine) option to acquire shares of IONOS Group SE. The beneficiaries are not entitled to a possible dividend payment by the Company. As a rule, settlement is in cash. Neverthe-

less, IONOS Group SE retains the right to fulfill its commitment to pay the SAR in cash by also transferring IONOS Group SE shares from its stock of treasury shares to the beneficiary, at its own discretion. The program is thus recognized as an equity-settled plan, as there is no present obligation to settle in cash.

Up to 33.33% of the option right may be converted 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; and the full amount at the earliest 60 months after the date of issue of the option, provided that the beneficiary concerned has not given notice of termination at the end of each year. Vesting is thus one-third in each of the aforementioned periods.

However, the SARs have a basic term of six years, so that after this period all unexercised SARs lapse without compensation. Moreover, additional reductions in the payout amounts are possible in connection with predefined ESG targets. At the time of preparing the Annual Financial Statements, these targets are not yet known. As of December 31, 2022, therefore, this plan only has a service commencement date and not a grant date. As a result, pro rata expenses are already recognized in accordance with fair value and current expectations as of the reporting date. Within the framework of the ESG targets, the entitlements can be reduced by a maximum of 10% if targets are not met.

36.4 Long Term Incentive Plan Versatel (LTIP Versatel)

An additional employee stock ownership plan (Long-Term Incentive Plan, LTIP) was introduced for the Business Access segment in the fiscal year 2018. The LTIP is designed to align the long-term interests of management board members and other key employees of the 1&1 Versatel Group (Business Access segment) with the interests of the company, in order to raise the equity value of the company (1&1 Versatel GmbH) and other companies of the 1&1 Versatel Group.

The plan entitles the beneficiaries to participate in a specified share of any increase in value of the 1&1 Versatel Group. Within the LTIP plan, qualifying employees in the Business Access segment are allocated stock appreciation rights.

Vesting is on a straight-line basis over a period of six years (beginning with the date of issue), or until the occurrence of an event defined in the LTIP plan conditions (trigger event), and provided that the employee concerned has not resigned by the end of each year or by the occurrence of a trigger event. The LTIP entitlement arises as soon as the full term of the LTIP contract ends (i.e., after six years) or an event as defined by the LTIP plan conditions occurs. After six years or on occurrence of a trigger event the respective LTIP entitlement becomes due.

The LTIP entitlement is calculated as the difference between the final value and the individual starting value (in each case based on the enterprise value at the time in question), which is multiplied by the respective stock appreciation right and a dilution factor.

The recognition of expenses per participant is on a straight-line basis over the period ending with the expiry of the respective LTIP contract, provided no trigger event occurs. In the event of an (imminent) trigger event, expenses are recognized in full up to the (expected) occurrence of the trigger event. As no trigger event is currently expected, this variant is not considered in the measurement of claims. This assessment is reviewed at each reporting date. Based on the current estimates, a total period of six years is assumed in each case.

The entitlements under the LTIP plan can be settled in the form of shares or cash. In the case of settlement in the form of shares, rights may be settled by the provision of shares or options to acquire shares. As there is no current obligation for cash settlement, the plan is carried as equity-settled.

The fair value of the issued options as at the grant date is determined using an option pricing model (Black-Scholes model) in accordance with IFRS 2.

As the calculation of the entitlement already takes into account equity repayments via a dilution factor, there is no need to additionally take account of a dividend yield when measuring the entitlements.

The volatility used to determine fair value was calculated using the weighted average price fluctuations of the Versatel peer group over the last 180 days (1/3 weighting) and the last 360 days (2/3 weighting), respectively.

The Long Term Incentive Plan Versatel has the following effects:

€k	2022	2021
Total program expenditure	8,449	7,872
Accumulated expenses until the end of the fiscal year	3,562	2,210
Expenses attributable to future years	4,887	5,662
Personnel expenses in fiscal year	1,352	1,202

The changes in the virtual stock options granted and outstanding are shown in the following table:

		Average strike price (€)
Allocation	1.3% value growth share	4,003
Outstanding as of December 31, 2021	2.7% value growth	2,937
Allocation	0.40% value growth	577
Outstanding as of December 31, 2022	3.1% value growth	2,743
Exercisable as of December 31, 2022	0	0
Exercisable as of December 31, 2021	0	0

36.5 Stock Appreciation Rights Drillisch (SAR Drillisch)

The Stock Appreciation Rights Drillisch (SAR Drillisch) plan introduced in the first half of 2018 existed until April 17, 2020. It was aimed at management board members, executives and employees in key positions and based on virtual stock options of 1&1 AG (formerly 1&1 Drillisch AG).

An SAR Drillisch was the commitment of 1&1 AG (or one of its subsidiaries) to pay the option beneficiary a consideration whose amount depended on the share price performance and the operating result (EBIT) of 1&1 AG (consolidated). As part of the SAR plan, so-called SARs were allocated which were then granted over the vesting period. An SAR corresponded to a virtual subscription right for one share of 1&1 AG. However, it was not a share right and thus not a (genuine) option to acquire shares of 1&1 AG. The entitlement arising from an SAR depended on the development of the share price and EBIT.

The old SAR Drillisch plan was canceled during the course of fiscal year 2020. At the time of cancellation, 77,400 stock options were outstanding and replaced by new equity instruments.

A new plan was introduced on April 17, 2020. The new employee stock ownership model, the so-called Stock Appreciation Rights Drillisch (SAR Drillisch), is aimed at the group of management board members, executives and employees in key positions and based on virtual stock options of 1&1 AG. According to the current conditions, an SAR Drillisch is the commitment of 1&1 AG (or one of its subsidiaries), to pay the option beneficiary a consideration equivalent to the difference between the share price on the date of granting (strike price) and the share price on exercising the option. The exercise hurdle is 120% of the strike price. The strike price is calculated as the average closing price for the company share in electronic trading (Xetra) of the Frankfurt Stock Exchange over the ten days preceding issuance of the option. Payment of value growth to the entitled person is capped at 100% of the calculated share price (strike price).

An SAR corresponds to a virtual subscription right for one share of 1&1 AG. However, it is not a share right and thus not a (genuine) option to acquire shares of 1&1 AG. The beneficiaries are not entitled to a possible dividend payment by the company. As a rule, settlement is in cash. Nevertheless, 1&1 AG retains the right to fulfill its commitment (or the commitment of a subsidiary) to pay the SAR in cash by also transferring 1&1 AG shares from its stock of treasury shares to the beneficiary, at its own discretion. As there is currently no obligation to settle in cash from the Group's perspective, these obligations are recognized as equity-settled transactions.

Those entitled to exercise options have an exercise window of 10 days. This begins on the 3rd day after the annual shareholders' meeting or after publication of the 9-month report. Up to 25% of the option right may be converted at the earliest 24 months after the date of issue of the option; up to 50% at the earliest 36 months after the date of issue of the option. A total of up to 75% may be exercised 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 beneficiary concerned has not given notice of termination at the end of each year. The SARs have a basic term of six years, so that after this period all unexercised SARs lapse without compensation. Beyond this, no further conditions have to be met for the SARs to be successfully awarded.

Using an option pricing model (Black-Scholes model) in accordance with IFRS 2, the fair value as at the grant date of the options issued was calculated as follows:

Ausgabestichtag	Jan. 01, 2022		Oct. 01, 2022	
Number of SARs	258,000		21,000	
Starting price	24.02	€	13.49	€
Strike price	24.11	€	14.28	€
Average market value per option	4.05	€	1.81	€
Dividend yield	0.21	%	0.37	%
Volatility of the share	31.05	%	22.47	%
Expected term (years)	5	years	5	years
risk-free interest rate	0.00	%	1.36	%

Issue date	Jun. 01, 2021		Nov. 01, 2021	
Number of SARs	228.400		28.000	
Starting price	26,30	€	25,70	€
Strike price	26,27	€	25,98	€
Average market value per option	4,84	€	4,21	€
Dividend yield	0,19	%	0,19	%
Volatility of the share	48	%	31	%
Expected term (years)	5	years	5	years
risk-free interest rate	0	%	0	%

The volatility used to determine the fair value was calculated as a weighted average on the basis of the historical volatility for the last 6 (1/3 weighting) and 12 months (2/3 weighting) prior to the measurement date, respectively. The strike price is calculated on the basis of the average share price of the last 10 days prior to the issuance date.

The capped payout per SAR was reflected by deducting the value of an option valuation at twice the strike price. With regard to the exercise windows of the SARs, the Black-Scholes valuation assumed the earliest possible exercise. As the SARs have no dividend entitlement, a dividend yield based on the dividend for the respective fiscal year and the share price of 1&1 AG as at the reporting date was taken into account when measuring the SARs in accordance with IFRS 2.B34.

The SAR Drillisch plan has the following effects:

€k	2022	2021
Total program expenditure	9,871	10,306
Accumulated expenses until the end of the fiscal year	6,877	5,043
Expenses attributable to future years	2,994	5,263
Personnel expenses in fiscal year	1,834	3,164

The changes in the virtual stock options granted and outstanding are shown in the following table:

	Number	Average strike price (€)
Outstanding as of December 31, 2020	2,488,600	19.61
issued	228,400	26.27
issued	28,000	25.98
Outstanding as of December 31, 2021	2,745,000	20.23
Expenses – Reallocation	258,000	24.11
Expenses – Reallocation	21,000	14.28
Outstanding as of December 31, 2022	2,627,500	20.58

36.6 Long Term Incentive Plan Portal (LTIP Consumer Application)

An additional employee stock ownership plan (LTIP Portal) was introduced by 1&1 Mail & Media Applications SE in the fiscal year 2019. The LTIP is designed to attract and retain skilled employees as well as to

align the long-term interests of management board members, executives, and other key employees of the group with the interests of the company, in order to raise the equity value of the company (1&1 Mail & Media Applications SE) and other companies of the group.

The plan entitles the beneficiaries to participate in a certain proportion of the increase in value of the 1&1 Mail & Media Group. Within the LTIP plan, qualifying employees are allocated stock appreciation rights.

Vesting is on a straight-line basis over an individually defined period (four to six years, beginning with the date of issue), or until the occurrence of a special event defined in the LTIP plan conditions (trigger event), and provided that the employee concerned has not resigned by the end of each year or by the occurrence of a trigger event. The LTIP entitlement arises as soon as the full term of the LTIP contract or a trigger event occurs.

The recognition of expenses per participant is on a straight-line basis over the period ending with the expiry of the respective LTIP contract, provided no trigger event occurs. In the event of an (imminent) trigger event, expenses are recognized in full up to the (expected) occurrence of the trigger event. As no trigger event is currently expected, this variant is not considered in the measurement of claims. This assessment is reviewed at each reporting date. Based on the current estimates, a total period of four to six years is assumed (depending on the individual agreement).

The entitlements under the LTIP plan can be settled in the form of shares or cash. In the case of settlement in the form of shares, rights may be settled by the provision of shares in the company, provided they are traded on a stock exchange in the meantime, or shares in another company listed on a stock exchange, or the corresponding options to acquire shares. As there is no current obligation for cash settlement, the plan is carried as equity-settled.

The fair value of the issued options as at the grant date is determined using an option pricing model (Black-Scholes model) in accordance with IFRS 2.

As the calculation of the entitlement already takes into account equity repayments via a dilution factor and possibly a reduced strike price, there is no need to additionally take account of a dividend yield when measuring the entitlements.

The volatility used to determine fair value was calculated using the weighted average price fluctuations of the Portal peer group over the last 180 days (1/3 weighting) and the last 360 days (2/3 weighting), respectively.

The LTIP Consumer Application has the following effects:

T€	2022	2021
Total program expenditure	9,407	9,407
Accumulated expenses until the end of the fiscal year	4,928	3,235
Expenses attributable to future years	4,479	6,172
Personnel expenses in fiscal year	1,693	1,477
Fair value of commitments granted in the financial year	0	2,470

The changes in the virtual stock options granted and outstanding are shown in the following table:

	Value growth shares	Average strike price (€)
Outstanding as of December 31, 2020	4.25% value growth share	1,775
Allocation	1.05% value growth	2,353
expired	0.3% value growth	-607
Outstanding as of December 31, 2021	4.25% value growth share	1,881
Allocation		0
expired		0
Outstanding as of December 31, 2022	5.0% value growth	1,881
Exercisable as of December 31, 2022	0	0
Exercisable as of December 31, 2021	0	0

37. Capital stock

The fully paid-in capital stock as of December 31, 2022 amounted to €194,000,000 (prior year: € 194,000,000) divided into 194,000,000 registered no-par shares having a theoretical share in the capital stock of € 1.00 each.

Authorized Capital 2020

The Management Board is authorized, subject to the approval of the Supervisory Board, to increase the capital stock in the period ending August 31, 2023, by a maximum of € 77,500,000.00 by issuing on one or more occasions new no-par shares for cash and/or non-cash contributions (Authorized Capital 2020).

Shareholders are to be granted subscription rights with the following restrictions. The Management Board is authorized, subject to the approval of the Supervisory Board, to exclude the right to subscribe in the case of fractional amounts and also to exclude subscription rights to the extent that this should be necessary in order to grant subscription rights for new shares to bearers of warrants and convertible bonds issued by United Internet AG or its subsidiaries in the amount to which they would be entitled on exercise of their warrant or conversion rights or fulfillment of their conversion obligation.

In the case of a capital increase in return for cash contribution, the Management Board is further authorized, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights for an amount of up to 10% of the capital stock existing at the time Authorized Capital 2020 becomes effective, or – if this amount is lower – at the time the resolution to use Authorized Capital 2020 is adopted, if the new shares are issued at an issuance price which is not substantially below the market price of those Company shares already listed at the time of the final determination of the issuance price, which shall be as near in time as possible to the share issuance date. This maximum amount of 10% of the capital stock includes the proportionate share of capital stock attributable to treasury shares sold on or after the effective date of this authorization in direct or analogous application of section 186 (3) sentence 4 German Stock Corporation Act (AktG), as well as the proportionate share of the

capital stock attributable to shares subject to conversion and/or warrant rights or conversion obligations from bonds issued pursuant to the authorization of the Annual Shareholders' Meeting of May 20, 2020, with the exclusion of subscription rights in accordance with section 186 (3) sentence 4 AktG.

The Management Board is further authorized, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights in the case of capital increases in return for non-cash contribution in order to grant shares for the purpose of acquiring companies, parts of companies, interests in companies or other assets, including rights and receivables, or as part of business combinations.

The above mentioned authorizations to exclude subscription rights are limited in total to an amount of up to 20% of the capital stock existing at the time Authorized Capital 2020 becomes effective, or – if this amount is lower – at the time the resolution to use Authorized Capital 2020 is adopted. This maximum amount of 20% of the capital stock includes the proportionate share of capital stock attributable to shares subject to conversion and/or warrant rights or conversion obligations from bonds issued pursuant to the authorization of the Annual Shareholders' Meeting of May 20, 2020, with the exclusion of subscription rights, as well as the proportionate share of capital stock attributable to treasury shares sold on or after the effective date of this authorization in a manner other than via the stock exchange or by means of an offer to all shareholders.

The Management Board is further authorized, subject to the approval of the Supervisory Board, to determine the further details of the capital increase and its execution.

Conditional Capital 2020

Capital stock is conditionally increased by up to € 25,000,000.00 by issuing up to 25,000,000 no-par value registered shares (Conditional Capital 2020). The conditional capital increase is earmarked for the granting of no-par value registered shares on exercise of conversion or warrant rights (or fulfillment of corresponding conversion obligations) or on exercise of the Company's right to grant no-par value shares in the Company, instead of paying the cash amount due (or parts thereof), to the bearers of convertible bonds or bonds with warrants that have been issued by the Company or any subordinated Group company in the period ending August 31, 2023, on the basis of the authorizing resolution of the Annual Shareholders' Meeting of May 20, 2020. The new shares will be issued at the warrant or conversion price to be determined in accordance with the above authorizing resolution.

The conditional capital increase is to be exercised only if bonds with warrant rights or conversion rights or obligations attached are issued pursuant to the authorizing resolution of the Annual Shareholders' Meeting of May 20, 2020, and only to the extent that warrant or conversion rights are exercised or to the extent that bearers or holders of bonds obliged to convert their bonds fulfill their obligations, or to the extent that the Company exercises a right to grant no-par value shares in the Company, instead of paying the cash amount due (or parts thereof), and to the extent that cash compensation is not granted or treasury shares or shares in another listed company are not used to service bonds. The issued new shares shall participate in profits from the beginning of the fiscal year in which they are created; to the extent that it is legally permissible, the Management Board may, with the approval of the Supervisory Board, determine the profit participation of new shares and, notwithstanding section 60 (2) AktG, also for a fiscal year already expired.

The Management Board is authorized, subject to the approval of the Supervisory Board, to determine the further details concerning the execution of the conditional capital increase.

Interim dividend

The Annual Shareholders' Meeting of May 20, 2020 created the option of paying an interim dividend with a corresponding amendment to section 21 of the Articles of Association.

38. Reserves

As of December 31, 2022, capital reserves amounted to € 1,965m (prior year: € 1,955m). The increase is mainly due to the employee stock ownership plans.

The accumulated result includes the past results of consolidated companies, less amounts for dividends payouts.

At the end of the reporting period, the revaluation reserve attributable to shareholders of United Internet AG consisted of the following items:

€k	31.12.2022	31.12.2021
Financial assets at fair value through other comprehensive income		
Other shares	0	0
Share in other comprehensive income of associated companies:	1,595	601
sonstige Beteiligungen	-312	0
Total	1,283	601

Translation differences from the annual financial statements of foreign subsidiaries without an effect on profit or loss are recognized in the currency translation adjustment.

An overview of the composition and changes in the reserves described above for the fiscal years 2022 and 2021 is provided in the Statement of Changes in Shareholders' Equity.

39. Treasury shares

The authorization to acquire and use treasury shares that was granted by the Annual Shareholders' Meeting on May 18, 2017 in accordance with section 71 (1) number 8 AktG expired on September 18, 2020.

The Annual Shareholders' Meeting of May 20, 2020 authorized the Management Board pursuant to section 71 (1) number 8 AktG, to acquire treasury shares for every permissible purpose within the scope of legal restrictions and subject to the following provisions. This authorization is granted for the period from September 19 to August 31, 2023. It is limited to a total share of 10 percent of the capital stock existing at the time the Annual Shareholders' Meeting adopts this resolution or – if this amount is lower – at the time this authorization is exercised.

Treasury shares may be acquired via the stock exchange or by means of a public purchase offer made to all shareholders or through a public request made to all shareholders to submit sales offers or by granting tender rights to the shareholders.

The Management Board is also authorized, in addition to a sale via the stock exchange or a use in another manner that complies with the principle of equal treatment of all shareholders, to use treasury shares for the following purposes:

- as (partial) consideration in connection with the acquisition of companies or interests in companies or parts of companies or in connection with business combinations;

- to float shares of the Company on foreign stock exchanges on which they were previously not admitted to trading;
- to grant United Internet shares as part of remuneration and/or employee stock ownership programs such that United Internet shares are offered or transferred to members of the Management Board of United Internet AG and/or to individuals who are or were in an employment relationship with the Company and/or to members of the management of affiliated companies. Insofar as United Internet shares are to be transferred to members of the Company's Management Board, the decision on this is incumbent upon the Company's Supervisory Board.

Shareholders' statutory subscription rights with regard to these treasury shares are excluded in accordance with sections 71 (1) no. 8 and 186 (3) and (4) AktG to the extent that these shares are used pursuant to the above authorizations. Furthermore, the Managing Board is authorized to exclude shareholders' subscription rights for fractional shares if treasury shares are sold by means of an offer to all shareholders.

The authorization may not be used for the purpose of trading with treasury shares.

The Group purchased no treasury shares in the reporting period. In the previous year, the Group purchased 514,972 treasury shares for an amount of € 18,721k.

As of the balance sheet date, a total of 7,284,109 treasury shares were held (prior year: 7,284,109).

Treasury shares reduce equity and have no dividend entitlement.

40. Non-controlling interests

Non-controlling interests developed as follows:

€k	AG / Consumer Access (21.68%)	IONOS Group SE/Business Applications (24.90%)	Total
Jan. 01, 2022	513,911	-58,165	455,746
Pro-rated result	78,574	18,969	97,543
Pro-rated other comprehensive income	0	-1,410	-1,410
Pro-rated changes	0	-2,234	-2,234
Other changes in equity	456	89	545
Dividend	-1,893	0	-1,893
Dec. 31, 2022	591,048	-42,751	548,298

Pro-rated changes in the reporting period relate to increased stakes in 1&1 AG and IONOS Group SE (formerly: IONOS TopCo SE). Please refer to Note 4.

€k	1&1 AG / Consumer Access (24.69%)	IONOS Group SE/Business Applications (33.33%)	Total
Jan. 1, 2021	500,483	-108,333	392,150
Pro-rated result	86,414	20,264	106,678
Pro-rated other comprehensive income	35	2,422	2,458
Other changes in equity	1,282	5,601	6,883
Dividend	-2,080	-962	-3,043
Dec. 31, 2021	513,911	-58,165	455,746

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

1&1 AG (Consumer Access)		
in € million	2022	2021
Current assets	1,855	1,899
Non-current assets	5,402	5,165
Current liabilities	550	656
Non-current liabilities	1,128	1,189
Shareholders' equity	5,580	5,219
Sales revenue	3,964	3,910
Pre-tax result	532	535
Income taxes	-164	-165
Net income	367	370
Cash flow from operating activities	181	432
Cash flow from investment activities	-97	-351
Cash flow from financing activities	-83	-81

IONOS Group SE (Business Applications)

in € million	2022	2021
Current assets	176	166
Non-current assets	1,337	1,311
Current liabilities	299	283
Non-current liabilities	1,376	1,427
Shareholders' equity	-162	-233
Sales revenue	1,293	1,103
Pre-tax result	112	98
Income taxes	-38	-36
Net income	74	62
Cash flow from operating activities	188	201
Cash flow from investment activities	-111	-89
Cash flow from financing activities	-102	-170

41. Additional details on financial instruments

The following table shows the carrying amounts for each category of financial assets and liabilities for fiscal year 2022:

€k	Measurement category acc. to IFRS 9	Buchwert per 31.12.2022	Amortized cost	Fair value through profit or loss	Measurement category acc. to IFRS 16	Fair Value per 31.12.2022
Financial assets						
Cash and cash equivalents	ac	40,523	40,523			40,523
Trade accounts receivable						
- Receivables from finance leases	n/a	47,684	0		47,684	43,146
- Others	ac	412,544	412,544			412,544
Other current financial assets						
- At amortized cost	ac	42,370	42,370			42,370
- Fair value through profit or loss	fvtpl	64,201	0	64,201		64,201
Other non-current financial assets						
- At amortized cost	ac	10,386	10,386			10,386
- Fair value through profit or loss	fvtpl	335	0	335		
Financial liabilities		0	0			
Trade accounts payable	flac	-565,813	-565,813			-565,813
Liabilities due to banks	flac	-2,155,499	-2,155,499			-2,035,617
Other financial liabilities						
- Leasing liability	n/a	-646,954	0		-646,954	-
- Fair value through profit or loss	fvtpl	-38,656	0	-38,656		-38,656
- Others	flac	-961,255	-961,255			-961,255
Of which aggregated acc. to measurement categories:						
Financial assets at amortized cost	ac	505,823	505,823			505,823
Financial assets at fair value through profit or loss	fvtpl	64,536	0	64,536		64,201
Financial liabilities at amortized cost	flac	-3,682,567	-3,682,567			-3,562,685
Financial liabilities measured at fair value through profit or loss	fvtpl	-38,656	0	-38,656		-38,656

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

Nettoergebnis nach Bewertungskategorien 2022 (in T€)	Net profits and losses from subsequent measurement					Net result
	Measurement category IFRS 9	From interest and dividends	At fair value	Currency translation	Allowance	
€k						
Financial assets at amortized cost	ac	328	--	-169	-69,078	-68,920
Financial assets at fair value						
- through other comprehensive income	fvoci	0	0	--	--	0
- through profit or loss	fvtpl		-5,858	--	--	-5,858
Financial liabilities at amortized cost	flac	-25,132	--	-73	--	-25,204
Financial liabilities measured at fair value						
- through profit or loss	fvtpl		-2,462			-2,462
Total		-24,804	-8,320	-242	-69,078	-102,444

With the exception of trade accounts receivable in connection with finance leases, cash and cash equivalents, trade accounts receivable, and other current financial assets mostly have short remaining terms. Their carrying amounts on the reporting date are thus similar to fair value.

Investments and derivatives are carried at fair value. In the case of the remaining other non-current financial assets carried at amortized cost, it is assumed that their carrying amounts correspond to fair value.

Trade accounts payable mostly have short remaining terms. Their carrying amounts on the reporting date are thus similar to fair value. The same applies to current liabilities due to banks.

For the remaining other non-current liabilities recognized at amortized cost, it is assumed that their carrying amounts correspond to their fair values.

Non-current liabilities due to banks are loans which can be prematurely redeemed. In addition, both the basic interest rate and the margin are variable. The margin depends on predefined KPIs of the United Internet Group. Due to these factors, it is assumed that their carrying amounts of non-current liabilities correspond approximately to fair value. The fair value measurement of the promissory note loans is based at least in part on input parameters not observable on the market.

Due to changed interest rates, there are slight deviations between the carrying value and fair value of receivables and liabilities in connection with finance leases.

The conditional purchase price liabilities are carried at fair value. In the case of the remaining other non-current financial liabilities carried at amortized cost, it is assumed that their carrying amounts correspond to fair value.

The following table shows the carrying amounts for each category of financial assets and liabilities for fiscal year 2021:

T€	Measurement category acc. to IFRS 9	Carrying amount on Dec. 31, 2021	Amortized cost	Fair value not through profit or loss	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	110,116	110,116				110,116
Trade accounts receivable							
- Receivables from finance leases	n/a	54,012				54,012	51,040
- Others	ac	373,708	373,708				373,708
Other current financial assets							
- At amortized cost	ac	48,598	48,598				48,598
- Fair value through other comprehensive income	fvoci	0		0			0
- Fair value through profit or loss	fvtp	70,394			70,394		70,394
Other non-current financial assets							
- At amortized cost	ac	11,617	11,617				11,617
Financial liabilities							
Trade accounts payable	flac	-585,869	-585,869				-585,869
Liabilities due to banks	flac	-1,822,721	-1,822,721				-1,828,031
Other financial liabilities							
- Leasing liability	n/a	0				0	-
- Fair value through profit or loss	fvtp	-51,980			-51,980		-51,980
- Others	flac	-1,528,383	-1,528,383				-1,528,383
Of which aggregated acc. to measurement categories:							
Financial assets at amortized cost	ac	544,038	544,038				544,038
Financial assets at fair value through other comprehensive income without recycling to profit or loss	fvoci	0		0			0
Financial assets at fair value through profit or loss	fvtp	70,394			70,394		70,394
Financial liabilities at amortized cost	flac	-3,936,974	-3,936,974				-3,942,284
Financial liabilities measured at fair value through profit or loss	fvtp	-51,980			-51,980		-51,980

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

Net result acc. to measurement categories 2021 (in €k)		Net profits and losses from subsequent measurement				Net result
€k	Measurement category IFRS 9	From interest and dividends	At fair value	Currency translation	Allowance	
Financial assets at amortized cost	ac	492	--	-2,519	-54,727	-56,754
Financial assets at fair value						
- through other comprehensive income	fvoci	0	0	--	--	0
- through profit or loss	fvtpl		24,001	--	--	24,001
Financial liabilities at amortized cost	flac	-25,756	--	-1,079	--	-26,835
Financial liabilities measured at fair value						
- through profit or loss	fvtpl		-19,536			-19,536
Total		-25,264	4,465	-3,598	-54,727	-79,124

The fair value of financial assets and liabilities is stated at the amount at which the instrument concerned might be exchanged in a current transaction (excluding a forced sale or liquidation) between willing business partners.

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

- Cash and short-term deposits, trade accounts receivable, trade accounts payable, and other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at December 31, 2022, and as in the previous year, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.
- The fair value of bank loans and other financial liabilities is estimated by discounting future cash flows using interest rates currently available for debt on similar terms, credit risk and remaining maturities.
- Financial assets and liabilities measured at fair value are measured using appropriate measurement techniques. Where available, stock exchanges prices on active markets are used. The valuation of shares in non-listed companies is based mainly on present value models. The valuation of derivatives and conditional purchase price liabilities is based mainly option pricing models.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by measurement 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 which use inputs which 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 assets at fair value through profit or loss	64,536	4,715		59,821
Derivatives	64,536	4,715		59,821
Financial liabilities measured at fair value through profit or loss	-38,656			0
Purchase price liabilities	-38,219			-38,219
Derivatives	-437	-437		

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

€k	as of Dec. 31, 2021	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	70,394	5,233		65,161
Derivatives	70,394	5,233		65,161
Financial liabilities measured at fair value through profit or loss	-51,980			-51,980
Purchase price liabilities	-51,980			-51,980

The following table shows the main non-observable input factors for the fair value measurements categorized in Level 3 of the fair value hierarchy and a quantitative sensitivity analysis as of December 31, 2022:

as of Dec. 31, 2022	Measurement method	Main non-observable input factors	Considered in measurement	Sensitivity of input factor on fair value	
Foreign currency-based derivatives	Monte Carlo simulation	Exit date of Warburg Pincus from Business Application segment	0.1 year	0.25 years	n.a.
				+0.8 Mio. €	n.a.
		Volatility	7.3%	+1%	-1%
				+0.2 Mio. €	-0.2 Mio. €
Earnings-based derivatives	Black-Scholes model	Exit date of Warburg Pincus from Business Application segment	0.1 year	0.25 year	n.a.
				-3.5 Mio. €	n.a.
		Volatility	39.3%	+1%	-1%
				-0.0 Mio. €	+0.0 Mio. €
Conditional purchase price liability	Black-Scholes model	Exit date of Warburg Pincus from Business Application segment	0.1 year	0.25 year	n.a.
				-2.7 Mio. €	n.a.
		Volatility	39.3%	+1%	-1%
				-0.0 Mio. €	+0.0 Mio. €

* Der Wert unterliegt keinen wesentlichen Schätzannahmen, bereits fällig.

as of Dec. 31, 2021	Measurement method	Main non-observable input factors	Considered in measurement	Sensitivity of input factor on fair value	
Foreign currency-based derivatives	Monte Carlo simulation	Exit date of Warburg Pincus from Business Application segment	0.5 year	0.25 year	-0.25 year
				+0.2 Mio. €	-0.2 Mio. €
		Volatility		+1%	-1%
				+0.1 Mio. €	-0.1 Mio. €
Earnings-based derivatives	Black-Scholes model	Exit date of Warburg Pincus from Business Application segment	0.5 year	0.25 year	-0.25 year
				-2.3 Mio. €	+2.4 Mio. €
		Volatility		+1%	-1%
				-0.3 Mio. €	+0.3 Mio. €
Conditional purchase price liability	Black-Scholes model	Exit date of Warburg Pincus from Business Application segment	0.5 year	0.25 year	-0.25 year
				-1.9 Mio. €	+1.8 Mio. €
		Volatility		+1%	-1%
				-0.2 Mio. €	+0.2 Mio. €
Conditional purchase price liability	Modified multiple	EBITDA growth*	23%	n/a	n/a

A further purchase price liability measured at fair value is already due. Only its payment is outstanding. No sensitivity analysis has therefore been conducted.

Reconciliation to fair value in Level 3:

€k	Derivatives	Conditional purchase price obligation
As of January 1, 2021	30,832	-32,735
Revaluation recognized in profit or loss	24,001	-19,536
Additions	16,867	0
Derecognition	-1,306	291
As of December 31, 2021	70,394	-51,980
Changes in value recognized in other operating expenses	-22,268	-437
Changes in value recognized in other operating income	12,866	8,884
Changes in value recognized in financial expenses	-19,188	-10,908
Changes in value recognized in financial income	22,732	0
Derecognition	0	15,786
As of December 31, 2022	64,536	-38,656

42. Transactions with related parties

IAS 24 defines related parties as those persons and companies that control or can exert a significant influence over the other party. Mr. Ralph Dommermuth, the major shareholder, as well as from the members of the Management Board and Supervisory Board of United Internet AG and their close relatives were classified as related parties. Moreover, companies over which the related parties exert a controlling influence are classified as related parties.

Ms. Claudia Borgas-Herold retired from the Supervisory Board on August 22, 2022, but is still active within the Group as a member of the supervisory board of IONOS Group SE. Compared to the Annual Financial Statements as at December 31, 2021, the group of related parties was otherwise unchanged.

In the fiscal year 2022, the members of the Supervisory Board also held seats on supervisory boards or similar committees of the following companies:

Phillipp von Bismarck

- No other seats

Dr. Manuel Cubero del Castillo-Olivares

- Nürnberg Institut für Marktentscheidung e.V., Nuremberg (chair)
- Unicepta Holding GmbH, Cologne (chair of the advisory committee)

Prof. Dr. Yasmin Mei-Yee Weiß

- Zeppelin GmbH, Friedrichshafen
- Bayerische Beamten Lebensversicherung AG, Munich
- BLG Logistics Group AG & Co. KG, Bremen
- Börsenverein des deutschen Buchhandels, Frankfurt am Main (since January 2022)

Prof. Dr. Andreas Söffing

- Deutsche Oppenheim Family Office AG, Cologne (deputy chair of the advisory committee)
- Institut der Steuerberater Hessen e. V., Frankfurt (deputy chair of the scientific committee)
- Nemetschek SE, Munich
- Nemetschek Innovationsstiftung, Munich (chair of the management board)
- Nemetschek Familienstiftung, Munich
- Capella GmbH, Hamburg

Dr. Claudia Borgas-Herold

- 1&1 AG, Montabaur
- IONOS Holding SE, Montabaur
- Tele Columbus AG, Berlin (until March 2022)

Stefan Rasch

- Hallhuber GmbH, Munich (since March 2022)

The current remuneration system for Supervisory Board members was last adopted by the Annual Shareholders' Meeting of May 19, 2022 pursuant to section 13 of the Articles of Association of United Internet AG.

In addition to the reimbursement of cash expenses, each member of the Supervisory Board receives fixed annual remuneration of € 30,000.00. The Chairman receives € 120,000.00, the Deputy Chairman receives € 45,000.00.

For serving on the Supervisory Board's Audit and Risk Committee, the Chairman of the Audit and Risk Committee receives an additional € 65,000.00 per year, and each other member of the Audit and Risk Committee receives an additional € 25,000.00 per year. The Company shall support the members of the Audit and Risk Committee in taking part in necessary further training measures and shall also bear the costs incurred to a reasonable extent.

A Supervisory Board member who only served as a member of the Supervisory Board or the Audit and Risk Committee for part of the fiscal year receives a lower amount of remuneration on a pro rata temporis basis for each month or part thereof.

In addition, each member of the Supervisory Board and each member of the Audit and Risk Committee receives an attendance fee of € 1,500 for each time they attend a meeting of the Supervisory Board or of the Audit and Risk Committee held in person. If the meeting of the Supervisory Board or of the Audit and Risk Committee is not held in person but only virtually (in particular if a meeting is held only by telephone or only via videoconference), the members of the Supervisory Board or of the Audit and Risk Committee receive no attendance fee if the meeting lasted no more than one hour. Members who do not personally attend meetings of the Supervisory Board or of the Audit and Risk Committee held in person (e.g., by participating via telephone or videoconference) always receive only 25% of the attendance fee, and if they participate solely by submitting a voting rights message are not entitled to any attendance fee.

The following table provides details on the compensation received by members of the Supervisory Board of United Internet AG:

2022	Subsidiaries of United Internet AG									Total
	United Internet AG			AG						
€k	Fixed	Attendance fee	Total	Fixed	Attendance fee	Total	Fixed	Attendance fee	Other*	Total
Philipp von Bismarck	145	29	174	0	0	0	145	29	0	174
Prof. Dr. Yasmin Mei-Yee Weiß	30	14	44	0	0	0	30	14	0	44
Dr. Claudia Borgas-Herold	20	5	25	67	5	72	87	10	0	97
Dr. Manuel Cubero del Castillo-Olivares	45	15	60	0	0	0	45	15		60
Stefan Rasch	55	29	84	0	0	0	55	29	0	84
Prof. Dr. Andreas Söffing	95	30	125	0	0	0	95	30		125
	390	122	512	67	5	72	457	127	0	584

* VAT refund

2021	United Internet AG			Subsidiaries of United Internet AG						Total
€k	Fixed	Attendance fee	Total	Fixed	Attendance fee	Total	Fixed	Attendance fee		Total
Kurt Dobitsch	13	1	14	105	15	120	118	16	26	160
Kai-Uwe Ricke	0	0	0	0	0	0	0	0		0
Philipp von Bismarck	35	6	41	0	0	0	35	6	8	49
Prof. Dr. Yasmin Meiyer Weiß	20	6	26	0	0	0	20	6	5	31
Dr. Claudia Borgas-Herold	20	6	26	69	7	76	89	13	19	121
Dr. Manuel Cubero del Castillo-Olivares	21	6	27	0	0	0	21	6		27
Stefan Rasch	20	5	25	0	0	0	20	5	4	29
Prof. Dr. Andreas Söffing	32	5	37	0	0	0	32	5		37
Michael Scheeren	5	1	6	36	7	43	41	8	10	59
	166	36	202	210	29	239	376	65		513

There are no subscription rights or share-based payments for members of the Supervisory Board.

The Supervisory Board is responsible for determining the remuneration of the Management Board. The members of the Management Board are compensated according to performance. This compensation consists of a fixed and a variable element (bonus). A target remuneration figure is agreed for the fixed component and the bonus, which is regularly reviewed. The last review was made in fiscal year 2022. 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 sales and earnings figures. The target attainment corridor is generally between 90% to 120%. No bonus is paid below 90% of the agreed target and the bonus calculation ends at 120% of the agreed target. No subsequent amendment of the performance targets is allowed. There is no minimum guaranteed bonus. Payment is generally made after the Annual Financial Statements have been adopted by the Supervisory Board.

There are no retirement benefits from the Company to members of the Management Board.

The following table provides details on the compensation received by members of the Management Board:

2022	Fixed	Variable	Fringe benefits	Total fixed, variable and fringe benefits	Market value of share-based payments granted in 2022*
Ralph Dommermuth	0	0	0	0	-
Martin Mildner	650	350	11	1,011	-
	650	350	11	1,011	-

2021	Fix	Variabel	Nebenleistungen	Summe Fix, Variabel und Nebenleistungen	Market value of share-based payments granted in 2021 *
Ralph Dommermuth	0	0	0	0	-
Martin Mildner	650	350	55	1055	-
	650	361	44	1,055	-

*Die aktienbasierten Vergütungen (sog. Stock Appreciation Rights) stellen Vergütungs-komponenten mit langfristiger Anreizwirkung dar und werden über einen Zeitraum von insgesamt 6 Jahren ausbezahlt.

Total Management Board remuneration as defined by section 314 (1) number 6 a and b HGB, i.e., including the market value of share-based payments, amounted to € 1,022k (prior year: € 1,055k).

Total Management Board and Supervisory Board remuneration was as follows:

	2022	2021
Short-term benefits	1,523	1,257
Benefits after termination of employment	0	0
Other benefits due in the long term	0	0
Benefits on the occasion of termination of employment	0	0
Share-based payments	2,354	2,636
	3,877	3,893

No SARs were granted to Management Board members in the reporting period. Members of the Management Board were not granted any advances or loans in the reporting period nor in the previous year.

The number of shares in United Internet AG held by members of the Management Board and the Supervisory Board is presented in the following table:

Shareholdings	January 1, 2022			December 31, 2022		
Management Board	Direct	Indirect	Total	Direct	Indirect	Total
Ralph Dommermuth	0	82,000,000	82,000,000	0	99,000,000	99,000,000
Martin Mildner	2	---	2	15	---	15
	2	82,000,000	82,000,002	15	99,000,000	99,000,015
Supervisory Board	Direct	Indirect	Total	Direct	Indirect	Total
Kurt Dobitsch	---	---	---	---	---	---
Philipp von Bismarck	---	---	---	---	---	---
Prof. Dr. Yasmin Mei-Yee Weiß	---	---	---	---	---	---
Dr. Claudia Borgas-Herold	---	---	---	---	---	---
Dr. Manuel Cubero del Castillo-Olivares	---	---	---	---	---	---
Stefan Rasch	---	---	---	---	---	---
Prof. Dr. Andreas Söffing	---	---	---	---	---	---
Michael Scheeren	---	---	---	---	---	---
	---	---	---	---	---	---

In addition, the United Internet Group can exert a significant influence on its associated companies.

Transactions with related parties

Sales to and purchases from related parties are conducted at standard market conditions. The open balances at year-end are unsecured, non-interest-bearing and settled in cash. There are no guarantees for receivables from or liabilities due to related parties. No allowances were recognized for receivables from related parties in fiscal year 2022 or the previous year. An impairment test is conducted regularly. This includes an assessment of the financial position of the related party and the development of the market in which they operate.

As in the previous year, United Internet's premises in Montabaur and Karlsruhe are leased in part from Mr. Ralph Dommermuth, the Chief Executive Officer and a major shareholder of the Company. The corresponding lease agreements have different terms between the beginning of 2023 and the end of 2036. The resulting rent expenses are customary and amounted to € 14,205k in fiscal year 2022 (prior year: € 13,206k).

Ms. Judith Dommermuth is a member of the supervisory board of Borussia Dortmund GmbH & Co. KGaA. In this context, the sponsorship payments made to Borussia Dortmund in the past fiscal year amounting to € 20,000k are to be classified as related party transactions.

In addition, transactions with the following foundations are classified as related party transactions:

- Ralph and Judith Dommermuth Foundation
- United Internet for UNICEF Foundation

■ Internet Economy Foundation

■ Westerwelle Foundation

In the past fiscal year 2022, the Internet Economy Foundation charged United Internet AG € 150k. Furthermore, the United Internet for UNICEF Foundation charged the Group € 58k. There were no other transactions.

The following table presents rights of use in connection with related parties.

	Opening balance	Addition of fiscal year	Amortization/depreciation	Carrying amount
Rights of use	117,903	29,021	-11,868	135,056

The following table presents lease liabilities in connection with related parties.

	Opening balance	Addition of fiscal year	Redemption/Interest	Carrying amount
Lease liabilities	120,454	29,021	-11,785	137,689

At the end of the reporting period, there were five loan agreements with associated companies totaling €6,329k (prior year: € 7,183k).

The loans have terms of one and up to eight years. The tranches each have fixed interest rates of up to 11.75% p.a..

The following table presents the outstanding balances and total transactions volumes with associated companies and related parties in the respective fiscal year:

€k	Purchases/services from related parties		Sales/services to related parties		Liabilities due to related parties		Receivables from related parties	
	2022	2021	2022	2021	2022	2021	2022	2021
	30,389	26,303	1,508	2,176	245	228	98	298

€k	Financial income		Financial expenses	
	2022	2021	2022	2021
	352	104	0	0

43. Objectives and methods of financial risk management

Principles of risk management

The risk management system introduced by the United Internet Group is based on the COSO-ERM framework and is described in detail 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 Group include bank loans, promissory note loans and overdraft facilities, trade accounts payable, and other financial liabilities.

The Group holds various financial assets which result directly from its business activities. They consist mainly of trade accounts receivable, and short-term deposits.

As of the reporting date, the Group mainly held primary financial instruments.

The aim of financial risk management is to limit these risks through ongoing operating and financial activities. The Group is hereby exposed to certain risks with regard to its assets, liabilities, and planned transactions, especially liquidity risks and market risks, as described below.

Liquidity risk

Liquidity risk constitutes the risk that a company will be unable to meet the financial obligations arising from its financial liabilities. As in the previous year, the general liquidity risk of United Internet consists of the possibility that the Group may not be able to meet its current financial obligations in due time. Especially in view of the cost-intensive rollout of the mobile communications network over many years, both short-term liquidity forecasts and longer-term financial planning are conducted in order to secure the solvency and the financial flexibility of the United Internet Group at all times. We expect to be able to cover investments in the mobile communications network predominantly from existing liquidity and future cash flows from operating activities, as well as loans.

As a result of the expected positive contribution to liquidity from operations and the interest-optimized use of the credit lines already granted, the Group is able to ensure the continual coverage of its financial needs at all times. The credit commitments granted to the Company by banks and the existing syndicated loan facility offer sufficient flexibility for these needs. In order to maintain financial stability, a balanced financial structure is sought which provides both the diversification of financial instruments and a balanced maturity profile.

Global cash requirements and surpluses are managed by the central liquidity management system. The daily automated pooling of bank balances held by the participating Group companies (cash pooling) provides United Internet AG at all times with the predominant proportion of its cash denominated in euro. The Group has established standardized processes and systems to manage its bank and netting accounts as well as for the execution of payment transactions.

At the end of the reporting period, the Company had total liquid funds of € 40.5m (prior year: € 110.1m) as well as free credit lines of € 360m (prior year: € 835m) and thus has more than sufficient liquidity reserves for the fiscal year 2022. The Management Board assumes that additional lines can be raised on the capital market if necessary.

The following tables show all contractually fixed payments for redemption, repayments, and interest for financial liabilities carried in the balance sheet as of December 31, 2022 and December 31, 2021:

	Carrying amount on						
€k	Dec. 31, 2022	2023	2024	2025	2026	> 2026	Total
Liabilities due to banks	2,155,499	679,071	242,785	265,911	814,025	226,013	2,227,804
Trade accounts payable	566,916	562,618	0	0	0	4,298	566,916
Other financial liabilities	999,910	232,606	61,441	128,442	128,444	449,021	999,954
	3,722,325	1,474,294	304,226	394,353	942,469	679,331	3,794,673
Finance Lease	646,954	117,885	76,710	77,976	68,799	354,320	695,691
	4,369,279	1,592,180	380,936	472,329	1,011,268	1,033,651	4,490,364

Payments from other financial liabilities mainly comprise payment obligations in connection with the 5G spectrum auction of € 61.3m (prior year: € 61.3m), as well as expected payments from derivatives of € 38.2m (prior year: € 52.0m) in the fiscal year 2023. Payments to the German government do not follow a linear pattern. Cash outflows of € 61.3m (prior year: € 61.3m) are expected each year in the fiscal years 2023 to 2024 and in the fiscal year 2030, as well as cash outflows of € 128m (prior year: € 128m) each year in the fiscal years 2025 to 2029.

	Carrying amount on						
T€	Dec. 31, 2021	2022	2023	2024	2025	> 2025	Total
Liabilities due to banks	1,822,721	710,979	160,171	233,979	258,286	483,538	1,846,953
Trade accounts payable	585,869	583,571	0	0	0	2,476	586,047
Other financial liabilities	1,065,143	242,094	61,442	61,444	128,446	578,227	1,071,653
	3,473,733	1,536,644	221,613	295,423	386,732	1,064,241	3,504,653
Finance Lease	515,220	102,172	71,726	63,136	54,258	251,574	542,866
	3,988,953	1,638,816	293,338	358,559	440,990	1,315,815	4,047,518

For the calculation of cash flows from liabilities to banks, management assumed that the portion of the revolving syndicated loan facility currently used amounting to € 550m (prior year: € 250m) would remain constantly drawn until the end of its term (2025).

Please refer to Note 31 for details on interest and redemption payments for liabilities to banks.

The Company has no significant concentration of liquidity risks.

Market risk

The activities of United Internet are mainly exposed to financial risks from changes in interest rates, exchange rates, stock exchange prices, and credit or contingency risks.

Interest risk

The interest (rate) risk refers to the risk that fair values or future interest payments on existing and future financial liabilities may fluctuate due to changes in market interest rates.

The Group is fundamentally exposed to interest risks as some of its financial instruments as of the reporting date bear variable interest rates with varying terms. An interest risk exists for drawdowns under the revolving syndicated loan and the syndicated loan totaling € 550m (prior year: € 250m).

With the aid of the liquidity planning, various investment possibilities or possibilities to reduce surplus liquidity are constantly analyzed. The maturity profile and amount of the Group's variable-rate financial instruments are regularly reviewed and appropriate measures are taken to ensure liquidity and the management of interest risks.

Market interest rate changes might have an adverse effect on the interest result and are included in our calculation of sensitive factors affecting earnings. In order to present market risks, United Internet has developed a sensitivity analysis which shows the impact of hypothetical changes to relevant risk variables on pre-tax earnings. The reporting period effects are illustrated by applying these hypothetical changes in risk variables to the stock of financial instruments as of the reporting date. A 1% increase or decrease in the Euribor would have affected the financial result of the fiscal year by € +6,734k and € - 1,084k, respectively.

Due to the current interest policy of the European Central Bank, the EURIBOR interest rate of relevance for the United Internet Group is negative as of the balance sheet date. No expenses were incurred due to negative interest on liquidity held. The Group does not expect any material changes in risk premiums in the foreseeable future. United Internet currently regards the interest risk for its existing variable-rate financial instruments as low.

The interest risk is negligible for other interest-bearing liabilities. At the end of the reporting period, there were no external interest-hedging transactions.

Currency risk

A currency risk is the risk that fair values or future cash flows of financial instruments may fluctuate due to changes in exchange rates. The Group companies are mainly exposed to currency risks as a result of their operations (if revenue and/or expenses are in a currency other than the functional currency of the respective company). In order to cover such foreign currency risks, United Internet strives to achieve an equilibrium between the incoming and outgoing payments in non-functional currencies (so-called natural hedging). Currency risks which do not affect cash flows (i.e., risks from translating the assets and liabilities of the Group's foreign companies) are not hedged against. With regard to operating activities, individual Group companies perform their business mainly in their respective functional currencies. As in the previous year, the currency risk from operations is therefore regarded as low. In the reporting period, there were no currency risks which significantly affected cash flows. At the end of the reporting period, there were no external currency-hedging transactions.

The currency risks arising from original financial instruments in a currency and of a monetary nature other than that of the functional currency as of the reporting date were valued by the Company. No material currency risks arose from this analysis.

Stock exchange risk (valuation risk)

The United Internet Group recognizes financial assets (equity instruments) as follows:

- measured at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition or
- measured at fair value through profit or loss.

Depending on the measurement category and the share price development of listed investments, changes in equity without affecting income, or income and expenses, may arise.

There were no listed equity instruments as at the end of the reporting period.

Credit and contingency risk

As a result of its operating activities, the Group is exposed to a contingency risk. In order to reduce default risks, a sophisticated and preventive fraud management system has been established which is permanently enhanced. Outstanding amounts are monitored locally and on a continual basis. Individual and lump-sum allowances are made to account for non-avoidable contingency risks.

With regard to trade accounts receivable, the maximum risk in the gross amount stated in the balance sheet is before allowances. Trade accounts receivable which are not impaired as of the reporting date, are classified according to periods in which they become overdue (see Note 19).

With regard to possible risks in connection with the corona pandemic, please refer to Note 3.

Internal rating system

A pre-contractual fraud check is generally conducted and collection agencies are also used for the management of receivables. In addition, a pre-contractual check of creditworthiness is made in the media sales business.

The Company has no significant concentration of credit risks.

Risks from financial covenants

The existing loans of United Internet AG are tied to so-called financial covenants. The infringement of a certain net debt-to-EBITDA ratio could result in individual banks terminating outstanding loans with the Company. In view of the low net debt-to-EBITDA ratio of United Internet at present, the probability of infringement is regarded as low. Compliance with the covenants is regularly monitored by the Company's Management Board and was met throughout the year.

Capital management

In addition to the legal provisions for stock corporations, United Internet AG has no further obligations to maintain capital according to its statutes or other agreements. The key financial indicators used by

the Company are mainly performance-oriented. The targets, methods, and processes of capital management are thus subordinate to these performance-oriented financial indicators.

In order to maintain and adapt its capital structure, the Company can adjust dividend payments or pay capital back to its shareholders, can purchase treasury shares and place them again if required, or issue new shares. Please refer to the statement of changes in shareholders' equity. As of December 31, 2022 and December 31, 2021, no changes were made to the Company's targets, methods, and processes.

44. Contingencies, contingent liabilities, and other commitments

Contingent liabilities

Contingent liabilities represent a possible obligation whose existence depends on the occurrence of one or more uncertain future events, or a current obligation whose payment is not likely or whose amount cannot be reliably estimated.

In the previous years, advance service providers have filed claims in the low three-digit million range (for the purposes of internal classification, amounts of up to € 333m are defined as being in the low three-digit million range, and the claims filed do not exceed this amount in total). As of the reporting date December 31, 2022, United Internet AG considers the claims of the counterparties to be unfounded and regards an outflow of resources for these contingent liabilities as unlikely.

Litigation

Litigation risks mainly relate to various legal disputes of Group subsidiaries.

Accruals for litigation were formed for any commitments arising from these disputes (see Note 33).

Guarantees

As of the reporting date, the Group has issued no guarantees.

Guarantees and other obligations

The Company is jointly and severally liable for credit lines granted to companies of the United Internet Group by a bank. The credit facilities had only been utilized with regard to guarantees as of the reporting date.

The Management Board has no knowledge of any other facts which could have a significant, adverse effect on the business activities, the financial situation or the operating result of the Company.

45. Leases and other financial commitments

Group as lessee

The obligations mainly comprise leased network obligations including subscriber lines, buildings, technical equipment, and vehicles.

Most leases have options to prolong the contractual relationship. The terms of these prolongation options are negotiable or identical with the current terms. The Company currently intends to exercise all material prolongation options. The Company does not intend to exercise any material termination options.

The following expenses from leases were incurred in the reporting period:

€k	2022	2021
Depreciation of right-of-use assets		
– Land and buildings	46,647	42,720
– Operational and office equipment	1,903	2,055
– Network infrastructure	60,118	56,300
– Licenses	1,591	1,591
Total depreciation of right-of-use assets	110,259	102,666
Interest expense from lease liabilities	11,907	8,473
Expense for short-term leases	698	997
Expense for low-value leases	3,935	3,136

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

€k	Carrying amount on Dec. 31, 2022	Carrying amount on Dec. 31, 2021
Land and buildings	372,513	298,655
Operating and office equipment	2,563	2,836
Network infrastructure	261,161	199,118
Licenses	4,773	6,364

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

€k	Dec. 31, 2022	Dec. 31, 2021
up to 1 year	109,744	102,172
1 to 5 years	261,034	223,354
Over 5 years	276,175	189,694
Total	646,954	515,220

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

€k	Dec. 31, 2022	Dec. 31, 2021
As of January 1	515,220	473,828
Additions	269,703	147,806
Interest effect	11,907	8,473
Payments	-124,395	-105,630
Disposals	-25,481	-9,258
As of December 31	646,954	515,220
thereof current	109,744	102,172
thereof non-current	537,210	413,048

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

For further information, please refer to the explanations in 2.3 and Note 43.

Group as lessor

Finance leases

The Group acts as the lessor of finance leases via the 1&1 Versatel Group. Receivables from finance leases are disclosed in trade accounts receivable. The following table shows a reconciliation of gross investments in leases and the present value of outstanding minimum lease payments, as well as their maturities:

€k	Dec. 31, 2022	Dec. 31, 2021
Gross investment		
(thereof unguaranteed residual values)		
thereof due within 1 year	6,793	6,805
thereof due in 1-5 years	23,546	25,341
thereof due after more than 5 years	19,336	23,943
Unearned finance income	-3,992	-5,049
Net investment	45,683	51,040
Accumulated impairment	0	0
Receivables from sales taxes and other	2,001	2,972
Carrying amount of finance lease receivables	47,684	54,012
thereof present value of unguaranteed residual values	0	0
Present value of outstanding minimum lease payments	45,683	51,040
thereof due within 1 year	6,686	6,697
thereof due in 1-5 years	21,991	23,441
thereof due after more than 5 years	17,006	20,902

Finance lease receivables relate solely to leases for the provision and use of dark fiber lines.

In fiscal year 2022, no new finance lease agreements were concluded regarding the provision of fiber pairs (prior year: € 3.0m). In the previous year, these leases were recognized in gross investment less unrealized financial income. The maturities range from 15 to 29 years.

Operating leases

1&1 Versatel is a lessor as part of operating leases. The underlying agreements mainly relate to the leasing of fiber-optic pairs. The agreements do not contain any residual value guarantees or variable lease payments. Due to the strategic importance of the leased fiber-optic pairs for the respective lessees, the residual value risk is considered to be minor.

Total income from operating leases amounted to € 43,779k in fiscal year 2022 (prior year: € 46,682k). These are entirely attributable to fixed lease payments.

The maturities of lease payments from operating leases is shown in the table below:

Due dates in TEUR	Dec. 31, 2022	Dec. 31, 2021
up to 1 year	29,085	39,192
1 to 2 years	23,384	26,123
2 to 3 years	19,883	20,705
3 to 4 years	17,222	17,319
4 to 5 years	16,618	14,872
Over 5 years	35,168	45,082
	141,360	163,293

Other financial commitments

The main other financial commitments are described below:

Dec. 31, 2022		
€k	current	non-current
Unrecognized lease obligations	2,671	1,868
Supply and service relationships	53,298	148,030
thereof from advertising contracts	19,595	31,143
Total*	55,969	149,899

Dec. 31, 2021		
€k	current	non-current
Unrecognized lease obligations	3,198	0
Supply and service relationships	29,342	102,212
thereof from advertising contracts	20,238	65,563
Total*	32,540	102,212

The Group applies the exemptions provided by IFRS 16 for leases with terms ending within 12 months from the date of initial application and the exemption for leases where the underlying asset is of low value. Lease obligations not recognized in the balance sheet due to this application relief amounted to € 4,539k as of December 31, 2022 (prior year: € 3,198k).

As part of the MBA MVNO agreement with Telefónica, the United Internet subsidiary 1&1 AG made a binding purchase of network capacity consisting of data volume as well as voice and SMS contingents for the term of the contract until July 2025. The capacity to be purchased under the terms of the MBA MVNO agreement represents 20% to 30% of the used capacity of the Telefónica network. Following the conclusion of the MBA MVNO agreement, 1&1 is able to decrease or increase the acquired contingents to a defined extent on a quarterly basis. The payments for the service components of the agreement amount to a mid-three-digit million amount per year. An exact amount cannot be determined because the payments depend on various contractual variables, as well as any future decrease or increase of capacities.

On September 5, 2019, the United Internet subsidiary 1&1 AG signed an agreement with the German Federal Ministry of Transport and Digital Infrastructure (BMVI) and the German Federal Ministry of Finance (BMF) regarding the construction of mobile communication sites in so-called "not-spots". As a result, 1&1 is committed to make total investments of € 50m. 1&1 is thus helping to close existing supply gaps and improve the provision of mobile communications in rural regions by building base stations. These commitments are not included in the other commitments listed above as they are interest-like in nature.

46. Statement of cash flows

In fiscal year 2022, cash flow from operating activities includes interest paid of € 18.3m (prior year: € 19.2m) and interest received of € 2m (prior year: € 2m). Income tax payments in fiscal year 2022 amounted to € 287.5m (prior year: € 377.1m), while income tax proceeds totaled € 22.8m (prior year: € 56.9m).

Cash and cash equivalents do not include amounts which are only usable under certain conditions (prior year: € 2,764k).

Reconciliation of balance sheet changes in liabilities from financial activities:

	Jan. 1, 2022	cash transactions		non-cash transactions			Dec. 31, 2022
	Carrying amounts	Redemption	Interest payments	Borrowings from liabilities	Interest expenses	Transfers and other changes	Carrying amount
Non-current loan liabilities	1,497.2		0.0	300.0		-298.4	1,498.8
Short-term loan liabilities	325.4	-367.5	-18.3	400.3	18.5	298.4	656.7
Lease liabilities	515.2	-124.4	0.0	244.2	11.9	0.0	646.92
Spectrum liabilities	886.3	-61.3		0.0	6.5	-6.5	825.0
Total liabilities from financing activities	3,224.1	-553.2	-18.3	944.5	36.9	-6.5	3,627.4

	Jan. 1, 2021	cash transactions		non-cash transactions		Dec. 31, 2021
		Interest payments	Borrowings from liabilities	Transfers and other changes	Carrying amount	
Non-current loan liabilities	1,095,6	719,10		-317,50	1,497,2	
Short-term loan liabilities	370,4	-370,40	7,86	317,50	325,4	
Lease liabilities	473,8	-105,63	147,02		515,2	
Spectrum liabilities	947,6	-61,30			886,3	
Total liabilities from financing activities	2.887,4	181,8	154,9	0,0	3.224,1	

Initial recognition of the 5G spectrum in the fiscal year 2019 was made against the background of the deferral and installment payment agreed with the German government, extending the balance sheet and thus neutralizing cash flow. Leases are always recognized directly in equity upon initial recognition. Current payments include interest and repayment components. The latter are reported in cash flow from financing activities.

Cash flows in connection with the change in other financial liabilities of € 123.5m are recognized in cash flow from operating activities.

47. Exemption pursuant to section 264 (3) HGB and section 264b HGB

The following subsidiaries of United Internet AG make use of the exempting provisions of section 264 (3) HGB:

- 1&1 De-Mail GmbH, Montabaur
- 1&1 Energy GmbH, Montabaur
- 1&1 Mail & Media Development & Technology GmbH, Montabaur
- 1&1 Mail & Media Service GmbH, Montabaur
- 1&1 Mail & Media Applications SE, Montabaur
- 1&1 Versatel GmbH, Düsseldorf
- A 1 Marketing, Kommunikation und neue Medien GmbH, Montabaur
- United Internet Corporate Holding SE, Montabaur
- United Internet Corporate Services GmbH, Montabaur
- United Internet Investments Holding AG & Co. KG, Montabaur
- United Internet Management Holding SE, Montabaur
- United Internet Media GmbH, Montabaur
- United Internet Service SE, Montabaur
- United Internet Sourcing & Apprenticeship GmbH, Montabaur

48. List of shareholdings of the United Internet AG Group acc. to section 313 (2) HGB

As of December 31, 2022, the Group includes the following subsidiaries in which United Internet AG holds a direct or indirect majority interest (as indicated by the shareholdings in brackets). Unless otherwise stated, the shareholding corresponds to the proportion of voting rights:

- **1&1 Mail & Media Applications SE, Montabaur (100.0%)**
 - 1&1 Mail & Media Development & Technology GmbH, Montabaur (100.0%)
 - 1&1 Mail & Media GmbH, Montabaur (100.0%)
 - 1&1 De-Mail GmbH, Montabaur (100.0%)
 - 1&1 Energy GmbH, Montabaur (100.0%)
 - 1&1 Mail & Media Inc., Philadelphia / USA (100.0%)
 - 1&1 Mail & Media Service GmbH, Montabaur (100.0%)
 - UIM United Internet Media Austria GmbH, Vienna / Austria (100.0%)
 - United Internet Media GmbH, Montabaur (100.0%)
- **1&1 Versatel GmbH, Düsseldorf (100.0%)**
 - 1&1 Versatel Deutschland GmbH, Düsseldorf (100.0%)
 - TROPOLYS Service GmbH, Düsseldorf (100.0%)
 - TROPOLYS Netz GmbH, Düsseldorf (100.0%)
 - Versatel Immobilien Verwaltungs GmbH, Düsseldorf (100.0%)
- **1&1 AG, Montabaur (78.32%)**
 - 1&1 Telecommunication SE, Montabaur (100.0%)
 - 1&1 Logistik GmbH, Montabaur (100.0%)
 - 1&1 Telecom Holding GmbH, Montabaur (100.0%)
 - 1&1 Telecom GmbH, Montabaur (100.0%)
 - 1&1 Telecom Sales GmbH, Montabaur (100.0%)
 - 1&1 Telecom Service Montabaur GmbH, Montabaur (100.0%)
 - 1&1 Telecom Service Zweibrücken GmbH, Zweibrücken (100.0%)
 - Blitz 17-665 SE, Maintal (100.0%)
 - Blitz 17-666 SE, Maintal (100.0%)
 - CA BG AlphaPi AG, Vienna / Austria (100.0%)
 - Drillisch Logistik GmbH, Maintal (100.0%)
 - Drillisch Online GmbH, Maintal (100.0%)
 - 1&1 Mobilfunk GmbH (formerly: Drillisch Netz AG), Düsseldorf (100.0%)
 - IQ-optimize Software AG, Maintal (100.0%)
- **IONOS Group SE (formerly: IONOS TopCo SE), Montabaur (75.10%)**
 - IONOS Holding SE (formerly: 1&1 IONOS Holding SE), Montabaur (100.0%)
 - STRATO AG, Berlin (100.0%)
 - Cronon GmbH, Berlin (100.0%)
 - STRATO Customer Service GmbH, Berlin (100.0%)
 - IONOS SE (formerly: 1&1 IONOS SE), Montabaur (100.0%)
 - 1&1 Internet Development SRL, Bucharest / Romania (100.0%)
 - IONOS Inc. (formerly: 1&1 IONOS Inc.), Philadelphia / USA (100.0%)
 - A1 Media USA LLC, Philadelphia / USA (100.0%)

- 1&1 Cardgate LLC, Philadelphia / USA (100.0%)
- IONOS Cloud Inc. (formerly: 1&1 IONOS Cloud Inc.), Newark / USA (100.0%)
- IONOS Datacenter SAS (formerly: 1&1 IONOS Datacenter SAS), Niederlauterbach / France (100.0%)
- IONOS Cloud S.L.U. (1&1 IONOS España S.L.U.), Madrid / Spain (100.0%)
- IONOS Cloud Ltd. (formerly: 1&1 IONOS Ltd.), Gloucester / UK (100.0%)
- IONOS (Philippines) Inc. (formerly: 1&1 IONOS (Philippines) Inc.), Cebu City / Philippines (100.0%)
- IONOS S.A.R.L. (formerly: 1&1 IONOS S.A.R.L.), Saargemünd / France (100.0%)
- IONOS Service GmbH (formerly: 1&1 IONOS Service GmbH), Montabaur (100.0%)
- IONOS Cloud Holdings Ltd. (formerly: 1&1 IONOS UK Holdings Ltd.), Gloucester / UK (100.0%)
 - Fasthosts Internet Ltd., Gloucester / UK (100.0%)
- Arsys Internet S.L.U., Logroño / Spain (100.0%)
 - Arsys Internet E.U.R.L., Perpignan / France (100.0%)
 - Tesys Internet S.L.U., Logroño / Spain (100.0%)
- home.pl S.A., Stettin / Poland (100.0%)
 - AZ.pl Sp. z o.o., Stettin / Poland (100.0%)
 - HBS Cloud Sp. z o.o., Stettin / Poland (100.0%)
 - premium.pl Sp. z o.o., Stettin / Poland (75.0%)
- Immobilienverwaltung AB GmbH, Montabaur (100.0%)
- Immobilienverwaltung NMH GmbH in liquidation, Montabaur (100.0%)
- InterNetX Holding GmbH, Regensburg (100.00%)
 - InterNetX GmbH, Regensburg (100.0%)
 - Domain Robot Enterprises Inc., Vancouver / Canada (100%)
 - InterNetX, Corp., Miami / USA (100.0%)
 - PSI-USA, Inc., Las Vegas / USA (100.0%)
 - Schlund Technologies GmbH, Regensburg (100.0%)
 - Sedo GmbH, Cologne (100.0%)
 - DomCollect International GmbH, Montabaur (100.0%)
 - Sedo.com LLC, Cambridge / USA (100.0%)
- united-domains AG, Starnberg (100.0%)
 - United Domains Inc. in liquidation, Cambridge / USA (100.0%)
 - united-domains Reselling GmbH, Starnberg (100.0%)
- we22 GmbH (formerly: we22 AG), Cologne (100.0%)
 - we22 Solutions GmbH (formerly: we22 AG), Berlin (100.0%)
 - CM4all GmbH, Cologne (100.0%)
 - Content Management Support GmbH in liquidation, Cologne (100.0%)
 - Content Management Inc., USA (100.0%)
- World4You Internet Services GmbH, Linz / Austria (100.0%)

Other:

- CA BG AlphaRho AG, Vienna / Austria (100.0%)
- United Internet Corporate Holding SE, Montabaur (100.0%)
- United Internet Corporate Services GmbH, Montabaur (100.0%)
 - A 1 Marketing Kommunikation und neue Medien GmbH, Montabaur (100.0%)
- United Internet Investments Holding AG & Co. KG, Montabaur (100.0%)
- United Internet Management Holding SE, Montabaur (100.0%)
- United Internet Service SE, Montabaur (100.0%)
 - United Internet Sourcing & Apprenticeship GmbH, Montabaur (100.0%)

Associated companies

Investments over whose financial and business policies the Group has a significant influence are carried 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%)
 - DomainsBot Inc., Dover / USA (100.0%)
- Intellectual Property Management Company Inc., Dover / USA (49.0%)
- Kublai GmbH, Frankfurt am Main (40.0%)
 - Tele Columbus AG, Berlin (95.00%)
- rankingCoach International GmbH, Cologne (31.52%)
- Open-Xchange AG, Cologne (25.39%)
- Stackable GmbH, Pinneberg (25.1%)
- uberall GmbH, Berlin (25.1%)
- AWIN AG, Berlin (20.0%)

Other investments

Companies in which the Group has invested and over whose financial and business policies it has no significant influence (< 20% of voting shares) are included as financial instruments pursuant to IFRS 9 and held as financial assets measured at fair value through other comprehensive income (equity instruments with no recycling of cumulative gains and losses upon derecognition):

- MMC Investments Holding Company Ltd., Port Louis / Mauritius in liquidation (11.36%)
- Worcester Six Management Company Ltd., Birmingham / UK (5.23%)
- High-Tech Gründerfonds III GmbH & Co. KG, Bonn (0.95%)
- Growth Brands Opportunity Group LLC (< 20.00%)

Changes in the reporting unit

The following companies were acquired in the fiscal year 2022:

- 1&1 Towers GmbH, Düsseldorf (100.0%)
- Growth Brands Opportunity Group LLC (< 20.00%)

The following companies were founded in the fiscal year 2022:

- No events

The legal status of the following companies was changed in the fiscal year 2022:

- we22 GmbH (formerly: we22 Aktiengesellschaft), Cologne (100.0%)

The following companies were renamed in the fiscal year 2022:

- 1&1 Towers GmbH (formerly: Rheinsee 911. V V GmbH), Düsseldorf (100.00%)

The following companies were merged with an existing Group company in the fiscal year:

- No events

The following companies were sold in the fiscal year 2022:

- POSpulse GmbH, Berlin (1.49%)

The following companies were liquidated in the fiscal year 2022:

- Immobiliengesellschaft NMH, Montabaur (100.0%)

49. Subsequent events

IPO of Group subsidiary IONOS Group SE

In an "Intention to Float" (ITF) document published on **January 17, 2023**, together with its shareholders United Internet (75.1%) and WP XII Venture Holdings II SCSp (24.9%), an affiliate of Warburg Pincus (together "Warburg Pincus"), IONOS Group SE officially announced its plans for an IPO of IONOS. Depending on the market environment, the shares are to be listed on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange in the first quarter of 2023.

In an ad-hoc announcement on **January 27, 2023**, United Internet and Warburg Pincus announced that they had set the framework for the planned IPO of IONOS Group SE and the admission for trading of its shares on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange. The shares of IONOS Group SE were to be offered in a price range of € 18.50 to € 22.50. United Internet and Warburg Pincus both offered 15% of their shares (i.e., a total of 21,000,000 registered no-par shares), corresponding to 15,771,000 registered no-par shares from the holdings of United Internet and 5,229,000 registered no-par shares from the holdings of Warburg Pincus. Up to 3,150,000 additional registered no-par shares from the holdings of United Internet and Warburg Pincus were available to be offered to cover potential over-allotments (greenshoe).

In an ad-hoc announcement on **February 7, 2023**, United Internet and Warburg Pincus announced that they had set the final offer price for the shares of IONOS Group SE at € 18.50 per share.

The shares of IONOS Group SE have been listed on the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange under the ISIN: DE000A3E00M1, WKN: A3E00M, ticker symbol: IOS since **February 8, 2023**. Following the IPO of IONOS Group SE, United Internet holds 63.8% and Warburg Pincus 21.2% of shares. A further 15.0% are in free float. United Internet received gross proceeds from the sale of shares of around € 292m, whereas the total placement volume amounted to around € 389m.

Capital reduction via cancellation of treasury shares and share buyback offer

On **February 14, 2023**, the Management Board of United Internet AG decided, with the approval of the Supervisory Board and on the basis of the authorization granted by the Annual Shareholders' Meeting of May 20, 2020 regarding the acquisition and use of treasury shares, to initially cancel 2 million treasury shares and to reduce the capital stock of United Internet AG by € 2m from € 194m to € 192m. The number of shares issued decreased accordingly by 2 million shares, from 194 million shares to 192 million shares. The pro-rata amount of the capital stock that the issued shares represent remains unchanged at € 1 per share. The cancellation of the treasury shares serves to increase the proportionate participation of United Internet shareholders. Following the cancellation of the aforementioned two million shares, United Internet AG initially held 5,284,109 treasury shares. This corresponded to approx. 2.75% of the Company's capital stock.

Furthermore, the Management Board of United Internet AG also decided on February 14, 2023, with the approval of the Supervisory Board, to make a public share buyback offer to the shareholders of United Internet AG for a total of up to 13.9 million shares at a price of € 21.00 per share. The total volume of the share buyback offer therefore amounted to up to € 291.9m. With the public share buyback offer, United Internet AG made use of the authorization granted by the Annual Shareholders' Meeting of the Company on May 20, 2020, under which up to 10% of the Company's capital stock could be bought back by August 31, 2023. The shares bought back may be used for all of the purposes permitted under the

authorization granted by the Annual Shareholders' Meeting of May 20, 2020. The shares may also be canceled.

In the course of the public share buyback offer, a total of 27,553,147 shares were tendered to the Company by the end of the offer period. The offer was based on the buyback of up to 13.9 million shares in total. As the total number of shares for which the offer was accepted exceeded this maximum amount, the declarations of acceptance were considered on a pro rata basis, i.e., corresponding to the ratio of the maximum number of United Internet shares to be purchased pursuant to this offer, i.e., 13.9 million United Internet shares, to the aggregate number of United Internet shares tendered by United Internet shareholders for buyback.

Upon completion of the capital reduction resolved by the Management Board on February 14, 2023, with the approval of the Supervisory Board, by means of canceling 2 million treasury shares and the buyback of 13,899,596 shares (without fractional amounts) as part of the public share buyback offer to the shareholders of United Internet AG, United Internet now holds 19,183,705 treasury shares, corresponding to 9.99% of the current capital stock of 192 million shares. In view of the offer price of € 21.00 per United Internet share, the purchase price for the buyback of 13,899,596 shares in total amounted to € 291.9m.

Complaint filed with Federal Cartel Office

On **February 24, 2023**, 1&1 filed a complaint with Germany's Federal Cartel Office. The subject of the complaint is what 1&1 considers to be ongoing obstructions to the rollout of its 5G mobile network by Vodafone GmbH. From 1&1's point of view, this is delaying the rollout of its own network, but is not having any significant financial impact.

Despite the current delay in the rollout of antenna locations, 1&1 is still pursuing its goal of achieving coverage of at least 50 percent of households before 2030. To this end, further partners have been acquired for the network rollout. In addition, 1&1 has filed a complaint with the Federal Cartel Office regarding a competitor's obstruction of its network rollout. The Company therefore expects to make up for the delays in the course of the rollout phase.

Change in Management Board

On March 10, 2023, United Internet announced that Mr. Martin Mildner, Chief Financial Officer (CFO) of United Internet AG, was to leave United Internet AG at his own request on March 31, 2023. The Chairman of the Supervisory Board, Philipp von Bismarck, and CEO Ralph Dommermuth regret this decision.

Martin Mildner's successor as CFO of United Internet AG as of April 1, 2023 will be Ralf Hartings, who has been active for the United Internet Group since 2021 as CFO of 1&1 Mail & Media SE and will step down from this position on March 31, 2023. Ralf Hartings has many years of experience working in the telecommunication sector, including 15 years of international experience for Vodafone and Verizon Wireless in the USA.

In addition to the main responsibilities of his position as CFO, Martin Mildner was also responsible for the shared services of United Internet AG. This responsibility will be transferred to Markus Huhn as of April 1, 2023, when he joins Ralph Dommermuth and Ralf Hartings as a further member of the Management Board. Markus Huhn has already been working for the United Internet Group for 28 years and has been a CFO since 2008. Mr. Huhn will continue to be CFO of 1&1 AG in addition to his new role.

There were no significant events subsequent to the end of the reporting period on December 31, 2021 which had a major impact on the financial position and performance or the accounting and reporting of the Company or Group with effects on accounting and reporting.

50. Auditing fees

In fiscal year 2022, auditing fees totaling € 5,258k were expensed in the Consolidated Financial Statements. These include auditing fees of € 3,241k and other assurance services of € 2,417k. Auditing fees comprise both statutory audits, as well as voluntary audits. Other assurance services relate to assurances in connection with the Sustainability Report and the IPO of IONOS Group SE.

51. Corporate Governance Code

The declaration pursuant to section 161 AktG on observance of the German Corporate Governance Code was submitted by the Management Board and Supervisory Board and has been made available to shareholders via the internet portal of United Internet AG (www.united-internet.de).

Montabaur, March 29, 2023

The Management Board



Ralph Dommermuth



Martin Mildner

DEVELOPMENT OF FIXED ASSETS

for the fiscal year 2022 and 2021 in €k

2022	Acquisition and production costs						Dec. 31, 2022
	Jan. 1, 2022	Additions from initial consolidation	Additions	Disposals	Reclassifications	Exchange rate differences	
Intangible assets							
Software / licenses	296,501	0	15,730	91,868	13,548	24	233,935
Spectrum licenses	1,070,187						1,070,187
Trademarks	212,496					1,058	213,554
Customer base	1,238,525			2,417		-1,294	1,234,815
Goodwill	3,670,805					-4,567	3,666,238
Rights similar to concessions	165,000						165,000
Internally generated intangible assets	48,887		9,466	345		-89	57,918
Other intangible assets	74,064		1,620	2,002		-3	73,680
Rights of use from leases	9,282						9,282
Payments on account	13,685		126,554		-10,468		129,771
Total (I)	6,799,433	0	153,370	96,632	3,080	-4,871	6,854,381
Property, plant and equipment							
Land and buildings	22,672		4,265	295	9,930	-132	36,440
Telecommunication equipment	998,712		190,112	8,358	26,477		1,206,943
Network infrastructure	240,343		6,226	28,328	4,361		222,601
Operating and office equipment	615,247		98,551	43,182	24,863	2,717	698,197
Payments on account	86,366		228,854	1,321	-68,712	-666	244,521
Leasing	833,378		269,703	28,768		148	1,074,461
Total (II)	2,796,719	0	797,711	110,252	-3,081	2,067	3,483,163
Total	9,596,151	0	951,081	206,884	-2	-2,804	10,337,544

Accumulated depreciation							NET BOOK VALUE	
01.01.2022	Additions	Disposals	Reclassifications	Exchange rate differences	Additions from initial consolidation	Dec. 31, 2022	Jan. 1, 2022	Dec. 31, 2022
241,831	42,500	91,847	113	12		192,610	54,670	41,325
0	447					447	1,070,187	1,069,740
5,569	274					5,843	206,928	207,712
696,915	117,476	2,417		-1,086		810,888	541,610	423,927
42,974				-170		42,804	3,627,831	3,623,435
33,000	16,500					49,500	132,000	115,500
15,712	8,060	203		-22		23,549	33,175	34,369
73,258	282	2,002		-1		71,537	806	2,142
2,917	1,591					4,508	6,365	4,774
0						0	13,685	129,771
1,112,177	187,131	96,468	113	-1,267	0	1,201,687	5,687,257	5,652,695
14,564	841	295	-16	-3		15,092	8,108	21,348
507,739	92,034	7,724				592,049	490,973	614,894
164,034	7,249	28,161				143,122	76,308	79,479
391,252	84,109	41,052	-98	1,649		435,860	223,995	262,336
6,735	1,082					7,817	79,631	236,704
332,770	108,668	3,288		73		438,223	500,608	636,238
1,417,094	293,983	80,519	-113	1,720	0	1,632,164	1,379,625	1,850,999
2,529,270	481,114	176,988	0	453	0	2,833,851	7,066,883	7,503,694

2021

	Acquisition and production costs						
	Jan. 1, 2021	Additions from initial consolidation	Additions	Disposals	Reclassifications	Exchange rate differences	Dec. 31, 2021
Intangible assets							
Software / licenses	252,914	10,565	17,442	7,158	22,494	245	296,501
Spectrum licenses	1,070,187						1,070,187
Trademarks	210,456					2,040	212,496
Customer base	1,235,607	1,881				1,037	1,238,525
Goodwill	3,652,498	14,660				3,647	3,670,805
Rights similar to concessions	165,000						165,000
Internally generated intangible assets	42,008		9,521	2,594	-7	-40	48,887
Other intangible assets	73,779		297	12		-1	74,064
Rights of use from leases	9,282						9,282
Payments on account	17,438		18,388		-22,141		13,685
Total (I)	6,729,169	27,106	45,648	9,764	345	6,928	6,799,433
Property, plant and equipment							
Land and buildings	20,176		389		2,108		22,672
Telecommunication equipment	886,000		85,437	915	28,190		998,712
Network infrastructure	228,255		8,390	478	4,176		240,343
Operating and office equipment	551,141	124	88,894	37,045	3,202	8,932	615,247
Payments on account	63,250		60,999	111	-38,021	250	86,366
Leasing*	718,594	1,683	147,806	34,706		2	833,378
Total (II)	2,467,416	1,807	391,914	73,256	-345	9,183	2,796,719
Total	9,196,585	28,912	437,561	83,020	0	16,112	9,596,151

* Aufgrund der Verlängerungen der Laufzeiten der Leasingverhältnisse wurden die Buchwerte der Nutzungsrechte aus Leasingverhältnissen zum 1. Januar 2019 um 40.986 T€ rückwirkend erhöht. Die Zugänge im Anlagevermögen für das Geschäftsjahr wurden rückwirkend um 1.426 T€ erhöht. Siehe Anhangangabe 45.

Accumulated depreciation							NET BOOK VALUE		
	Jan. 1, 2021	Additions	Disposals	Reclassifications	Exchange rate differences	Additions from initial consolidation	Dec. 31, 2021	Jan. 1, 2021	Dec. 31, 2021
	205,490	42,602	6,472		210		241,831	47,424	54,670
	0						0	1,070,187	1,070,187
	2,469	3,100					5,569	207,988	206,928
	571,175	124,592			1,149		696,915	664,432	541,610
	43,060				-86		42,974	3,609,438	3,627,831
	16,500	16,500					33,000	148,500	132,000
	8,920	9,362	2,560		0	-10	15,712	33,088	33,175
	72,972	297	12		0	1	73,258	807	806
	1,326	1,591					2,917	7,956	6,365
	0						0	17,438	13,685
	921,912	198,044	9,044	0	1,273	-9	1,112,177	5,807,258	5,687,257
	13,224	1,340					14,564	6,952	8,108
	421,362	87,054	677				507,739	464,638	490,973
	156,885	7,141	0		8		164,034	71,370	76,308
	341,876	78,111	35,665		6,955	-26	391,252	209,265	223,995
	5,618	1,117					6,735	57,632	79,631
	256,883	101,075	25,449		260		332,770	461,711	500,608
	1,195,849	275,839	61,791	0	7,223	-26	1,417,094	1,271,568	1,379,625
	2,117,761	473,884	70,835	0	8,496	-35	2,529,270	7,078,827	7,066,882

INDEPENDENT AUDITOR'S REPORT

To United Internet AG

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of United Internet AG, Montabaur, and its subsidiaries (the Group), which comprise the Balance Sheet as at 31 December 2022, and the Net Income, Consolidated Statement of Changes in Shareholders' Equity and Cash Flow 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 Management Report of United Internet AG, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's 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 Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this 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 those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led

to any reservations relating to the legal compliance of the consolidated financial statements and of the Management Report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the Management Report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) 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 Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. 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 Management Report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- ① Appropriateness of revenue recognition
- ② Recoverability of goodwill and intangible assets not yet available for use (spectrum)

Our presentation of these key audit matters has been structured in each case as follows:

- ① Matter and issue
- ② Audit approach and findings
- ③ Reference to further information

Hereinafter we present the key audit matters:

① Appropriateness of revenue recognition

- ① In the consolidated financial statements of United Internet AG, revenue (sales) of EUR 5,915.1 million is recognized in the consolidated statement of comprehensive income. This significant item in terms of its amount is subject to particular risk due to the complexity of the processes and controls necessary for correct recognition and deferral, the impact of ever-changing business, price and tariff models (including tariff structures, customer discounts, incentives), and the existence of multiple-element arrangements.

In addition, the accounting standard applicable to revenue recognition, IFRS 15 – Revenue from contracts with customers (IFRS 15), requires estimates and judgments in certain areas – such as determining the transaction price and allocating it to the performance obligations identified in a multiple-element arrangement based on the relative stand-alone selling prices – that had to be assessed for appropriateness in the context of our audit. Against this background, the accounting treatment of revenue was of particular significance in the context of our audit.

- ② In the knowledge that the complex nature of this matter and the need to make estimates and assumptions give rise to an increased risk of accounting misstatements, as part of our audit we began by assessing the processes and controls put in place by the Group, including the IT systems used for the purposes of revenue recognition. In particular, we assessed the IT system environment for billing and measurement, other relevant systems supporting the accounting treatment of revenue, and the billing and measurement systems right up to entries in the general ledger.

Furthermore, we evaluated the transaction prices to be determined based on contracts with customers and their allocation to the performance obligations identified in a multiple-element arrangement on the basis of the relative stand-alone selling prices, and assessed whether these obligations were satisfied over time or at a point in time. In this context, we also assessed the appropriateness of the procedure used to allocate revenue to the correct period, and the estimates and judgments made by the executive directors with respect to revenue recognition and accrual/deferral. We took account of the

increased inherent risk in the case of manual entries, in particular by performing additional analytical audit procedures, for instance by means of time series analyses or by forming ratios. Furthermore, we assessed the accounting consequences of new business, price and tariff models and, on a test basis, examined customer invoices and the related contracts, as well as payments received. We applied consistent audit procedures for the audit of the operating subsidiaries to ensure that we responded appropriately throughout the Group to the inherent audit risk relating to revenue recognition.

We were able to satisfy ourselves that the systems, processes and controls in place are appropriate and that the estimates and assumptions made by the executive directors are sufficiently documented and substantiated to ensure that revenue is properly accounted for.

- ③ The Company's disclosures relating to revenue recognition in the consolidated financial statements of United Internet AG are contained in the sections "2.1 Explanation of main accounting measurement policies", "3. Significant accounting judgments, estimates, and assumptions" and "5. Sales revenue/segment reporting" of the notes to the consolidated financial statements as of December 31, 2022.

② Recoverability of goodwill and intangible assets not yet available for use (spectrum)

- ① Non-current assets amounting in total to EUR 8,687.1 million are reported in the consolidated financial statements of United Internet AG. Goodwill amounting in total to EUR 3,623.4 million (35.0% of total assets or 68.4% of equity) is reported under the "Goodwill" balance sheet item. Furthermore, intangible assets (spectrum) amounting to EUR 1,069.7 million (10.3% of total assets or 20.2% of equity) are reported under the "Intangible assets" balance sheet item that, in part, are not yet available for use and thus not subject to amortization (hereinafter "intangible assets (spectrum)").

Goodwill and intangible assets (spectrum) are tested for impairment by the Company once a year or when there are indications of impairment to determine any need for write-downs. The impairment test is carried out at the level of the respective cash-generating units to which the goodwill or intangible assets (spectrum) are allocated. The carrying amount of the relevant cash-generating unit, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined on the basis of fair value less costs of disposal in the case of the cash-generating units of the Business Applications and Consumer Applications segments, and using the value in use for the "1&1 Consumer Access" (goodwill) and "1&1 Mobile Network" (intangible assets (spectrum)) cash-generating units in the Consumer Access segment. The present value of the future cash flows from the respective cash-generating unit normally serves as the basis of valuation. Present values are calculated using discounted cash

flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the respective cash-generating unit. The impairment tests on goodwill and on intangible assets (spectrum) determined that no write-downs were necessary in financial year 2022.

The outcome of the impairment tests is dependent to a large extent on the estimates made by the executive directors with respect to the future cash flows from the respective cash-generating units, the discount rate used, the rates of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuations, this matter was of particular significance in the context of our audit.

- ② As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash flows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In the knowledge that even relatively small changes in the discount rate applied and the growth rates can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate and the growth rates applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. We verified that the necessary disclosures were made in the notes relating to cash-generating units for which a reasonably possible change in an assumption would result in the recoverable amount falling below the carrying amount of the cash-generating units including the allocated goodwill or intangible assets (spectrum).

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

- ③ The Company's disclosures relating to the "Goodwill" balance sheet item and to intangible assets (spectrum) are contained in the sections "2.1 Explanation of main accounting measurement policies", "3. Significant accounting judgments, estimates, and assumptions", "27. Intangible assets (without goodwill)", "28. Goodwill" and "29. Impairment of goodwill and intangible assets with indefinite useful lives, as well as intangible assets not yet usable (spectrum licenses)" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the section "1.4 Main focus areas for products and innovations" of the group management report
- the disclosures marked as unaudited in sections "2.2 Business development", "2.3 Position of the Group" and "5. Internal control and risk management system" of the group management report
- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "7. Corporate governance declaration" of the group management report

The other information comprises further

- the separate non-financial report to comply with §§ 289b to 289e HGB and §§ 315b to 315c HGB
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's 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 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 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 Management Report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Management Report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Management Report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the 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 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 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 the EU Audit Regulation 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 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 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 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 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 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 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 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.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the Management Report (hereinafter the "ESEF documents") contained in the electronic file unitedinternetag-2022-12-31_KA_ZLB.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the Management Report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the Management Report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying Management Report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the Management Report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a

HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the Management Report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited Management Report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 18 May 2022. We were engaged by the supervisory board on 30 January 2023. We have been the group auditor of the United Internet AG, Montabaur, without interruption since the financial year 2022.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited Management Report as well as the assured ESEF documents. The consolidated financial statements and the Management Report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited Management Report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Erik Hönig.

RESPONSIBILITY STATEMENT

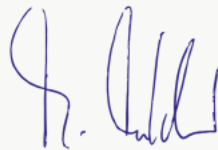
To the best of our knowledge, and in accordance with the applicable accounting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Management Report and Group Management Report includes a 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 29, 2023

The Management Board

A handwritten signature in blue ink, appearing to read 'Ralph Dommermuth'.

Ralph Dommermuth

A handwritten signature in blue ink, appearing to read 'Martin Mildner'.

Martin Mildner

United Internet AG

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