Annual Financial Statements 2021

MANAGEMENT REPORT FOR THE GROUP AND PARENT COMPANY

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS ACC. TO IFRS

MANAGEMENT REPORT

Notice of unaudited sections in the Combined Management Report of United Internet AG for the Company and the Group as of December 31, 2021

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, 2021, 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 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 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.·

General notes

- Due to calculation processes, tables and references may produce rounding differences from the mathematically exact values (monetary units, percentage statements, etc.). For reasons of better readability, the additional use of the female form is omitted in this report. United Internet would like to stress that the use of the masculine form is to be understood purely as the gender-neutral form.

- These Annual Financial Statements are available in German and English. Both versions can also be downloaded at www.united-internet.de. In all cases of doubt, the German version shall prevail.

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 such as 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, 2021 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 (formerly: 1&1 Drillisch AG).

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

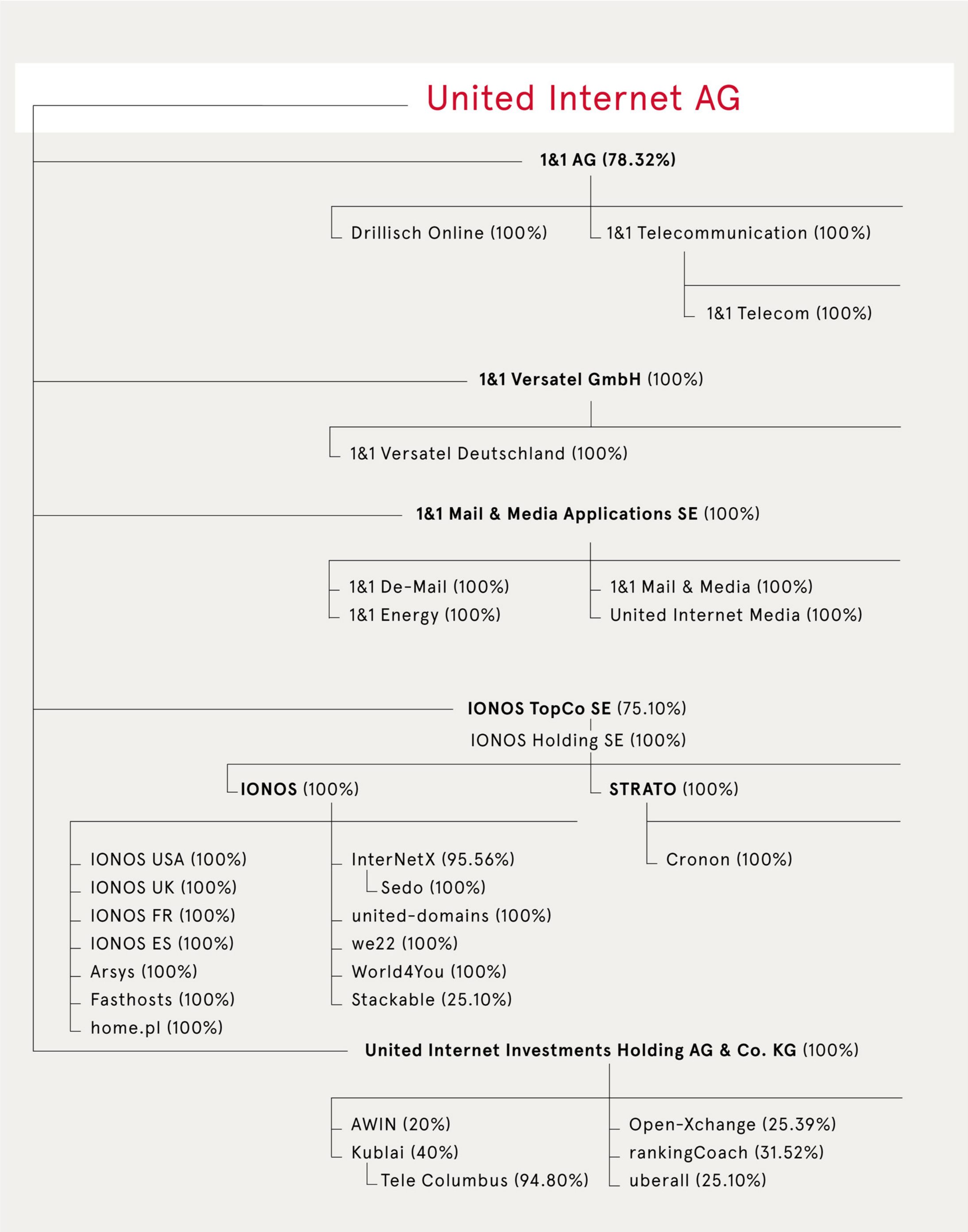
Operating activities in the **Consumer Applications segment** are primarily managed via the companies 1&1 De-Mail GmbH, 1&1 Energy GmbH, 1&1 Mail & Media GmbH, 1&1 Mail & Media Inc., and United Internet Media GmbH – pooled together under 1&1 Mail & Media Applications SE.

In its **Business Applications segment**, United Internet is primarily active via STRATO AG and its subsidiary Cronon GmbH – held by the holding companies IONOS TopCo SE (formerly: 1&1 IONOS TopCo SE) and IONOS Holding SE (formerly: 1&1 IONOS Holding SE) – as well as via IONOS SE (formerly: 1&1 IONOS SE) and its main domestic and foreign subsidiaries. These include – in addition to the foreign subsidiaries IONOS Inc. (USA; formerly: 1&1 IONOS Inc.), IONOS Cloud Ltd. (UK; formerly: 1&1 IONOS Ltd.), IONOS S.A.R.L. (France; formerly: 1&1 IONOS S.A.R.L.), and IONOS Cloud S.L.U. (Spain formerly: 1&1 IONOS España S.L.U.) – 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 AG (since February 2021), 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, 2021. 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 94.80% 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 (since December 2021) 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, 2021 – is shown in the following chart.



Business operations

With 26.68 million fee-based customer contracts (prior year: 25.65 million) and 40.32 million ad-financed free accounts (prior year: 39.40 million), United Internet is a leading European internet specialist.

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 landline-based broadband products as well as mobile internet products (including the respective applications, such as home networks, online storage, telephony, 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 its own fiber-optic network of 1&1 Versatel as the transport network for VDSL/vectoring connections and for direct fiber-optic connections (FTTH) it uses regional networks and the "last mile" via city carriers and Deutsche Telekom (mainly Layer-2). 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 MBA MVNO in Germany 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 Germany's largest mobile networks. In addition to its privileged access to the Telefónica network, the Company also purchases standardized 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 the Company from its competitors.

The mobile internet products are marketed via the premium brand 1&1 and 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 own powerful 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 – United Internet concluded long-term agreements in the fiscal year 2021 and now has all key elements in place to drive forward the rollout of its own 5G mobile communications network and thus extend its added value in this market – as in its 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 United Internet'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 its affiliate 1&1 Versatel on December 9, 2021, which in particular provides the access network (especially fiber-optic cables) and data centers for operating 1&1's mobile network on a rental basis, and on the same date an agreement was concluded between 1&1 AG and Vantage Towers AG, one of Europe's leading companies for radio tower infrastructure, which among other things includes the renting of Vantage antenna locations and the installation of 1&1's 5G high-performance antennas by Vantage.

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 a cutting-edge fiber-optic network with a length of over 52,000 km, which is one of the largest networks in Germany and is constantly being expanded.

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

The fiber-optic network directly connects commercial buildings and local authority sites (FTTB = Fiber-to-the-Building).

Consumer Applications segment

United Internet's 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 (see 1.4 "Main focus areas for products and innovations") 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 powerful applications, such as domains, websites, web hosting, servers, cloud solutions and e-shops, group work, online storage (cloud), and office software, which customers can use via subscription agreements.

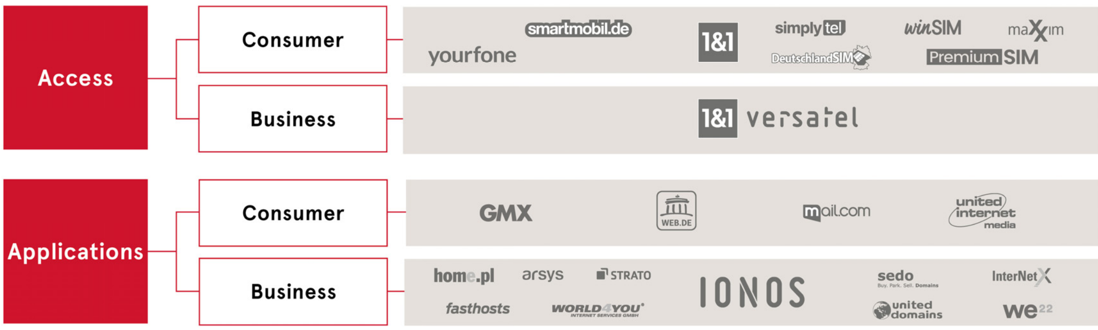
Based on its tried and tested, million-selling hosting packages, the Company has expanded its product range over the past few years with the addition of numerous cloud-based e-business solutions.

The applications are developed at the Company's own development centers or in cooperation with partner firms and operated on over 90,000 servers at 10 data centers.

In its Business Applications segment, United Internet is also a leading global player with activities in Europe (Germany, France, the UK, Italy, Spain, the Netherlands, Austria, Switzerland, Poland, Hungary, Romania, Bulgaria, Czech Republic, and Slovakia) and North America (Canada, Mexico, and the USA). Further countries are to be gradually added.

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

Divisions, segments and brands (as of: December 31, 2021)



Management

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

Management Board members as at December 31, 2021

- 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 was re-elected in part by the Annual Shareholders' Meeting 2021 and comprised the following members in the fiscal year 2021:

Supervisory Board members as at December 31, 2021

- Philipp von Bismarck, chair
  (member since July 2020; chair since May 2021; member of the Audit and Risk Committee since May 2021)

- Dr. Claudia Borgas-Herold
  (member since May 2020)

- Dr. Manuel Cubero del Castillo-Olivares, deputy chair
  (member since May 2020; deputy chair 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; chair of the Audit and Risk Committee since May 2021)

- Prof. Dr. Yasmin Mei-Yee Weiß
  (member since July 2020)

Departed in the fiscal year 2021

- Kurt Dobitsch
  (from May 1998 to May 2021)

- Michael Scheeren
  (from May 2002 to March 2021)

Main markets and competitive standing

Germany is the most important **sales market** of the United Internet Group by far and accounted for around 91% of total global sales in the fiscal year 2021.

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, sales revenues and profitability – after Deutsche Telekom, Vodafone and Telefónica Germany.

Competitive standing in the Business Access segment

United Internet is also a leading company its Business Access segment, whose operations are also limited to Germany. With the fiber-optic network of 1&1 Versatel spanning over 52,000 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 17 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, 2021, the United Internet Group employed a total of 9,975 people at over 30 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
Zweibrücken	Consumer Access	1&1
	Business Applications	IONOS
Cebu City (Philippines)	Business Applications	IONOS
Madrid / Logroño (Spain)	Business Applications	IONOS, Arsys
Munich	Consumer Access	1&1
	Consumer Applications	1&1 Mail & Media Applications
Dusseldorf	Business Access	1&1 Versatel
Szczecin (Poland)	Business Applications	home.pl
Essen	Business Access	1&1 Versatel
Flensburg	Business Access	1&1 Versatel
Gloucester (UK)	Business Applications	IONOS, Fasthosts
Krefeld	Consumer Access	1&1
Bucharest (Romania)	Business Applications	IONOS
Cologne	Business Applications	Sedo, we22
Maintal	Consumer Access	1&1
Regensburg	Business Applications	InterNetX
Chesterbrook / Lenexa (USA)	Business Applications	IONOS
Stuttgart	Business Access	1&1 Versatel
Starnberg	Business Applications	united-domains
Linz / Vienna (Austria)	Business Applications	World4You
Dortmund	Business Access	1&1 Versatel
Frankfurt am Main	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 our development teams and operated at our own data centers, and/or transport data via our own networks, the greater our 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 also invest heavily in new customers, new products, and new or extended business fields in the future, 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 competencies.

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 Control systems

The internal control systems help management 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 control 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 control 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 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

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 3,350 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 2021

Consumer Access

- FTTH/VDSL cooperation with 1&1 Versatel / Deutsche Telekom
- Participation in broadband and landline test of Europe's largest specialist magazine "connect", once again rated "very good"

Business Access

- Conclusion of wholesale cooperation with Deutsche Glasfaser for B2B fiber-optic products

Consumer Applications

- Expansion of "letter notification" service with addition of "digital copy", i.e., customers receive an email with additional PDF of letter content
- Expansion of Smart Data Analytics platform based on cloud technology, enabling GDPR-compliant data-driven decision making (DDDM) based on company-wide data sets
- Automated generation of TGP advertising target groups using state-of-the-art AI processes and connection to central Mail & Media data platform

Business Applications

- Launch of "Managed Nextcloud" based on IONOS Cloud as "turnkey" groupware platform for storage, management and collaboration aimed at small and mid-sized enterprises
- New Mac client for the use of HiDrive on Apple PCs
- Integration of an e-commerce offering into "MyWebsite NOW" for the creation of small and mid-sized webshops
- Launch of Deploy Now, a "static site deployment" offering for developers to manage their website projects directly via GitHub
- IONOS wins six Gaia-X lighthouse projects in funding competition of the German Federal Ministry for Economic Affairs and Energy (BMWi)

- Launch of Managed Network Load Balancer for automatic load balancing and managed NAT gateway for IONOS Cloud products
- Implementation of DDos Protection Service in IONOS Cloud to ensure high availability and resilience
- Launch of Monitoring-as-a-Service (MaaS)
- Launch of "MyDefender" as a cross-device security and back-up suite

2. ECONOMIC REPORT

2.1 General economic and sector conditions

General economic development

Following the sharp downturn in the global economy in 2020 as a result of the coronavirus pandemic, the figures published by the International Monetary Fund (IMF) in its latest economic outlook (World Economic Outlook, Update January 2022) indicate a return to economic growth in 2021, which was ultimately higher than expected at the beginning of the year (January 2021 outlook).

Specifically, the IMF reported growth of 5.9% for the **global economy** in 2021, based on preliminary calculations. Growth was thus significantly above the prior-year level (-3.1%) and also 0.4 percentage points higher than the IMF's original outlook in January 2021 (5.5%).

This economic recovery is also reflected by the development of the United Internet Group's target markets in North America. The IMF anticipates growth of 5.6% for the **USA** (prior year: -3.4%), and thus 0.5 percentage points more than in its January outlook. The forecast of 4.7% for **Canada** (prior year: -5.2%) is 1.1 percentage points more than originally expected. And for **Mexico**, the IMF forecasts an increase in economic output of 5.3% (prior year: -8.2%), and thus 1.0 percentage points more than at the beginning of the year.

The picture is similar in United Internet's important **eurozone** region. The IMF now expects growth of 5.2% (prior year: -6.4%) and thus 1.0 percentage point more than it forecast in January. Growth of 6.7% was calculated for **France** (prior year: -8.0%), 6.2% for **Italy** (prior year: -8.9%), and 4.9% for **Spain** (prior year: -10.8%). This corresponds to an increase of 1.2 percentage points for France, and 3.2 percentage points for Italy, but a decrease of 1.0 percentage point for Spain compared to the January outlook.

For the **UK**, the IMF now expects growth of 7.2% (prior year: -9.4%), and thus 2.7 percentage points more than at the beginning of the year.

The economic recovery in **Germany** – United Internet's most important market by far (sales share 2021: around 91%) – was slower than anticipated in 2021. The IMF has calculated that economic output increased by 2.7% (prior year: -4.6%) and thus 0.8 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 2021" press conference on January 14, 2022 – forecast a 2.7% increase in (price-adjusted) gross domestic product (GDP) for 2021 (prior year: -4.6%). Following the sharp fall in GDP as a result of the coronavirus pandemic in 2020, the Federal Statistics Office had also forecast stronger growth and thus a faster recovery at the beginning of 2021. However, supply bottlenecks, increased prices for raw materials and energy, and generally high inflation had a negative impact on companies and consumers. The third and fourth coronavirus waves with rising infection rates also dampened trade, tourism and the hospitality industry, thus preventing the expected faster recovery.

Changes in growth forecasts made during 2021 for United Internet's key target countries and regions

	January forecast 2021	April forecast 2021	June forecast 2021	October forecast 2021	Actual 2021	Change on January forecast
World	5.5%	6.0%	6.0%	5.9%	5.9%	+0.4%-points
USA	5.1%	6.4%	7.0%	6.0%	5.6%	+0.5%-points
Canada	3.6%	5.0%	6.3%	5.7%	4.7%	+1.1%-points
Mexico	4.3%	5.0%	6.3%	6.2%	5.3%	+1.0%-points
Eurozone	4.2%	4.4%	4.6%	5.0%	5.2%	+1.0%-points
France	5.5%	5.8%	5.8%	6.3%	6.7%	+1.2%-points
Spain	5.9%	6.4%	6.2%	5.7%	4.9%	-1.0%-points
Italy	3.0%	4.2%	4.9%	5.8%	6.2%	+3.2%-points
UK	4.5%	5.3%	7.0%	6.8%	7.2%	+2.7%-points
Germany	3.5%	3.6%	3.6%	3.1%	2.7%	-0.8%-points

Source: International Monetary Fund, World Economic Outlook (Update), January 2022

Multi-period overview: GDP trend in United Internet's key target countries and regions

	2017	2018	2019	2020	2021	YoY change
World	3.7%	3.6%	2.8%	-3.1%	5.9%	+9.0%-points
USA	2.3%	2.9%	2.2%	-3.4%	5.6%	+9.0%-points
Canada	3.0%	1.9%	1.9%	-5.2%	4.7%	+9.9%-points
Mexico	2.0%	2.1%	-0.1%	-8.2%	5.3%	+13.5%-points
Eurozone	2.4%	1.9%	1.3%	-6.4%	5.2%	+11.6%-points
France	1.8%	1.7%	1.5%	-8.0%	6.7%	+14.7%-points
Spain	3.1%	2.4%	2.0%	-10.8%	4.9%	+15.7%-points
Italy	1.6%	0.8%	0.3%	-8.9%	6.2%	+15.1%-points
UK	1.7%	1.3%	1.4%	-9.4%	7.2%	+16.6%-points
Germany	2.5%	1.5%	0.6%	-4.6%	2.7%	+7.3%-points

Source: International Monetary Fund, World Economic Outlook (Update), January 2022

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

	2017	2018	2019	2020	2021	YoY change
GDP	2.7%	1.1%	1.1%	-4.6%	2.7%	+7.3%-points

Source: Destatis, January 2022

Development of sector / core markets

At its annual press conference on January 11, 2022, the industry association Bitkom assumed growth of 3.9% (prior year: -0.6%) to € 178.4 billion for the German **ICT market** in 2021. At the beginning of 2021, the association had anticipated revenue growth of 2.7%.

The increase in the overall ICT market resulted in particular from strong growth in sales of **information technology**. According to Bitkom's 2021 forecast, sales in this largest submarket rose by 6.3% (prior year: 1.3%) to € 102.5 billion – after growth of 4.2% had been expected at the beginning of the year. All segments of this sub-market made good progress, especially the IT hardware and software segments – of particular importance for United Internet's cloud business (Infrastructure-as-a-Service/IaaS and Software-as-a-Service/SaaS). IT hardware grew by 8.3% (prior year: 3.1%), software by 8.0% (prior year: 5.1%), and IT services by 3.7% (prior year: -2.4%).

There was also good progress in the **telecommunications** submarket. For this second core market of United Internet, the industry association expects growth of 1.2% (prior year: -1.1%) to € 66.7 billion – compared its forecast of 1.0% at the beginning of the year. The individual segments of the telecommunications market developed quite differently: telecommunication services grew by 1.7% (prior year: -1.9%) and user devices by 0.2% (prior year: 3.0%), while the infrastructure business declined by -0.9% (prior year: -2.1%).

The smallest sub-market, **consumer electronics** (of no significance for United Internet) is in decline again and decreased by -1.6% (prior year: +6.3%) to € 9.2 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 1.2 million, or 3.3%, to 37.4 million in 2021, 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 "23rd TC Market Analysis for Germany 2021" (October 2021). Within the above mentioned growth, the connections of relevance for United Internet in the two technology fields of DSL and FTTB/FTTH grew by 0.3 million to 25.9 million and by 0.6 million to 2.5 million. The number of cable connections rose by 0.3 million to 9.0 million. A further <0.05 million connections in Germany are still operated via satellite/powerline.

At € 33.0 billion, revenues generated in the landline business in 2021 were up 1.2% on the previous year (€ 32.6 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 30.2% to 230.7 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 3.5 percentage points, from 48.9% in the previous year to 52.4% in 2021. Fixed-line connections with speeds of at least 1 Gbit/s almost doubled their share to 5.3% (of all broadband connections).

Key market figures: fixed-line in Germany

	2021	2020	Change
Fixed-line revenues (in € billion)	33.0	32.6	+ 1.2%

Source: Dialog Consult / VATM, TC Market Analysis for Germany 2021, October 2021

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 7.8 million, or 5.2%, to 157.8 million in 2021. This growth is partly 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 4.1 million to 40.2 million. The number of personal SIMs rose by 3.7 million to 117.6 million.

At the same time, mobile revenues rose by 0.8% to € 26.1 billion. In addition to retail sales, these revenue figures also include interconnection, wholesale, and user device sales.

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 26.5% to 3.27 GB.

In line with this growing usage, the number of (personal) SIM cards suitable for use in the faster 4G/5G networks also rose by 16.7 million to 86.6 million, while 2G/3G SIM cards fell by 13.0 million to 31.0 million.

Key market figures: mobile communications in Germany

	2021	2020	Change
Mobile revenues (in € billion)	26.1	25.9	+ 0.8%

Source: Dialog Consult / VATM, TC Market Analysis for Germany 2021, October 2021

Global cloud computing market

There was also further dynamic growth in the cloud computing market in 2021. Gartner Inc. forecasts global growth for public cloud services of 23.1% in 2021, from USD 270.03 billion to USD 332.35 billion.

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

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 crisis. 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. While many organizations had already made good progress with their cloud migration efforts, the events surrounding the pandemic were a serious wake-up call for those still lagging behind. This pent-up demand, as well as the additional digitalization steps required by companies and public authorities, is also reflected in Gartner's figures for 2021.

Key market figures: cloud computing worldwide

in $ billion	2021	2020	Change
Global sales of public cloud services	332.35	270.03	+ 23.1%
thereof Application Infrastructure Services (PaaS)	59.45	46.34	+ 28.3%
thereof Application Services (SaaS)	122.63	102.80	+ 19.3%
thereof Business Process Services (BPaaS)	50.17	46.13	+ 8.7%
thereof Desktop as a Service (DaaS)	2.05	1.22	+ 67.7%
thereof Management and Security Services	16.03	14.32	+ 11.9%
thereof System Infrastructure Services (IaaS)	82.02	59.23	+ 38.5%

Source: Gartner, April 2021

German online advertising market

In its study "German Entertainment and Media Outlook 2021 – 2025" (September 2021), the auditing and consultancy company PricewaterhouseCoopers forecasts an increase in revenues of the German online advertising market (mobile advertising and desktop advertising) of 6.5% to a total of € 9.50 billion in 2021 – following the dip in growth of desktop advertising in 2020 and resulting slowdown of the overall market trend.

The increase was primarily attributable to mobile advertising, which grew by 12.1% to € 4.97 billion. Desktop advertising, on the other hand, rose by "just" 1.0% to € 4.53 billion.

In terms of advertising formats, video advertising (18.4%) and display advertising (6.2%) achieved the strongest growth of the overall market.

Key market figures: online advertising in Germany (mobile advertising & desktop advertising)

in € billion	2021	2020	Change
Online advertising revenues	9.50	8.92	+ 6.5%
thereof search marketing	3.61	3.55	+ 1.7%
thereof display advertising	3.08	2.90	+ 6.2%
thereof video advertising	2.06	1.74	+ 18.4%
thereof affiliate / classifieds	0.75	0.73	+ 2.7%

Source: PricewaterhouseCoopers, German Entertainment and Media Outlook 2021 – 2025, November 2021

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 an extension of the contract is actively requested.

These legal changes represent both opportunities and risks for United Internet. Improved provision of fast FTTH or mobile access offers potential for customer growth. Making it easier for consumers to terminate contracts offers both growth opportunities for all market players, but also the risk of losing customers more quickly. The specific impact on individual market players cannot be predicted at present.

The other legal parameters for United Internet's business activities remained largely unchanged from the previous year in 2021 and thus had no significant influence on the development of the United Internet Group

Significant events

National roaming agreement with Telefónica

On February 15, 2021, 1&1 AG accepted Telefónica Germany's improved offer – following review by the EU Commission – for national roaming and thus also retroactively as of July 1, 2020 for the related MBA MVNO advance services. The offer accepted by 1&1 was transposed into a long-term national roaming agreement with Telefónica on May 21, 2021. The national roaming agreement has a basic term until June 30, 2025, which 1&1 can extend unilaterally until June 30, 2029, after which a further extension of up to 5 years is possible by negotiation.

The national roaming agreement includes annually decreasing prices, which are determined according to fixed rules in the first extension option until June 2029. After this, Telefónica is still is obliged to offer non-discriminatory prices. These advance service conditions are thus based again on pricing mechanisms comparable to those of the first five years of the MBA MVNO agreement. 1&1 can reduce or increase the required capacities several times a year in the future within contractually defined bandwidths.

The conclusion of this agreement and its retroactive effect had a positive earnings effect of € 39.4 million for 1&1 and thus also for United Internet – based on the period July 1 to December 31, 2020 – which was recognized as non-period income in the fiscal year 2021.

The national roaming agreement marks a further milestone on the way to the Company's own 5G mobile network, as it ensures – during the rollout phase of the Company's own network – the necessary nationwide mobile coverage for 1&1 customers by enabling them to use the Telefónica network.

New combined VDSL/FTTH agreement with Deutsche Telekom

Apart from the aforementioned national roaming negotiations, the first months of 2021 were dominated by measures for the expansion of the Company's fixed network coverage. These include DSL and VDSL connections, but in future also an increasing number of fiber-optic household connections (fiber-to-the-home/FTTH).

In this connection, 1&1 AG entered into an agreement with its affiliate 1&1 Versatel regarding the long-term purchase of FTTH and VDSL complete packages including voice and IPTV effective from April 1, 2021. At the same time, 1&1 Versatel signed a long-term agreement with Deutsche Telekom on the use of the latter's FTTH and VDSL connections for households. These enable 1&1 Versatel to provide FTTH/VDSL complete packages for 1&1, as 1&1 Versatel's nationwide fiber-optic transport network is largely connected to the local broadband networks of Deutsche Telekom.

In addition to its existing access to FTTH connections of well-known city carriers, 1&1 Versatel will thus have initial access to approx. 750,000 additional FTTH connections. The number of marketable FTTH connections of Deutsche Telekom is expected to increase by an average of 2 million households per year in future. FTTH connections for private households enable bandwidths of up to 1 Gbit/s. Households not yet equipped with FTTH will be supplied with VDSL connections (up to 250 Mbit/s).

The existing pure VDSL advance service agreement between 1&1 and Deutsche Telekom was prematurely terminated by mutual agreement in view of the advantages of the new combined VDSL/FTTH agreement. As a result of the reassessment of the term of the agreement, prepaid expenses for existing VDSL customer contingents still available amounting to € 129.9 million were already written off in the Annual Financial Statements 2020. As a result, the derecognition already had a negative impact on earnings in the fiscal year 2020.

Technology partnership with Rakuten for 5G network rollout

After concluding the national roaming agreement with Telefónica, a strong technology partner was also found for the rollout of the Company's own 5G network with the company Rakuten.

On August 4, 2021, 1&1 AG and the Rakuten Group, Inc. announced a long-term partnership for the construction of Germany's fourth mobile communications network. Together with Rakuten, 1&1 will build Europe's first fully virtualized mobile network based on innovative OpenRAN technology.

Rakuten is a pioneer of OpenRAN technology and, after several years of preparation and development work, launched the world's first commercial fully virtualized Open-RAN in Japan as a newcomer to the market in April 2020. 1&1 will now benefit from this experience and expertise. Specifically, Rakuten will be responsible for the installation of the active network equipment and also for the overall performance of the 1&1 mobile network. 1&1 will have access to the Rakuten Communications Platform (RCP) with its access, core, cloud, and operating solutions, as well as to Rakuten's partner network. In this connection, Rakuten will also provide access to its specially developed orchestration software, enabling the 1&1 network to be operated with a high degree of automation.

In contrast to traditional network architectures, the OpenRAN approach makes a strict separation between software and hardware. By using commercially available computers, so-called "COTS hardware (commercial off-the-shelf)", a wide variety of software and antenna manufacturers can be combined as needed. This means that 1&1 is not dependent on the dominant providers and has the possibility to cooperate flexibly with various manufacturers. All network functions are located in the cloud and controlled by software. This means that time-consuming retrofits or maintenance at the antenna base stations are no longer necessary as they can be carried out efficiently and inexpensively via software updates. Four central data centers are planned for the core network. Hundreds of decentralized data centers throughout Germany will be connected to this core network, which in turn will be linked via fiber-optic cable to thousands of antenna sites.

Vantage Towers first partner for passive network infrastructure

On December 9, 2021, 1&1 AG signed a long-term agreement with Vantage Towers AG, one of Europe's leading radio tower companies, for the renting of antenna locations.

Vantage Towers is one of the largest owners of radio towers in Germany. Under the new partnership, the company will therefore play a major role in providing the passive infrastructure for 1&1's mobile communications network. This means that during the network construction phase, 1&1 will be able to access several thousand existing towers of Vantage Towers, as well as new antenna locations still to be developed. Specifically, it was agreed that 3,800 roof and mast locations can be shared until the end of 2025. In addition, there is a possible expansion to 5,000 locations. The individual location leases have terms of at least 20 years and can be prolonged by 1&1 several times.

Vantage Towers will also be responsible for installing 1&1's 5G high-performance antennas on its towers as well as for services relating to approval procedures, preparatory work and the construction of new antenna sites.

Renting of fiber-optic lines and data centers from 1&1 Versatel

Also on December 9, 2021, 1&1 AG signed a long-term intercompany agreement with 1&1 Versatel Germany GmbH, an indirect subsidiary of United Internet AG, regarding cooperation on the construction and operation of its completely virtualized mobile communications network based on the new OpenRAN technology.

All 1&1 antennas of the planned 1&1 5G network will be connected to fiber-optic lines. Four central data centers are planned for the core network, with more than five hundred decentralized data centers connected to them, which in turn will be linked to the antenna sites. This architecture enables extremely short transmission paths, which are essential for real-time applications.

Among other things, the intercompany agreement specifies that 1&1 Versatel will provide its access network (especially fiber-optic cables) and data centers for operating the 1&1 mobile network on a rental basis. The agreement has an initial term until the end of 2050.

There were no other significant events in fiscal 2021 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).

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 2020 and 2021 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 2021

United Internet AG maintained its growth trajectory in the fiscal year 2021 and reached its forecast of March 2021 and its upgrade of August 2021.

Forecast development

United Internet published its guidance for the fiscal year 2021 together with its Annual Financial Statements 2020 and adjusted it during 2021 as follows:

	Forecast 2021 (March 2021)	Increase of forecast (August 2021)
Sales	approx. € 5.5 billion	approx. € 5.6 billion
EBITDA	approx. € 1.22 billion(1)	approx. € 1.25 billion(1)

(1) This figure includes initial costs of approx. € 30 million (prior year: approx. € 14 million) for the 5G network rollout of 1&1 and an amount of approx € 40 million for the product and sales drive of IONOS; EBITDA forecast excluding a non-period positive effect of € 39.4 million

Actual development

In the fiscal year 2021, **consolidated sales** rose by 5.2%, from € 5.367 billion in the previous year to € 5.646 billion and were thus above the last forecast (August guidance: approx. € 5.6 billion) and well above the original forecast (March guidance: approx. € 5.5 billion).

Without consideration of a (non-period) positive effect on earnings (€ +39.4 million) in connection with the conclusion of the national roaming agreement with Telefónica, and additionally adjusted for a positive non-cash valuation effect from derivatives (€+ 4.9 million), **operating EBITDA for the Group** in the fiscal year 2021 amounted to € 1.259 billion and was thus slightly above the last forecast (August guidance: approx. € 1.25 billion) and at the same time well above the original forecast (March guidance: approx. € 1.22 billion).

EBITDA includes initial costs of € 37.9 million for the construction of 1&1's 5G network (March guidance: approx. € 30 million), as well as € 36.8 million for a product and sales drive of IONOS (March guidance: approx. € 40 million).

Summary: actual and forecast development of business in 2021

	Forecast 2021 (March 2021)	Increase of forecast (August 2021)	Actual 2021
Sales	approx. € 5.5 billion	approx. € 5.6 billion	€ 5.646 billion
EBITDA	approx. € 1.22 billion	approx. € 1.25 billion	€ 1.259 billion

Further information on the above mentioned (non-period) positive effect on earnings is provided in chapter 2 "Economic report" under "Legal conditions / significant events".

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 2021. The total number of **fee-based contracts** in the Consumer Access segment rose by a further 600,000 contracts to 15.43 million in 2021. Broadband connections decreased by 70,000 to 4.24 million, while mobile internet contracts increased by 670,000 to 11.19 million.

Development of Consumer Access contracts in the fiscal year 2021

in million	Dec. 31, 2021	Dec. 31, 2020	Change
Consumer Access, total contracts	15.43	14.83	+ 0.60
thereof Mobile Internet	11.19	10.52	+ 0.67
thereof broadband connections	4.24	4.31	- 0.07

Development of Consumer Access contracts in the fourth quarter of 2021

in million	Dec. 31, 2021	Sept. 30, 2021	Change
Consumer Access, total contracts	15.43	15.27	+ 0.16
thereof Mobile Internet	11.19	11.01	+ 0.18
thereof broadband connections	4.24	4.26	- 0.02

Sales of the Consumer Access segment rose by 3.3% in 2021, from € 3,759.0 million in the previous year to € 3,883.0 million.

High-margin **service revenues** – which represent the core business of this segment – improved by 3.6% from € 3,020.0 million to € 3,127.9 million. Low-margin **other revenues** (mostly smartphone sales) rose by 2.2% from € 739.0 million to € 755.1 million.

EBITDA improved strongly from € 601.2 million in the previous year (excluding write-off of VDSL contingents still available (EBITDA and EBIT effect 2020: € -129.9 million)) to € 714.0 million and EBIT from € 448.7 million to € 549.9 million. Key earnings figures for 2021 include a **(non-period) positive effect on earnings** from the fiscal year 2020 totaling € 39.4 million, of which the third quarter of 2020 accounted for € 19.2 million and the fourth quarter of 2020 for € 20.2 million. On February 15, 2021, 1&1 accepted Telefónica Germany's improved offer – following review by the EU Commission – for national roaming and thus also retroactively as of July 1, 2020 for the related MBA MVNO advance services. The prices offered include annually decreasing data prices again, similar to the pricing mechanisms in the first five years of the MBA MVNO agreement. The offer accepted by 1&1 was transposed into a long-term national roaming agreement with Telefónica on May 21, 2021.

Since the conclusion of the national roaming agreement, 1&1 is also entitled to decrease or increase the ordered advance service capacities within contractually agreed ranges. This has resulted in positive effects for cost of sales.

Details on the above mentioned special items are also provided in chapter 2 "Economic report" under "Legal conditions / significant events".

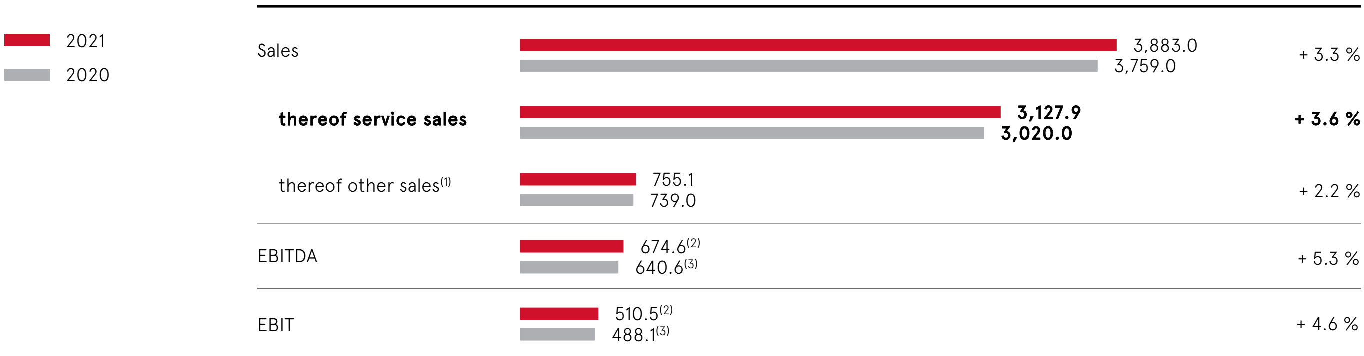
After allocating the above mentioned effects to the respective periods, **operating segment EBITDA** improved by 5.3% from € 640.6 million in the previous year to € 674.6 million. Operating EBITDA includes initial costs for the construction of the Company's own 5G network of € -37.9 million (prior year: € -13.9 million).

Operating segment EBITDA was also burdened by these costs and – due to increased depreciation and amortization – rose less strongly by 4.6% from € 488.1 million to € 510.5 million.

There was a corresponding improvement in the **operating EBITDA margin** from 17.0% to 17.4% and in the **operating EBIT margin** from 13.0% to 13.1%.

The number of **employees** in this segment fell slightly by 0.8% to 3,167 (prior year: 3,191).

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



(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)
(3) 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)

Quarterly development; change over prior-year quarter

in € million	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q4 2020	Change
Sales	965.9	950.3	964.3	1,002.5	966.2	+ 3.8%
thereof service sales	**762.2**	**779.5**	**794.1**	**792.1**	**762.3**	**+ 3.9%**
thereof other sales(1)	203.7	170.8	170.2	210.4	203.9	+ 3.2%
EBITDA	168.4(2)	168.6(3)	176.9	160.7	162.8(4)	- 1.3%
EBIT	128.9(2)	129.3(3)	134.9	117.4	123.2(4)	- 4.7%

(1) Mainly hardware sales
(2) Excluding the non-period positive effect on earnings from the second half of 2020 (EBITDA and EBIT effect: € +34.4 million)
(3) Excluding the non-period positive effect on earnings from the second half of 2020 (EBITDA and EBIT effect: € +5.0 million)
(4) Including the non-period positive effect on earnings in 2021, partly attributable to the fourth quarter of 2020 (EBITDA and EBIT effect: € +20.2 million); excluding non-cash write-off of VDSL contingents still available (EBITDA and EBIT effect: € -129.9 million)

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

in € million	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)	2020	2021
Sales	2,781.6	3,600.8	3,647.5	3,759.0	3,883.0
thereof service sales	**2,631.0**	**2,854.4**	**2,943.0**	**3,020.0**	**3,127.9**
thereof other sales(1)	150.6	746.4	704.5	739.0	755.1
EBITDA	541.2(2)	719.3	686.6	640.6(3)	674.6(4)
EBITDA margin	19.5%	20.0%	18.8%	17.0%	17.4%
EBIT	471.4(2)	560.6	536.1	488.1(3)	510.5(4)
EBIT margin	16.9%	15.6%	14.7%	13.0%	13.1%

(1) Mainly hardware sales
(2) Excluding the extraordinary income from revaluation of Drillisch shares (EBITDA and EBIT effect: € +303.0 million) and excluding restructuring charges in offline sales (EBITDA and EBIT effect: € -28.3 million)
(3) 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)
(4) Excluding the non-period positive effect on earnings attributable to the second half of 2020 (EBITDA and EBIT effect: € +39.4 million)

In addition to its good operating results, further progress was achieved with the planned mobile communications network in 2021. After 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 year 2021 and now has all key elements in place to drive forward the rollout of its own 5G mobile communications network and thus extend its added value in this market – as in its 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 its 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 its affiliate 1&1 Versatel on December 9, 2021, which in particular provides the access network (especially fiber-optic cables) and data centers for operating 1&1's mobile network on a rental basis, and on the same date an agreement was concluded with Vantage Towers AG, one of Europe's leading companies for radio tower infrastructure, which among other things includes the renting of Vantage antenna locations and the installation of 1&1's 5G high-performance antennas by Vantage.

Further information on the above mentioned agreements is also provided in chapter 2 "Economic report" under "Legal conditions / significant events".

In the fiscal year 2021, activities were also dominated by measures for the expansion of long-term fixed network coverage. These include DSL and VDSL connections, but in future also an increasing number of fiber-optic household connections (fiber-to-the-home/FTTH). In this connection, 1&1 AG entered into an agreement with its affiliate 1&1 Versatel regarding the long-term purchase of FTTH and VDSL complete packages including voice and IPTV as of April 1, 2021. At the same time, 1&1 Versatel entered into an agreement with Deutsche Telekom on the use of its FTTH and VDSL connections for households. These enable 1&1 Versatel to provide FTTH/VDSL complete packages for 1&1, as 1&1 Versatel's nationwide fiber-optic transport network is largely connected to the local broadband networks of Deutsche Telekom.

Further information on the above mentioned agreements is also provided in chapter 2 "Economic report" under "Legal conditions / significant events".

Business Access segment

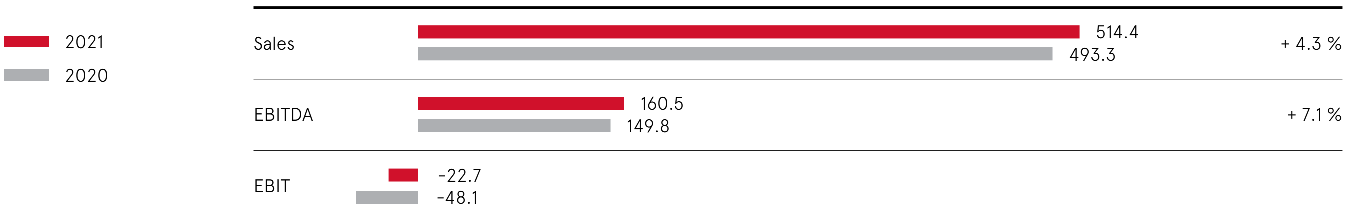
Despite the almost complete absence of one-off revenues (€ 9.4 million in 2020 vs. € 0.6 million in 2021), **sales in the Business Access** segment rose by 4.3% in the fiscal year 2021, from € 493.3 million in the previous year to € 514.4 million.

At the same time, **segment EBITDA** improved by 7.1% from € 149.8 million in the previous year to € 160.5 million. This figure includes a one-off burden of € 1.1 million in connection with the new advance service agreement with Deutsche Telekom. Despite this one-off burden, the **EBITDA margin** rose from 30.4% to 31.2%.

Although burdened by high writedowns for network infrastructure, **segment EBIT** improved from € -48.1 million in the previous year to € -22.7 million.

The number of **employees** in this segment rose by 4.2% to 1,238 in 2021 (prior year: 1,188).

Key sales and earnings figures in the Business Access segment



Quarterly development; change over prior-year quarter

in € million	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q4 2020	Change
Sales	128.3	130.1	124.3	131.7	126.7	+ 3.9%
EBITDA	38.2	40.9	39.7	41.7	35.5	+ 17.5%
EBIT	-6.9	-4.5	-6.1	-5.3	-13.5	

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

in € million	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)	2020	2021
Sales	447.9	465.9	476.6	493.3	514.4
EBITDA	81.5	72.6	147.2	149.8	160.5
EBITDA margin	18.2%	15.6%	30.9%	30.4%	31.2%
EBIT	-40.2	-58.1	-51.2	-48.1	-22.7
EBIT margin	-	-	-	-	-

Consumer Applications segment

In the Consumer Applications segment, the number of fee-based pay accounts (contracts) rose by 100,000 to 2.47 million in the fiscal year 2021. Ad-financed free accounts increased by 0.92 million to 40.32 million. The total number of **Consumer Applications accounts** therefore increased by 1.02 million to 42.79 million.

Development of Consumer Applications accounts in the fiscal year 2021

in million	Dec. 31, 2021	Dec. 31, 2020	Change
Consumer Applications, total accounts	42.79	41.77	+ 1.02
thereof with Premium Mail subscription	1.72	1.63	+ 0.09
thereof with Value-Added subscription	0.75	0.74	+ 0.01
thereof free accounts	40.32	39.40	+ 0.92

Development of Consumer Applications accounts in the fourth quarter of 2021

in million	Dec. 31, 2021	Sept. 30, 2021	Change
Consumer Applications, total accounts	42.79	41.74	+ 1.05
thereof with Premium Mail subscription	1.72	1.70	+ 0.02
thereof with Value-Added subscription	0.75	0.75	0.00
thereof free accounts	40.32	39.29	+ 1.03

In the fiscal year 2021, activities in the Consumer Applications segment continued to focus on the establishment of data-driven business models. In addition to the further increase in customer accounts, this transformation is also reflected in the growing success of the segment's key financial figures.

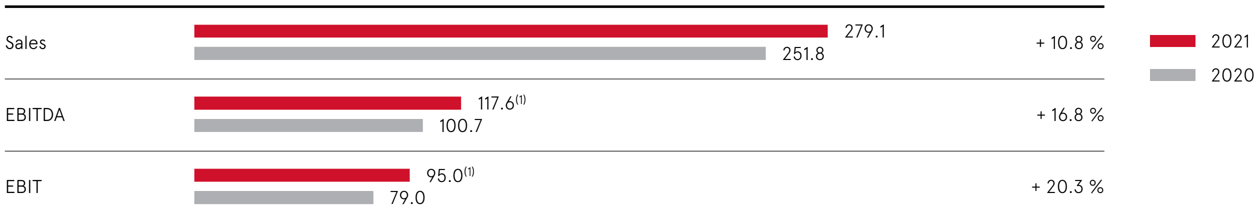
Sales of the Consumer Applications segment, for example, improved by 10.8% from € 251.8 million in the previous year to € 279.1 million in the fiscal year 2021.

EBITDA improved from € 100.7 million in the previous year to € 122.5 million and EBIT from € 79.0 million to € 99.9 million. The segment's key earnings figures include a non-cash positive valuation effect from derivatives of € 4.9 million (prior year: insignificant). Adjusted for this valuation effect, **operating segment EBITDA** rose by 16.8% from € 100.7 million to € 117.6 million and **operating segment EBIT** by 20.3% from € 79.0 million to € 95.0 million.

As a result, there were also significant improvements in the **EBITDA margin** from 40.0% to 42.1% and in the **EBIT margin** from 31.4% to 34.0%.

The number of **employees** in this segment was largely unchanged at 1,004 (prior year: 1,005).

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



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

Quarterly development; change over prior-year quarter

in € million	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q4 2020	Change
Sales	65.3	68.9	65.9	79.0	70.9	+ 11.4%
EBITDA	25.7(1)	29.5(1)	25.3(1)	37.1(1)	31.2	+ 18.9%
EBIT	20.3(1)	23.7(1)	19.6(1)	31.4(1)	24.6	+ 27.6%

(1) Excluding a non-cash valuation effect from derivatives (EBITDA and EBIT effect: € +0.2 million in Q1 2021; € +0.7 million in Q2 2021; € +2.1 million in Q3 2021; € +1.9 million in Q4 2021)

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

in € million	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)	2020	2021
Sales(1)	284.2	274.2	247.2 (255.0)	251.8	279.1
EBITDA	124.0	112.8	103.6	100.7	117.6(2)
EBITDA margin	43.6%	41.1%	41.9%	40.0%	42.1%
EBIT	112.1	100.8	85.9	79.0	95.0(2)
EBIT margin	39.4%	36.8%	34.7%	31.4%	34.0%

(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; 2017 - 2018 reported unchanged on a gross statement
(2) Excluding a non-cash valuation effect from derivatives (EBITDA and EBIT effect: € +4.9 million)

Business Applications segment

The number of **fee-based Business Applications contracts** was increased by a further 330,000 contracts in the fiscal year 2021. This growth resulted from 200,000 contracts in Germany and 130,000 contracts abroad. As a result, the total number of contracts rose to 8.78 million. This growth includes around 7,500 contracts from the takeover of we22 (consolidated since February 1, 2021).

Development of Business Applications contracts in the fiscal year 2021

in million	Dec. 31, 2021	Dec. 31, 2020	Change
Business Applications, total contracts	8.78	8.45	+ 0.33
thereof in Germany	4.26	4.06	+ 0.20
thereof abroad	4.52	4.39	+ 0.13

Development of Business Applications contracts in the fourth quarter of 2021

in million	Dec. 31, 2021	Sept. 30, 2021	Change
Business Applications, total contracts	8.78	8.69	+ 0.09
thereof in Germany	4.26	4.21	+ 0.05
thereof abroad	4.52	4.48	+ 0.04

Sales of the Business Applications segment rose by 12.0% in the fiscal year 2021, from € 948.6 million in the previous year to € 1,062.8 million, and thus passed the 1-billion-euro-mark for the first time. The Sedo business (domain trading platform and domain parking) contributed 5.2 percentage points to this sales growth.

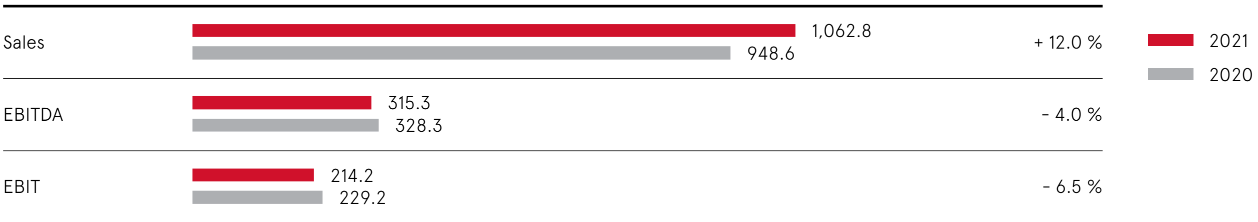
As expected, **segment EBITDA** fell by 4.0% from € 328.3 million to € 315.3 million due to the "investments" made by IONOS amounting to € -36.8 million for the announced product and sales drive focusing on cloud business and further international expansion.

Segment EBIT was also burdened by these investments and decreased more strongly by 6.5% from € 229.2 million to € 214.2 million due to higher depreciation and amortization.

There was a corresponding decline in the **EBITDA margin** and **EBIT margin** from 34.6% to 29.7% and from 24.2% to 20.2%, respectively.

The number of **employees** in this segment rose by 10.1% to 3,998 in 2021 (prior year: 3,631). This strong increase was mainly due to the takeover of we22 AG and its approx. 160 employees (as of February 1, 2021), as well as the significant increase in headcount in the segment's international business.

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



Quarterly development; change over prior-year quarter

in € million	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q4 2020	Change
Sales	256.2	258.2	260.5	287.9	241.3	+ 19.3%
EBITDA	79.2	84.1	78.9	73.1	73.7	- 0.8%
EBIT	54.1	60.0	53.9	46.2	50.2	- 8.0%

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

in € million	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)	2020	2021
Sales	762.1	841.8	890.6	948.6	1,062.8
EBITDA	247.3	290.4	306.2	328.3	315.3
EBITDA margin	32.4%	34.5%	34.4%	34.6%	29.7%
EBIT	175.4	202.1	201.4(1)	229.2	214.2
EBIT margin	23.0%	24.0%	22.6%	24.2%	20.2%

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

In addition to its successful operating business, IONOS continued to strengthen its position with the acquisition of we22 AG in early 2021. we22 develops software for the creation, maintenance, and hosting of websites. The company is best-known for its white-label website builder CM4all. With over 25 language versions, CM4all has been an essential part of the product offering of over 50 hosting providers worldwide since 2000. Under its Web4Business brand, we22 also offers website creation and online marketing services for small businesses and freelancers in Germany. we22's products and services will also be made available to IONOS customers in the future. CM4all will continue to be offered as a white-label solution for other internet providers and business customers.

Group investments

United Internet continued to optimize its investment portfolio in the fiscal year 2021.

In the course of these optimization measures, United Internet acquired a 40% stake in Kublai GmbH and in this connection contributed the shares it held in the (at that time still) listed Tele Columbus AG to Kublai. In the Business Applications segment, a 25.10% stake in Stackable GmbH was acquired (via IONOS SE).

Significant changes in investments

Investment in Kublai and contribution of Tele Columbus shares
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%.

After closing the transaction and the delisting of Tele Columbus, Kublai currently holds around 94.8% of the Tele Columbus shares.

In addition, 1&1 has signed a binding preliminary agreement with Tele Columbus to use the latter's cable/fiber-optic network as a pre-service for its broadband products, enabling it to tap further target groups via fiber-optic and, for the first time, also via cable connections.

Investment in Stackable
In December 2021, the United Internet subsidiary IONOS SE acquired a 25.10% stake in Stackable GmbH as part of a strategic partnership.

Stackable was founded by Sönke Liebau and Lars Franke in Wedel, Schleswig-Holstein, in 2020. It has developed an open source-based platform for analyzing and processing large data volumes. Stackable's software can be used in the cloud, on the premises, or as a hybrid.

Unlike other Big Data solutions, the company's software platform is a free and open distribution of numerous open source projects for modern data platforms. It is based on the "Infrastructure as Code" concept: users do not have to worry about the hardware platform on which their Big Data applications run.

IONOS is already using Stackable's Big Data platform for internal applications and is planning a managed Stackable offering for its cloud customers in 2022.

IONOS and Stackable are also collaborating on the European cloud initiative Gaia-X. Both companies are consortium members of the MARISPACE-X project funded by the German Federal Ministry for Economic Affairs and Energy.

In addition to its (fully consolidated) core operating companies, and the above mentioned new investments, United Internet had the following other minority shareholdings as of December 31, 2021.

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, 2021, United Internet's share of voting rights amounted to 25.39%. Due to realignments and restructuring by the new management, sales of Open-Xchange fell slightly in the fiscal year 2021. As a result, EBITDA is also expected to be slightly negative.

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, 2021, the share of voting rights held by United Internet amounted to 25.10%. The decrease in the investment compared to a stake of 27.56% as of December 31, 2020 resulted on the one hand from a funding round held in 2021 which also included new shareholders, and on the other hand from the takeover of US competitor Momentfeed Inc. which also involved the granting of new shares. There was also a corresponding improvement in the company's EBITDA, although it remained slightly negative as a result of the expansion of business in the USA.

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, 2021, the share of voting rights amounted to 31.52%. rankingCoach also achieved a noticeable increase in sales in its fiscal year 2021. There was also an improvement in the company's EBITDA – although it also remained slightly negative.

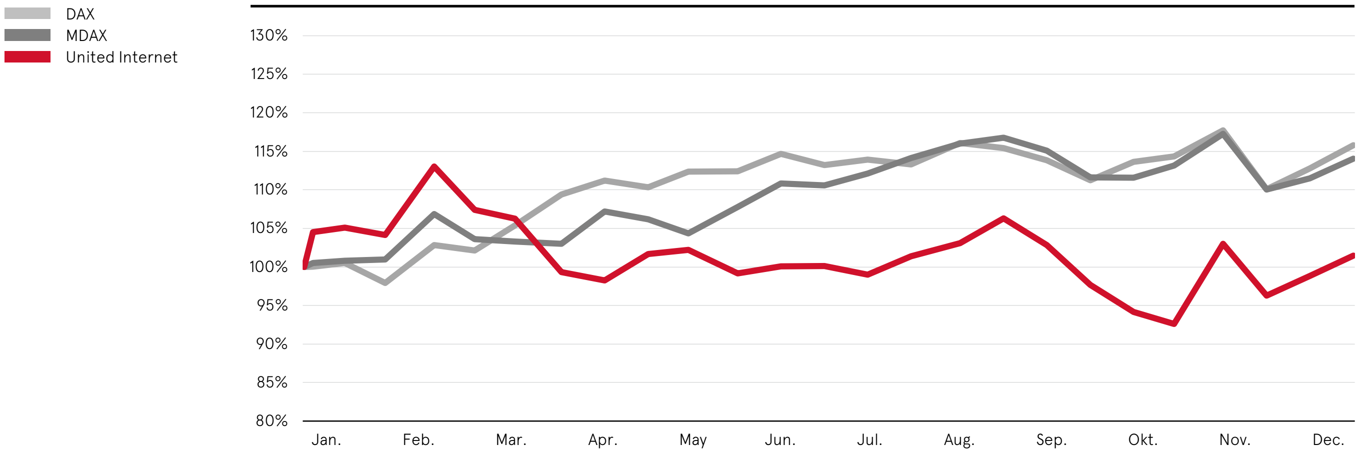
Following the contribution of affilinet GmbH to AWIN in October 2017, United Internet also holds a stake in **AWIN AG** (main activity: affiliate marketing). Several United Internet subsidiaries are currently working together with AWIN and using the company's affiliate network as part of their marketing mix. As of December 31, 2021, United Internet's share of voting rights amounted to 20.00%. AWIN once again closed its fiscal year 2021 with strong sales growth and a further improved and strongly positive EBITDA result.

Share and dividend

Share

In the fiscal year 2021, the United Internet share price rose only slightly by 1.5% to € 34.94 as of December 31, 2021 (December 31, 2020: € 34.43). The share thus performed much worse than its comparative indices, which grew strongly year on year (DAX +15.8%; MDAX +14.1%).

Share performance 2021, indexed



The **market capitalization** of United Internet AG rose from around € 6.68 billion in the previous year to around € 6.78 billion as of December 31, 2021.

In the fiscal year 2021, average daily trading via the XETRA electronic computer trading system amounted to around 230,000 shares (prior year: around 414,000) with an average value of € 8.1 million (prior year: € 13.4 million).

Multi-period overview: share performance (in €; all stock exchange figures are based on Xetra trading)

	2017	2018	2019	2020	2021
Closing price	57.34	38.20	29.28	34.43	34.94
Performance	+ 54.6%	-33.4%	-23.4%	+ 17.6%	+ 1.5%
Year-high	59.17	59.80	40.42	43.88	39.34
Year-low	37.01	34.14	24.21	20.76	31.63
Average daily turnover	19,666,155	19,261,114	16,415,087	13,355,218	8,149,290
Average daily turnover (units)	418,771	404,956	522,809	414,786	233,717
Number of shares (units)	205 million	205 million	205 million	194 million	194 million
Market value	11.75 billion	7.83 billion	6.00 billion	6.68 billion	6.78 billion
EPS(1)	3.06	0.94	2.13	1.55	2.23
Adjusted EPS(2)	2.02	1.96	1.88	1.87	2.10

(1) EPS from continued operations
(2) EPS from continued operations and without special items

Share data

Share type	Registered common stock
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: February 16, 2022)

Shareholder	Shareholding
Ralph Dommermuth - Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft (49.23%) - RD Holding GmbH & Co. KG (1.03%)	50.26%
United Internet (treasury stock)	3.75%
Flossbach von Storch	4.99%
Allianz Global Investors	4.99%
BlackRock	3.34%
Wellington	3.06%
Free float	29.61%

Presentation of the total positons 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.

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 27, 2021, 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 2020, was approved with a majority of 99.91% of votes cast. As a consequence, a total of € 93.6 million (prior year: € 93.6 million) was distributed on June 1, 2021. The **payout ratio** was therefore 26.7% of the adjusted consolidated net income after minority interests for 2020 (€ 351.0 million) and thus – in view of the investments due to be made in the Company's own mobile communications network – within the medium range of the dividend policy.

For the fiscal year 2021, 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 16, 2022 (and thus after the preparation deadline for this Management Report). The Annual Shareholders' Meeting of United Internet AG on May 19, 2022 will then vote on whether to adopt the joint proposal of the Management Board and Supervisory Board.

On the basis of around 186.7 million shares with dividend entitlement (as of December 31, 2021), the total dividend payment for fiscal year 2021 would amount to € 93.4 million. The dividend payout ratio would therefore be 23.8% of adjusted consolidated net income after minority interests for 2021 (€ 392.4 million) and thus lie – in view of the investments due to be made in the Company's own mobile communications network – within the lower range of the dividend policy. Based on the closing price of the United Internet share on December 31, 2021, the dividend yield would be 1.4%.

Multi-period overview: dividend development

	For 2017	For 2018	For 2019	For 2020	For 2021(1)
Dividend per share (in €)	0.85	0.05	0.50	0.50	0.50
Dividend payment (in € million)	169.9	10.0	93.9	93.6	93.4
Payout ratio	26.2%	5.3%	22.2%	32.2%	22.4%
Adjusted payout ratio(2)	42.1%	2.5%	23.6%	26.7%	23.8%
Dividend yield(3)	1.5%	0.1%	1.7%	1.5%	1.4%

(1) Subject to approval of Supervisory Board and Annual Shareholders' Meeting 2022
(2) Without special items
(3) As of: December 31

Annual Shareholders' Meeting 2021

The (virtual) Annual Shareholders' Meeting of United Internet AG was held in Frankfurt am Main on May 27, 2021. A total of 71.26% of capital stock (or 73.83% 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

In an ad-hoc disclosure issued on August 6, 2021, United Internet AG announced its intention to launch a **new share buyback program** with a volume of up to € 160 million. The program commenced on August 10, 2021 and was to expire no later than on April 30, 2022. On September 13, 2021, the Management Board of United Internet AG resolved to prematurely suspend the share buyback program on expiry of September 13, 2021. In the course of the share buyback program, the Company purchased a total of 514,972 treasury shares at an average price of € 36.35 and with a total volume of € 18.7 million.

As at the balance sheet date of December 31, 2021, United Internet AG therefore held 7,284,109 **treasury shares** (approx. 3.75% of the capital stock of 194,000,000 shares) – compared to 6,769,137 treasury shares as at December 31, 2020.

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 2021. However, the coronavirus pandemic meant that this intensive exchange was not possible to the same extent or in the same way as before. 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, whereby all conferences were held virtually. This was also the case for the Annual Shareholders' Meeting, for the second year in a row. 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 virtual 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 2021. 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 2021, the number of employees increased year on year by 3.5%, or 337 employees, to 9,975 (prior year: 9,638). This increase was mainly due to the Business Applications segment as a result of the takeover of we22 AG and its approx. 160 employees (as of February 1, 2021), as well as the significant increase in headcount in the segment's international business.

Headcount in Germany rose by 3.4%, or 270 employees, to 8,199 as of December 31, 2021 (prior year: 7,929). The number of employees at the Group's non-German subsidiaries grew by 3.9%, or 67 employees, to 1,776 (prior year: 1,709).

Multi-period overview: headcount development by location[1]; year-on-year change

	2017	2018	2019	2020	2021	Change
Employees, total	9,414	9,093	9,374	9,638	9,975	+ 3.5%
thereof in Germany	7,890	7,567	7,761	7,929	8,199	+ 3.4%
thereof abroad	1,524	1,526	1,613	1,709	1,776	+ 3.9%

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

From the segment perspective, there were 3,167 employees in the Consumer Access segment (prior year: 3,191), 1,238 in the Business Access segment (prior year: 1,188), 1,004 in the Consumer Applications segment (prior year: 1,005), and 3,998 in the Business Applications segment (prior year: 3,631). A further 568 people were employed at the Group's headquarters (Corporate/HQ) (prior year: 623).

Multi-period overview: headcount development by segment[1] ; year-on-year change

	2017	2018	2019	2020	2021	Change
Employees, total	9,414	9,093	9,374	9,638	9,975	+ 3.5%
thereof Consumer Access	3,457	3,150	3,163	3,191	3,167	- 0.8%
thereof Business Access	1,069	1,095	1,184	1,188	1,238	+ 4.2%
thereof Consumer Applications	961	947	1,007	1,005	1,004	- 0.1%
thereof Business Applications	3,586	3,355	3,416	3,631	3,998	+ 10.1%
thereof Corporate/HQ	341	546	604	623	568	- 8.8%

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

Personnel expenses rose by 9.0% to € 645.4 million in the fiscal year 2021 (prior year: € 592.3 million). The **personnel expense ratio** thus amounted to 11.4% (prior year: 11.0%).

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

in € million	2017	2018	2019	2020	2021	Change
Personnel expenses	489.0	538.8	552.8	592.3	645.4	+ 9.0%
Personnel expense ratio	11.6%	10.5%	10.6%	11.0%	11.4%	

Sales per employee, based on annual average headcount, amounted to approx. € 576k in fiscal year 2021 (prior year: approx. € 565k).

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]

	2017	2018	2019	2020	2021
Women	31%	32%	32%	32%	33%
Men	69%	68%	68%	68%	67%

(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 2021 was around 40 (prior year: 39).

Multi-period overview: employee age profile(1)

	2017	2018	2019	2020	2021
< 30	24%	26%	23%	23%	22%
30 – 39	36%	38%	34%	33%	33%
40 – 49	27%	25%	27%	27%	27%
≥ 50	13%	11%	16%	17%	18%

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

Employees of United Internet AG work in an international environment at over 30 sites around the world.

Multi-period overview: employees by country(1)

	2017	2018	2019	2020	2021
Employees, total	9,414	9,093	9,374	9,638	9,975
thereof Germany	7,890	7,567	7,761	7,929	8,199
thereof France	3	3	3	3	4
thereof UK	232	216	233	251	251
thereof Austria	5	37	43	44	65
thereof Philippines	366	351	360	395	392
thereof Poland	251	270	309	299	333
thereof Romania	174	176	195	217	229
thereof Spain	319	331	330	340	381
thereof USA	174	142	140	160	121

(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 2021 of United Internet AG, which will be published in April 2022 (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.

At the end of the reporting period on December 31, 2021, the Group’s bank liabilities amounted to € 1,822.7 million (prior year: € 1,466.1 million) and mainly comprise promissory note loans and syndicated loans.

Promissory note loans

As in 2014 and 2017, United Internet successfully placed a promissory note loan (“Schuldscheindarlehen”) in its fiscal year 2021. As the transaction was significantly oversubscribed, the Company decided to raise the originally planned placement volume to an ultimate amount of € 750 million. The proceeds from this transaction are used for general company funding. The five tranches in total with terms from July 2024 to July 2027 were placed at the issuance amount and are 100% repayable. By placing mainly fixed-interest tranches, the Group naturally hedged the risk of rising interest rates and optimized the maturity profile with maturities of up to six years. The average interest rate is 0.79% p.a. The new promissory note loan is not tied to any so-called covenants.

At the end of the reporting period on December 31, 2021, total liabilities from promissory note loans with maximum terms until July 2027 amounted to € 1,297.5 million (prior year: € 547.5 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 December 31, 2021, € 250 million of the revolving syndicated loan facility had been drawn (prior year: € 550 million). As a result, funds of € 560 million (prior year: € 260 million) were still available to be drawn from the credit facility as at the balance sheet date.

A syndicated loan totaling € 200 million still outstanding in the previous year was paid back on schedule in August 2021.

In addition, bilateral credit agreements with several banks totaling € 170 million (prior year: € 0) are available to the Company. The terms expire at the latest on January 31, 2023. These bilateral credit agreements were used in full as at the balance sheet date.

Furthermore, various bilateral credit facilities of € 375 million (prior year: € 280 million) are available to the Company. These have been granted in part until further notice and in part have terms until July 2, 2023. Drawings of € 100 million (prior year: € 165 million) had been made from the credit facilities as at the end of the reporting period.

At the end of the reporting period on December 31, 2021, United Internet therefore had free credit lines totaling € 835 million (prior year: € 375 million).

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.

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 2021. There were also only **minor negative currency effects** at Group and segment level (Business Applications segment) amounting to € -4.1 million for sales and € -0.1 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 2021, the total number of **fee-based customer contracts** in the United Internet Group was raised by 1.03 million to 26.68 million contracts. At the same time, ad-financed free accounts rose by 0.92 million to 40.32 million.

Consolidated sales increased by 5.2% in the fiscal year 2021, from € 5,367.2 million in the previous year to € 5,646.2 million. Despite currency losses of € 4.1 million, **sales outside Germany** improved by 12.1% from € 458.5 million to € 513.8 million.

The **cost of sales** fell from € 3,769.3 million to € 3,684.9 million during the reporting period. As a result, the cost of sales ratio fell from 70.2% (of sales) in the previous year to 65.3% (of sales). This improvement was due in part to a (non-period) positive effect of € +39.4 million in 2021 (for further details, please refer to the comments on earnings below), whereas in the previous year there was a write-off of VDSL contingents amounting to € -129.9 million. In addition, since the conclusion of the national roaming agreement, 1&1 is entitled to decrease or increase the ordered advance service capacities within contractually agreed ranges. This has resulted in positive effects for cost of sales. There was a corresponding improvement in the **gross margin** from 29.8% to 34.7%. This enabled **gross profit** to rise faster than sales (5.2%) by 22.7% from € 1,597.9 million to € 1,961.2 million.

Due in part to the IONOS sales drive, **sales and marketing expenses** increased slightly faster than sales, from € 767.9 million (14.3% of sales) in the previous year to € 835.7 million (14.8% of sales).

There was a strongly disproportionate increase in **administrative expenses** from € 206.0 million (3.8% of sales) to € 243.0 million (4.3% of sales), due to increased legal and consultancy costs (for preparations and negotiations in connection with the rollout of the Company's own 5G network).

Multi-period overview: Development of key cost items

in € million	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)	2020	2021
Cost of sales	2,691.1	3,350.1	3,427.0	3,769.3	3,684.9 (1)
Cost of sales ratio	64.0%	65.7%	66.0%	70.2%	65.3%
Gross margin	36.0%	34.3%	34.0%	29.8%	34.7%
Selling expenses	638.3	678.2	741.8	767.9	835.7
Selling expenses ratio	15.2%	13.3%	14.3%	14.3%	14.8%
Administrative expenses	185.1	218.9	205.9	206.0	243.0
Administrative expenses ratio	4.4%	4.3%	4.0%	3.8%	4.3%

(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 fell from € 30.9 million to € 21.2 million and **other operating income** from € 74.5 million in the previous year to € 54.8 million. **Impairment losses on receivables and contract assets** amounted to € -86.3 million (prior year: € -92.9 million).

Key earnings figures were influenced by various **special items** in the fiscal years 2020 and 2021, which in total had a net positive effect in the fiscal year 2021 and a strong net negative effect in the fiscal year 2020.

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.

  Details are provided in chapter 2 "Economic report" under "Legal conditions / significant events".

- The special item **"non-cash valuation effect from derivatives in 2021"** results from the quarterly revaluations of derivatives and had a **positive** impact on EBITDA, EBIT, EBT, net income and EPS in the fiscal year 2021. This effect was insignificant in the fiscal year 2020.

Special items 2020

- The special item **"allocation of the non-period effect in 2021 to the correct period in 2020"** results from correctly allocating the above mentioned earnings effect in 2021 and had a **positive** impact on EBITDA, EBIT, EBT, net income and EPS.

  Details are provided in chapter 2 "Economic report" under "Legal conditions / significant events".

- The special item **"write-off of VDSL contingents in 2020"** results from the derecognition of accrued assets for VDSL contingents still available. In the fiscal year 2020, it had a **negative** effect on EBITDA, EBIT, EBT, net income, and EPS.

- The special item **"Impairment reversals Tele Columbus in 2020"** results from the impairment reversal of shares in Tele Columbus AG held by United Internet and disclosed in the result from associated companies. In the fiscal year 2020, it had a **positive** effect on EBT, net income, and EPS.

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

in € million; EPS in €	Fiscal year 2021	Fiscal year 2020
EBITDA	1,303.7	1,048.9
Non-period effect from lower MBA MVNO prices in 2021	-39.4	
Non-cash valuation effect from derivatives in 2021	-4.9	
Allocation of the non-period effect in 2021 to the correct period in 2020		39.4
Write-off VDSL contingents in 2020		129.9
EBITDA adjusted for special items (operating)	**1,259.4**	**1,218.2**
EBIT	829.9	574.9
Non-period effect from lower MBA MVNO prices in 2021	-39.4	
Non-cash valuation effect from derivatives in 2021	-4.9	
Allocation of the non-period effect in 2021 to the correct period in 2020		39.4
Write-off VDSL contingents in 2020		129.9
EBIT adjusted for special items (operating)	**785.6**	**744.2**
EBT	773.3	556.2
Non-period effect from lower MBA MVNO prices in 2021	-39.4	
Non-cash valuation effect from derivatives in 2021	-4.9	
Allocation of the non-period effect in 2021 to the correct period in 2020		39.4
Write-off VDSL contingents in 2020		129.9
Impairment reversals Tele Columbus in 2020		-29.2
EBT adjusted for special items (operating)	**729.0**	**696.3**
Net income	523.2	368.8
Non-period effect from lower MBA MVNO prices in 2021	-27.0	
Non-cash valuation effect from derivatives in 2021	-3.4	
Allocation of the non-period effect in 2021 to the correct period in 2020		27.0
Write-off VDSL contingents in 2020		91.5
Impairment reversals Tele Columbus in 2020		-29.2
Net income adjusted for special items (operating)	**492.8**	**458.1**
Net income "Shareholders United Internet"	416.5	290.5
Non-period effect from lower MBA MVNO prices in 2021	-20.7	
Non-cash valuation effect from derivatives in 2021	-3.4	
Allocation of the non-period effect in 2021 to the correct period in 2020		20.8
Write-off VDSL contingents in 2020		68.9
Impairment reversals Tele Columbus in 2020		-29.2
Net income "Shareholders United Internet" adjusted for special items	**392.4**	**351.0**
EPS	2.23	1.55
Non-period effect from lower MBA MVNO prices in 2021	-0.11	
Non-cash valuation effect from derivatives in 2021	-0.02	
Allocation of the non-period effect in 2021 to the correct period in 2020		0.11
Write-off VDSL contingents in 2020		0.37
Impairment reversals Tele Columbus in 2020		-0.16
EPS adjusted for special items (operating)	**2.10**	**1.87**

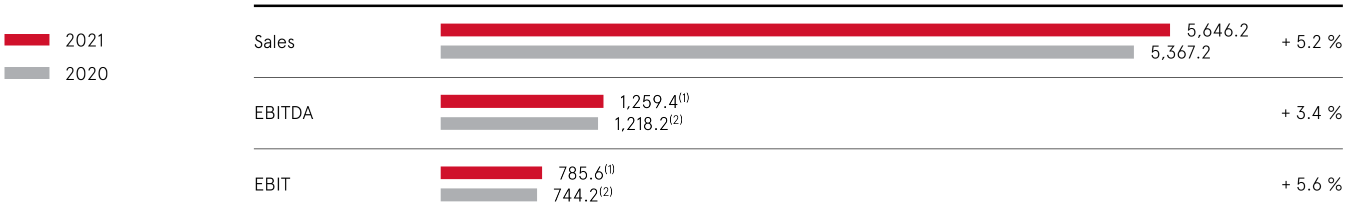
Without consideration of the above mentioned opposing special items, the key performance measures EBITDA, EBIT, EBT, net income, and EPS for the fiscal year 2021 developed as follows:

In the fiscal year 2021, **consolidated operating EBITDA** rose by 3.4% from € 1,218.2 million in the previous year to € 1,259.4 million and **consolidated operating EBIT** by 5.6% from € 744.2 million to € 785.6 million.

These EBITDA and EBIT figures include **initial costs for the construction of the 5G network** of € -37.9 million (prior year: € -13.9 million) for 1&1 as well as announced **investments for a product and sales drive** of IONOS amounting to € -36.8 million focusing on its cloud business and further international expansion.

As a result, the **operating EBITDA margin** of 22.3% was below the prior-year figure (22.7%), while the **operating EBIT margin** was unchanged at 13.9%.

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



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

Quarterly development; change over prior-year quarter

in € million	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q4 2020	Change
Sales	1,392.2	1,383.4	1,392.3	1,478.3	1,382.5	+ 6.9%
EBITDA	311.9[1]	321.0[2]	319.2[3]	307.3[4]	302.6[5]	+ 1.6%
EBIT	196.0[1]	205.6[2]	199.9[3]	184.1[4]	183.3[5]	+ 0.4%

(1) Excluding the non-period positive effect on earnings from the second half of 2020 (EBITDA and EBIT effect: € +34.4 million) and excluding a non-cash valuation effect from derivatives (EBITDA and EBIT effect: € +0.2 million)
(2) Excluding the non-period positive effect on earnings from the second half of 2020 (EBITDA and EBIT effect: € +5.0 million) and excluding a non-cash valuation effect from derivatives (EBITDA and EBIT effect: € +0.7 million)
(3) Excluding a non-cash valuation effect from derivatives (EBITDA and EBIT effect: € +2.1 million)
(4) Excluding a non-cash valuation effect from derivatives (EBITDA and EBIT effect: € +1.9 million)
(5) Including the non-period positive effect on earnings in 2021, partly attributable to the fourth quarter of 2020 (EBITDA and EBIT effect: € +20.2 million) and excluding non-cash write-off of VDSL contingents that are still available (EBITDA and EBIT effect: € -129.9 million)

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

in € million	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)	2020	2021
Sales	4,206.3	5,102.9	5,194.1	5,367.2	5,646.2
EBITDA	979.6(1)	1,201.3	1,244.2(2)	1,218.2(3)	1,259.4(4)
EBITDA margin	23.3%	23.5%	24.0%	22.7%	22.3%
EBIT	704.0(1)	811.0	770.2(2)	744.2(3)	785.6(4)
EBIT margin	16.7%	15.9%	14.8%	13.9%	13.9%

(1) Excluding the extraordinary income from revaluation of Drillisch shares (EBITDA and EBIT effect: € +303.0 million) and revaluation of ProfitBricks shares (EBITDA and EBIT effect: € +16.1 million), as well as without M&A transaction costs (EBITDA and EBIT effect: € -17.1 million), without restructuring charges in offline sales (EBITDA and EBIT effect: € -28.3 million) and without trademark writedowns Strato (EBIT effect: € -20.7 million)

(2) 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)

(3) 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)

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

Despite the above mentioned burdens on earnings, **operating earnings before taxes (EBT)** and **operating consolidated net income** rose by 4.7% from € 696.3 million to € 729.0 million and by 7.6% from € 458.1 million to € 492.8 million, respectively.

The **operating consolidated net income attributable to shareholders of United Internet AG** also improved by 11.8% from € 351.0 million to € 392.4 million.

There was also a corresponding increase in **operating earnings per share (EPS)** of 12.3%, from € 1.87 in the previous year to € 2.10, and in **operating EPS before PPA** of 8.2% from € 2.32 to € 2.51.

Group's financial position

Thanks to the Company's positive development and based on consolidated net income of € 523.2 million (prior year: € 368.8 million), **operative cash flow** rose from € 954.1 million to € 987.8 million in 2021.

At € 887.6 million, **cash flow from operating activities** in the fiscal year 2021 was below the prior-year figure (€ 925.7 million). This resulted in particular from prepayments made to advance service providers.

Cash flow from investing activities in the reporting period led to a net outflow of € 527.3 million (prior year: € 361.1 million). This resulted mainly from capital expenditures of € 289.8 million (prior year: € 447.0 million, of which € 165.0 million for the extension phase of the MBA MVNO agreement), from payments to acquire shares in associated companies totaling € 226.3 million (especially for the stake in Kublai GmbH), as well as from payments of € 20.6 million for the purchase of shares in affiliates (especially for the acquisition of we22 AG). In addition to capital expenditures, cash flow from investing activities in the previous year was also dominated by payments received for the disposal of financial assets (especially the sale of shares in Afilias Inc.) amounting to € 77.5 million.

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. Due to the much lower level of capital expenditures, **free cash flow** increased from € 483.8 million to € 600.8 million. The redemption share of lease liabilities is disclosed in cash flow from financing activities. After deducting the cash flow item "Redemption of finance lease liabilities and rights of use", free cash flow rose from € 376.6 million to € 495.2 million in the fiscal year 2021.

Cash flow from financing activities in the fiscal year 2021 was dominated by the net assumption of loans totaling € 353.0 million (prior year: loan repayments of € 272.3 million), the redemption of frequency liabilities of € 61.3 million (prior year: € 61.3 million), the redemption of lease liabilities of € 105.6 million (prior year: € 107.2 million), the dividend payment of € 93.6 million (prior year: € 93.6 million), as well as the payment of € 456.8 million to minority shareholders for increased shareholdings in IONOS TopCo SE and 1&1 AG.

Cash and cash equivalents amounted to € 110.1 million as of December 31, 2021 – due to closing-date effects – compared to € 131.3 million on the same date in the previous year.

Development of key cash flow figures

in € million	2021	2020	Change
Operative cash flow	987.8	954.1	+ 33.7
Cash flow from operating activities	887.6	925.7	- 38.1
Cash flow from investing activities	-527.3	-361.1	- 166.2
Free cash flow(1)	495.2(2)	376.6(3)	+ 118.6
Cash flow from financing activities	-386.1	-549.1	+ 163.0
Cash and cash equivalents on December 31	110.1	131.3	- 21.2

(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) 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)
(3) 2020 including the repayment portion of lease liabilities (€ 107.2 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	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)	2020	2021
Operative cash flow	656.4	889.5	935.0	954.1	987.8
Cash flow from operating activities	655.7(2)	482.3	828.9	925.7	887.6
Cash flow from investing activities	-897.7	-350.9	87.2	-361.1	-527.3
Free cash flow(1)	424.4(2)	254.6(3)	496.0(4)	376.6(5)	495.2(5)
Cash flow from financing activities	312.2	-312.6	-857.6	-549.1	-386.1
Cash and cash equivalents on December 31	238.5	58.1	117.6	131.3	110.1

(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) 2017 without consideration of a capital gains tax refund originally planned for the fourth quarter of 2016 (€ 70.3 million)
(3) 2018 without tax payment from fiscal year 2016 (€ 34.7 million)
(4) 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)
(5) 2020 and 2021 including the repayment portion of lease liabilities, which have been reported under cash flow from financing activities since the fiscal year 2019 (IFRS 16)

Group’s asset position

The **balance sheet total** increased from € 9.231 billion as of December 31, 2020 to € 9.669 billion on December 31, 2021.

Development of current assets

in € million	Dec. 31, 2021	Dec. 31, 2020	Change
Cash and cash equivalents	110.1	131.3	- 21.2
Trade accounts receivable	380.5	344.8	+ 35.6
Contract assets	619.7	577.6	+ 42.1
Inventories	96.5	85.4	+ 11.1
Prepaid expenses	214.0	214.4	- 0.4
Other financial assets	119.0	82.3	+ 36.7
Income tax claims	46.4	64.8	- 18.5
Other non-financial assets	8.1	12.4	- 4.3
Total current assets	**1,594.2**	**1,512.9**	**+ 81.3**

Current assets rose from € 1,512.9 million as of December 31, 2020 to € 1,594.2 million on December 31, 2021. However, **cash and cash equivalents** disclosed under current assets decreased from € 131.3 million to € 110.1 million due to closing-date effects and M&A transactions. By contrast, **trade accounts receivable** rose slightly from € 344.8 million to € 380.5 million due to closing-date effects and the expansion of business. As a result of customer growth and increased hardware sales, the item **contract assets** rose from € 577.6 million to € 619.7 million and includes current claims against customers due to accelerated revenue recognition from the application of IFRS 15. Due to loans granted to associated companies and acquired derivatives, current **other financial assets** rose from € 82.3 million to € 119.0 million. By contrast, **income tax claims** fell from € 64.8 million to € 46.4 million. **Inventories**, current **prepaid expenses,** and **other non- financial assets** were virtually unchanged.

Development of non-current assets

in € million	Dec. 31, 2021	Dec. 31, 2020	Change
Shares in associated companies	431.6	89.6	+ 342.1
Other financial assets	11.6	9.9	+ 1.7
Property, plant and equipment	1,379.6	1,271.6	+ 108.1
Intangible assets	2,059.4	2,197.8	- 138.4
Goodwill	3,627.8	3,609.4	+ 18.4
Trade accounts receivable	47.3	54.0	- 6.7
Contract assets	206.0	196.5	+ 9.4
Prepaid expenses	287.7	144.8	+ 142.9
Deferred tax assets	23.8	20.4	+ 3.4
Total non-current assets	**8,074.9**	**7,594.0**	**+ 480.9**
Assets held for sale	0.0	124.0	- 124.0

Non-current assets rose strongly from € 7,594.0 million as of December 31, 2020 to € 8,074.9 million on December 31, 2021. This was mainly due to the increase in **shares in associated companies** from € 89.6 million to € 431.6 million – resulting in particular from the acquisition of a stake in Kublai GmbH and the reclassification of assets previously classified as held-for-sale (Tele Columbus). As a result of capital expenditure in fiscal year 2021, **property, plant, and equipment** rose from € 1,271.6 million to € 1.379.6 million, while **intangible assets** declined from € 2,197.8 million to € 2,059.4 million mainly due to amortization. **Goodwill** increased from € 3,609.4 million to € 3,627.8 million, primarily as a result of the acquisition of we22 AG. The strong increase in **prepaid expenses** from € 144.8 million to € 287.7

million was due to closing-date effects and the long-term portion of payments under the contingent agreement with Deutsche Telekom. Non-current **other financial assets**, **trade accounts receivable, contract assets**, and **deferred tax assets** were all largely unchanged.

Development of current liabilities

in € million	Dec. 31, 2021	Dec. 31, 2020	Change
Trade accounts payable	583.4	532.8	+ 50.6
Liabilities due to banks	325.4	370.4	- 45.1
Income tax liabilities	58.4	114.6	- 56.2
Contract liabilities	157.9	152.1	+ 5.8
Other accrued liabilities	16.2	9.3	+ 6.9
Other financial liabilities	329.2	278.6	+ 50.5
Other non-financial liabilities	135.7	46.7	+ 89.0
Total current liabilities	**1,606.2**	**1,504.6**	**+ 101.6**

Current liabilities increased from € 1,504.6 million as of December 31, 2020 to € 1,606.2 million on December 31, 2021. Due to closing-date effects, current **trade accounts payable** increased from € 532.8 million to € 583.4 million. Current **liabilities due to banks** fell from € 370.4 million to € 325.4 million. **Income tax liabilities** declined from € 114.6 million to € 58.4 million. Current **other financial liabilities** rose from € 278.6 million to € 329.2 million as a result of closing-date effects. Due to a change in legislation (reverse charge of sales tax for TC services), current **other non-financial liabilities** increased from € 46.7 million to € 135.7 million and mainly include liabilities due to tax authorities. The item current **contract liabilities**, which mainly includes payments received from customer contracts for which the performance has not yet been completely rendered, and the item current **other accrued liabilities** were largely unchanged.

Development of non-current liabilities

in € million	Dec. 31, 2021	Dec. 31, 2020	Change
Liabilities due to banks	1,497.4	1,095.7	+ 401.7
Deferred tax liabilities	290.5	331.6	- 41.1
Trade accounts payable	2.5	6.0	- 3.5
Contract liabilities	32.2	33.6	- 1.5
Other accrued liabilities	66.0	69.3	- 3.3
Other financial liabilities	1,251.2	1,278.7	- 27.6
Total non-current liabilities	**3,139.7**	**2,815.0**	**+ 324.7**

Non-current liabilities increased from € 2,815.0 million as of December 31, 2020 to € 3,139.7 million on December 31, 2021. This was mainly due to long-term **liabilities due to banks**, which rose from € 1,095.7 million to € 1,497.4 million following the assumption of long-term loans in connection with M&A transactions. For details on M&A financing, please refer to the comments on net bank liabilities on the following page.

As in 2014 and 2017, United Internet AG successfully placed a promissory note loan ("Schuldscheindarlehen") in its fiscal year 2021. As the transaction was significantly oversubscribed, the Company decided to raise the originally planned placement volume to an ultimate amount of € 750 million. The promissory note loan comprises several tranches with terms of three to six years and largely fixed interest rates with an average interest rate of 0.79% p.a. The transaction was closed in July 2021.

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** and **other financial liabilities** were all largely unchanged.

Development of equity

in € million	Dec. 31, 2021	Dec. 31, 2020	Change
Capital stock	194.0	194.0	0.0
Capital reserves	1,954.7	2,322.8	- 368.1
Accumulated profit	2,562.6	2,240.5	+ 322.1
Treasury shares	-231.5	-212.7	- 18.7
Revaluation reserves	0.6	-4.4	+ 5.0
Currency translation adjustment	-12.9	-21.1	+ 8.2
Equity attributable to shareholders of the parent company	**4,467.4**	**4,519.1**	**- 51.6**
Non-controlling interests	455.7	392.1	+ 63.6
Total equity	**4,923.2**	**4,911.2**	**+ 12.0**

The Group's **equity capital** rose from € 4,911.2 million as of December 31, 2020 to € 4,923.2 million on December 31, 2021. There was a decrease in capital reserves which was offset in part by an increase in accumulated profit. The decline in capital reserves from € 2,322.8 million to € 1,954.7 million was due to the increase in shares in IONOS TopCo SE and in shares in 1&1 AG. By contrast, the Group's **accumulated profit** rose from € 2,240.5 million to € 2,562.6 million and contains the past profits of the consolidated companies, insofar as they were not distributed. Due to the even stronger increase in total assets, the consolidated **equity ratio** fell from 53.2% to 50.9 %.

In an ad-hoc disclosure issued on August 6, 2021, United Internet AG announced its intention to launch a share buyback program with a volume of up to € 160 million. The program commenced on August 10, 2021 and was to expire no later than on April 30, 2022. On September 13, 2021, the Management Board of United Internet AG resolved to prematurely suspend the share buyback program on expiry of September 13, 2021. In the course of the share buyback program up to September 10, 2021, the Company purchased a total of 514,972 treasury shares at an average price of € 36.35 and with a total volume of € 18.7 million. As at the balance sheet date of December 31, 2021, United Internet AG therefore held 7,284,109 **treasury shares** (approx. 3.75% of the capital stock of 194,000,000 shares) – compared to 6,769,137 treasury shares as at December 31, 2020.

Net bank liabilities (i.e., current and non-current bank liabilities less cash and cash equivalents) increased from € 1,334.8 million as of December 31, 2020 to € 1,712.6 million on December 31, 2021. This rise was due to the assumption of new loans for funding, among other things, the investment in Kublai GmbH (€ 220 million), the increased stakes in IONOS TopCo SE (€ 310 million) and 1&1 AG (€ 149 million), and the acquisition of we22 AG (€ 21 million).

Multi-period overview: development of relative indebtedness

	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)	2020	2021
Net bank liabilities(1) / EBITDA	1.37	1.57	1.28	1.27	1.31
Net bank liabilities(1) / free cash flow(2)	4.04	7.39	3.27	3.54	3.46

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

(2) Free cash flow without consideration of a capital gains tax refund originally planned for the fourth quarter of 2016 of € 70.3 million (2017), a tax payment from fiscal year 2016 of € 34.7 million (2018) and tax payments from fiscal year 2017 and previous years of € -22.1 million (2019); Free cash flow 2019, 2020 and 2021 incl. the repayment portion of lease liabilities, which have been reported under cash flow from financing activities since the financial year 2019 (IFRS 16)

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, 2017 (IAS 18)	Dec. 31, 2018 (IFRS 15)	Dec. 31, 2019 (IFRS 16)	Dec. 31, 2020	Dec. 31, 2021
Total assets	7,605.2	8,173.8	9,128.8	9,230.8	9,669.1
Cash and cash equivalents	238.5	58.1	117.6	131.3	110.1
Shares in associated companies	418.0	206.9(1)	196.0	89.6(1)	431.6(1)
Other financial assets	333.7	348.1(2)	90.4(2)	9.9(2)	11.6
Property, plant and equipment	747.4	818.0	1,160.6(3)	1,271.6	1,379.6
Intangible assets	1,408.4	1,244.6	2,167.4(4)	2,197.8	2,059.4
Goodwill	3,564.1	3,612.6(5)	3,616.5	3,609.4	3,627.8
Liabilities due to banks	1,955.8	1,939.1	1,738.4	1,466.1	1,822.7
Capital stock	205.0	205.0	205.0	194.0(6)	194.0
Equity	4,048.7	4,521.5(7)	4,614.7	4,911.2	4,923.2
Equity ratio	53.2%	55.3%	50.6%	53.2%	50.9%

(1) Decrease due to Tele Columbus impairment charges (2018); decrease due to reclassification Tele Columbus (2019); increase due to stake in Kublai (2021)
(2) Increase due to subsequent valuation of shares in listed companies (2018); decrease due to sale of Rocket Internet shares (2019); decrease due to sale of Afilias shares (2020)
(3) Increase due to initial application of IFRS 16 (2019)
(4) Increase due to initial recognition of acquired 5G frequencies (2019)
(5) Increase due to World4You takeover (2018)
(6) Decrease due to withdrawal of treasury shares (2020)
(7) Increase due to transitional effects from initial application of IFRS 15 (2018)

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

Following the sharp downturn in the global economy in 2020 as a result of the coronavirus pandemic, the International Monetary Fund (IMF) indicate a return to economic growth in 2021, which was ultimately higher than expected at the beginning of the year.

By contrast, the economic recovery in Germany – United Internet's most important market by far – was slower than anticipated in 2021. The IMF has calculated that economic output increased by 2.7%, and thus 0.8 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 forecast a 2.7% increase in (price-adjusted) gross domestic product (GDP) for 2021. Following the sharp fall in GDP as a result of the coronavirus pandemic in 2020, the Federal Statistics Office had also forecast stronger growth and thus a faster recovery at the beginning of 2021.

Thanks to its stable and largely non-cyclical business model, United Internet made good progress again in the fiscal year 2021. The Company was able to achieve the targets it set itself with an increase in customer contracts of 1.03 million to 26.68 million and sales growth of 5.2% to € 5.646 billion. At the same time, there was a further improvement in operating earnings – despite increased investment in future topics – with 3.4% growth in EBITDA to around € 1,259 million and 5.6% growth in EBIT to around € 786 million. These figures include initial costs for the construction of 1&1's own 5G mobile communications network of € -37.9 million (prior year: € -13.9 million), and investments of € -36.8 million for a product and sales drive of IONOS focusing on its cloud business and further international expansion.

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 2021, 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.

The Group's financial position also remained strong in fiscal 2021. At € 600.8 million (or € 495.2 million after leasing), free cash flow remained high (prior year: € 483.8 million, or € 376.6 million after leasing, including a one-off payment of € 165 million for the extension phase of the MBA MVNO agreement). This once again underlines the Group's ability to generate very healthy levels of cash while at the same time achieving stable and qualitative growth.

As of the reporting date for the Annual Financial Statements 2021, 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 2021, **sales** of the parent company amounted to € 0.5 million (prior year: € 0.6 million) and result mainly from services rendered to the Group's subsidiaries.

Other operating income amounted to € 12.6 million (prior year: € 12.3 million) and mainly results from income from the disposal of financial assets amounting to € 8.8 million, relating in particular to the sale of MIP Multimedia Internet Park GmbH.

Adjusted for effects from employee stock ownership programs, **personnel expenses** amounted to € 1.1 million (prior year: € 1.0 million).

Other operating expenses amounted to € 12.4 million (prior year: € 19.8 million) and mostly comprise expenses relating to internal charges for services rendered to Group companies of € 5.2 million, as well as legal, auditing and consulting fees of € 3.6 million.

Income from profit transfer agreements of € 317.5 million (prior year: € 87.2 million) resulted from profit transfers of 1&1 Mail & Media Applications SE amounting to € 314.7 million, United Internet Corporate Services GmbH amounting to € 2.7 million, and United Internet Service SE amounting to € 0.2 million. The profit transfer of 1&1 Mail & Media Applications SE includes one-off effects of € 77.1 million from the sale of an investment within the Group and € 140.0 million from a capital reduction and subsequent special dividend of a subsidiary.

Income from investments amounted to € 6.7 million (prior year: € 6.7 million) and mainly comprises the dividend of 1&1 AG.

Expenses for loss assumptions of € 0.6 million (prior year: € 0.1 million) mainly 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 € 403.5 million (prior year: € 167.9 million).

Income taxes of € 54.1 million (prior year: € 57.2 million) comprise current taxes of € 56.1 million for 2021 (of which € 28.2 million corporation tax and the solidarity surcharge, and € 27.9 million trade tax), as well as € 3.0 million from previous years. In addition, deferred taxes liabilities of € 2.0 million were formed. The release of tax accruals amounting to € 7.1 million had an opposing effect.

Net income in the separate financial statements of United Internet AG for the fiscal year 2021 amounted to € 349.4 million (prior year: € 110.6 million).

Assets and financial position of United Internet AG

The parent company's **balance sheet total** rose from € 5,618.2 million as of December 31, 2020 to € 6,445.3 million on December 31, 2021.

Non-current assets of the parent company amounting to € 5,636.9 million (prior year: € 5,331.0 million) were dominated by **financial assets**. Due to the increased shareholdings in subsidiaries IONOS TopCo SE and 1&1 AG, **shares in affiliated companies** increased to € 4,221.9 million (prior year: € 3,763.4 million). **Loans to affiliated companies** declined to € 1,415.0 million (prior year: € 1,567.6 million) due to the redemption of loans within the Group.

Current assets of the parent company amounting to € 808.4 million (prior year: € 287.2 million) comprise receivables due from affiliated companies and other assets. The **receivables due from affiliated companies** rose to € 725.9 million (prior year: € 234.9 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 € 33.8 million (prior year: € 36.3 million) consist mainly of receivables due from the tax office relating to audits of previous years.

Shareholders' equity of the parent company amounted to € 3,594.3 million as of December 31, 2021 (prior year: € 3,357.3 million). The increase in equity during the reporting period is mainly due to net income of € 349.4 million, with an opposing effect from the dividend payout of € 93.6 million and the buyback of treasury shares of € 18.2 million, which are subtracted from equity. The equity ratio fell from 59.8% in the previous year to 55.8% as of December 31, 2021.

The parent company's **accruals** of € 9.7 million (prior year: € 97.6 million) mainly comprise **accrued taxes** amounting to € 1.6 million (prior year: € 87.4 million), as well as **other accrued liabilities** for employee stock ownership plans, legal, auditing and consulting fees, bonuses, and other items totaling € 8.1 million (prior year: € 10.2 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 € 1,825.4 million in the fiscal year 2021 (prior year: € 1,467.9 million). Bank liabilities comprise three promissory note loans totaling € 1,297.5 million, syndicated loans totaling € 250 million, drawings from bilateral credit agreements of € 170 million, drawings from bilateral credit facilities of € 100 million, and interest of € 8 million. **Liabilities to affiliated companies** rose to € 998.9 million (prior year: € 672.6 million) and mainly comprise liabilities from balances within the United Internet Group's cash pooling system (€ 989.4 million), from service arrangements (€ 8.4 million), and from profit transfer agreements (€ 0.6 million). **Other liabilities** of € 4.6 million (prior year: € 12.0 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. There was an opposing effect under financial activities from the treasury shares purchased in the fiscal year 2021, from the dividend payment, and from the increased shareholdings in subsidiaries IONOS TopCo SE and 1&1 AG.

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 2021 will be published in April 2022 (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.

This non- financial statement published within the sustainability report contains the statutory and supplementary disclosures for the material aspects for United Internet: environmental matters (chapter: Climate and Environmental Protection), employee-related matters (chapter: United Internet as an Employer), social matters (chapter: Our Social Commitment), respect for human rights (chapter: United Internet as a Business Partner), and anti-corruption and bribery matters (chapter: Responsible Corporate Management). This list of the minimum aspects required by the CSR-RUG has been supplemented by the chapter "Customer-Related Matters and Product Responsibility". These are material for United Internet and must therefore be reported. In addition to customer satisfaction, customer-related matters include information security, data protection, and digital transformation in general – all of which are particularly relevant to the sector. This is why these topics are presented in a separate chapter entitled "Corporate Digital Responsibility."

In addition to the CSR-RUG, reporting is based on the internationally recognized Sustainability Reporting Standards published by the Global Reporting Initiative (GRI). The non- financial statement is prepared in accordance with the GRI Standards: Core option. 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. The CSR-RUG uses the term "policy" ("Konzept") in this context, whereas the GRI talks about the "management approach." The latter term is also used in the non- financial statement of United Internet and thus also comprises the CSR-RUG's "policies". 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 and the expectations of United Internet's stakeholders were taken into consideration. The main requirements used to define the material topics were those set out in the GRI Standards, the CSR-RUG, and the above mentioned EU Guidelines. The GRI Reporting Principles of Stakeholder Inclusiveness, Sustainability Context, Materiality, and Completeness were observed during the definition process. The Company's Supervisory Board is responsible for examining the content of sustainability reporting.

3. SUBSEQUENT EVENTS

There were no significant events subsequent to the end of the reporting period on December 31, 2021 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"

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 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, United Internet does not currently expect any significant impact on the business performance and position of the Company or the Group, especially as the Group's business model is based on a large number of electronic subscriptions with fixed and moderate monthly amounts and contractually fixed terms. This ensures stable and predictable revenues and cash flows and provides protection against cyclical influences.

Nevertheless, the economic consequences of the war and the sanctions imposed (humanitarian crises, influx of refugees, shortages/price rises of oil, gas, and raw materials) for the target countries of United Internet companies and for United Internet itself cannot be accurately estimated as yet. The same applies to the potential danger of war spreading to other countries.

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.

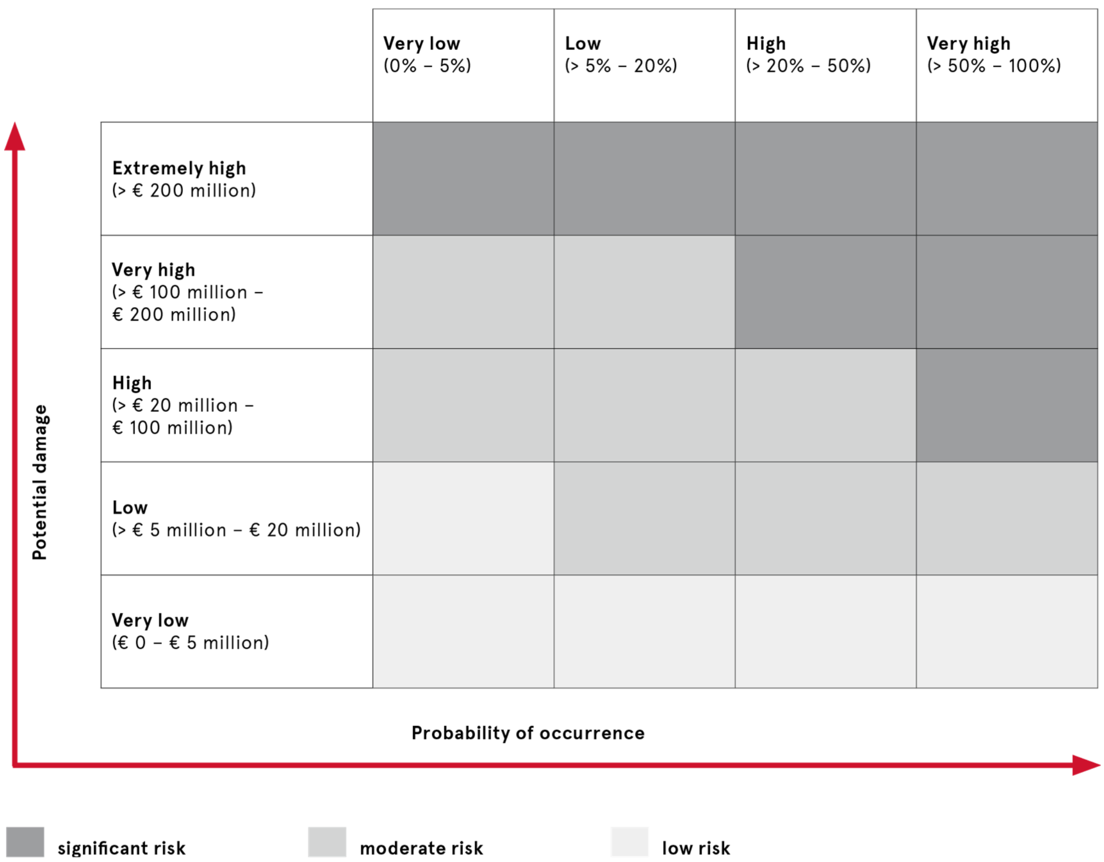
The current status of the main risks is communicated to the Management Board and Supervisory Board four times per year. Identified important risks with an immediate impact or significant changes in the risk situation trigger an ad-hoc reporting obligation. The respective risk is then communicated immediately 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 (corrective) 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 and 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 and innovations
A further key 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 enters certain new, upstream or downstream markets. On January 24, 2019, the management board of 1&1 AG, a subsidiary of United Internet AG, decided with the approval of its supervisory board to apply for admission to the auction on the allocation of mobile frequencies in the 2 GHz and 3.6 GHz frequency bands and, in the event of a successful acquisition of spectrum at the auction, to establish and operate a 5G mobile network. At present, the company's mobile offerings are based on the use of third-party networks. Following its admission by the Federal Network Agency ("Bundesnetzagentur") on February 25, 2019, the 5G spectrum auction began on March 19, 2019. 1&1 successfully completed its participation in the 5G spectrum auction on June 12, 2019 and 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. The total auction price amounted to € 1.07 billion. By acquiring these frequencies, the company plans to gradually develop its own powerful mobile communications network, to further expand its value added in mobile communications, and to tap new business fields. With the conclusion of the national roaming agreement with Telefónica on May 27, 2021, a further step was taken toward the Group's own network. In August 2021, 1&1 was also able to gain the Japanese technology group and acclaimed OpenRAN expert Rakuten as its partner for the rollout of its mobile communications network. There are still risks that the network rollout will not progress at the expected speed. A delay could be caused by delivery problems with the necessary hardware or delays in the search for sites. Meanwhile, established and leading companies in Europe for radio tower infrastructure have also been found as partners for the passive technology. 1&1 will be able to benefit from their existing infrastructure.

In addition to the opportunities resulting from diversification, such an entrepreneurial decision also entails risks. These may include, for example, the risk areas "technical plant operation", "procurement market", "financing", and "liquidity". The Company attempts to minimize these risks by, among other things, cooperating with specialized partner companies as well as by preparing detailed and long-term plans in the risk areas "financing" and "liquidity". On September 5, 2019, for example, 1&1 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 is thus helping to close existing supply gaps and improve the provision of mobile communications in rural regions by building hundreds of base stations. In return, 1&1 is allowed to pay the license fees to the German government for the 5G spectrum in installments, spread over the period up to 2030.

Cooperation and 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 and decision-making

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

Personnel development and 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 2021 of United Internet AG, which will be published in April 2022 (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.

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, the interest risk remained largely unchanged. 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 mainly results from operations (if revenue and/or expenses are in a currency other than the Group's functional currency) and its net investments in foreign subsidiaries.

Personnel recruitment
It is 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 2021".

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 2021 of United Internet AG, which will be published in April 2022 (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 2021, 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 known new malicious program variants amounted to around 144 million in the period June 1, 2020 to May 31, 2021.

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 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. 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 (e.g., in the case of the planned construction of the Company's own mobile communications network) 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 and 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.

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

Legislation and 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. In the Consumer Access segment in particular, 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.

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.

In 2019, an advance service provider filed claims 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).

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 and 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 (as in the current case of the coronavirus) hygiene precautions, location-independent workplaces, the use of modern communication media to avoid travel, and the elaboration of emergency concepts.

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", and "Information security".

- The conclusion of the national roaming agreement between 1&1 and Telefónica Germany in 2021 (after the acquisition of the necessary 5G spectrum in 2019) laid the foundation for the transformation of 1&1's business model from a virtual mobile communications network operator to a real mobile communications network operator. The expansion of the value chain and the tapping of this business field involves significant risks, which are typical for a network operator. The most significant current risk in this connection is in the risk field "Legislation & regulation", which rose from Moderate to Significant in the fiscal year 2021. Among other things, this is because the Federal Network Agency may consider postponing its scheduled low-band spectrum awarding (800 MHz) or prolonging the corresponding spectrum allocations. The lack of access to low-band spectrum as of 2026 would represent a significant risk for 1&1 AG and thus also for United Internet AG. Due to their physical properties, low-band frequencies have a longer range and better penetration (than high-band frequencies) and thus enable cost-effective coverage in rural areas with widely spaced cell towers, while also improving reception inside buildings.

- The risk assessment of the risk field "Business development & innovations" was reduced from Significant to Moderate due to the progress of measures taken.

- Otherwise, the risk classifications of the risk fields of United Internet AG as at December 31, 2021 were unchanged from December 31, 2020.

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.

Compared to the previous year, the overall risk has risen in total. This is due to the update regarding the transformation of 1&1 AG to a mobile communications network operator and the risks associated with the construction of its own high-performance mobile communications network, which are accompanied by appropriate risk-reducing measures.

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 2021, 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	Low	Low	Moderate	↘
Cooperation & outsourcing	Business Applications	Low	Very low	Low	→
Organizational structure & decision-making	Business Applications	Low	Very low	Low	→
Personnel development & retention	Business Applications	High	Low	Moderate	→
Risks in the field of "Market"					
Sales market & competition	Consumer Applications 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	High	Very low	Low	→
Projects	Consumer Access	Low	High	Moderate	→
Technical plant operation	Business Applications Corporate	Very low	Very high	Moderate	→
Risks in the field of "Compliance"					
Data privacy	Consumer Applications	Low	Very high	Moderate	→
Misconduct & irregularities	Currently no significant risks			Low	
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	Very low	Low	→
Fraud & credit default	Consumer Access	Very high	Low	Moderate	→
Liquidity	Business Applications	High	Very low	Low	→
Risks in the field of "Acts of God"					
Acts of God	Consumer Access	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 50,000 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 2020, only 5.4% (end of 2019: 4.4%) of all broadband connections in Germany are fiber-optic connections. An increase of just 2.2 percentage points compared to 2018 (3.2%). Germany thus lags well behind in 34th place among the 38 OECD countries surveyed, and is also well below the OECD leaders Korea (84.8%), Japan (81.6%), and Lithuania (76.6%), as well as below the OECD average of 30.6% (end of 2019: 28.0%).

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.

As a consequence of the merger between 1&1 Telecommunication and Drillisch, United Internet can use its coordinated branding and customer targeting to address the German premium and discount segments more precisely, while achieving a high and comprehensive reach among its target groups with its differently positioned brands.

Establishment of own mobile communications network

As part of the planned rollout of its own powerful 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 – United Internet concluded long-term agreements in the fiscal year 2021 and now has all key elements in place to drive forward the rollout of its own 5G mobile communications network and thus extend its added value in this market – as in its 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 United Internet'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 its affiliate 1&1 Versatel on December 9, 2021, which in particular provides the access network (especially fiber-optic cables) and data centers for operating 1&1's mobile network on a rental basis, and on the same date an agreement was concluded with Vantage Towers AG, one of Europe's leading companies for radio tower infrastructure, which among other things includes the renting of Vantage antenna locations and the installation of 1&1's 5G high-performance antennas by Vantage.

With over 11.2 million mobile and over 4.2 million broadband customers, one of Germany's largest fiber-optic networks, and a leading European position in app development, the United Internet Group is well placed to exploit the tremendous potential of 5G in Germany.

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 around 90,000 servers at the Company's 10 data centers. 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 – such as 1&1 MyWebsite – to various languages and country-specific features and gradually rolled them out in different nations.

Thanks to the high degree of exportability which these products offer, United Internet is already active in its Applications segment in numerous European countries (Germany, France, the UK, Italy, Spain, the Netherlands, Austria, Switzerland, Poland, Hungary, Romania, Bulgaria, the Czech Republic, and Slovakia), 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).

4.3 Forecast report

Expectations for the economy

In its global economic outlook published in January 2022, the International Monetary Fund (IMF) updated its forecasts for the development of the global economies in 2022 and 2023. The IMF now expects the **global economy** to continue its recovery in the current and following year – albeit at a slower pace than in 2021. In its global economic outlook, the Fund forecasts global growth of 4.4% and 3.8% for the years 2022 and 2023 – following an increase of 5.9% in 2021.

The IMF is thus more pessimistic than in its outlook of October 2021. Although the direct impact of the Omicron wave is still limited, the IMF believes that the consequences of the corona crisis, such as fragile supply chains, high inflation and record debt, are still weighing on the global economy and dampening its recovery. Against this backdrop, the IMF has now downgraded its economic outlook. It forecasts that the global economy will grow by 0.5 percentage points less in 2022 than it had assumed in October.

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 4.0% in 2022 and 2.6% in 2023 (after 5.6% in 2021); in **Canada**, economic growth of 4.1% and 2.8% is anticipated in 2022 and 2023 (after 4.7% in 2021); and the economy in **Mexico** is also expected to grow, by 2.8% in 2022 and 2.7% in 2023 (after 5.3% in 2021).

The IMF anticipates growth of 3.9% and 2.5% in the **eurozone** for 2022 and 2023 (after 5.2% in 2021).

The IMF also expects positive economic trends in United Internet's main European markets (France, Spain, Italy, and the non-EU country UK): the Fund forecasts growth of 3.5% in 2022 and 1.8% in 2023 for **France** (after 6.7% in 2021); growth in **Spain** is expected to reach 5.8% and 3.8% in 2022 and 2023 (after 4.9% in 2021); growth of 3.8% and 2.2% is forecast for **Italy** in 2022 and 2023 (after 6.2% in 2021); and for the **UK**, the IMF anticipates growth in 2022 and 2023 of 4.7% and 2.3% (after 7.2% in 2021).

For United Internet's most important market, **Germany**, the IMF forecasts economic growth of 3.8% in 2022 and 2.5% in 2023 (after 2.7% in 2021). With expected growth of 3.8% for 2022, the Fund is above the German government's own forecast of 3.6% growth in price-adjusted GDP, as published in its Annual Economic Report 2022 on January 26, 2022 – after forecasting 4.1% in fall 2021. The reason for these lowered expectations are the consequences of the coronavirus pandemic and the associated supply bottlenecks. These shortages, especially for intermediate goods such as semiconductors, continue to be a main reason for higher prices. The German government does not expect a gradual easing of the situation until later in 2022. Overall, consumer prices are expected to rise again significantly this year, by an annual average of 3.3% (2021: 3.1%).

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

	2023e	2022e	2021
World	3.8%	4.4%	5.9%
USA	2.6%	4.0%	5.6%
Canada	2.8%	4.1%	4.7%
Mexico	2.7%	2.8%	5.3%
Eurozone	2.5%	3.9%	5.2%
France	1.8%	3.5%	6.7%
Spain	3.8%	5.8%	4.9%
Italy	2.2%	3.8%	6.2%
UK	2.3%	4.7%	7.2%
Germany	2.5%	3.8%	2.7%

Source: International Monetary Fund, World Economic Outlook (Update), January 2022

Sector/market expectations

Despite the challenges posed by the pandemic, supply bottlenecks, inflation and the shortage of skilled workers, the industry association Bitkom expects the **German ICT market** as a whole to grow by 3.6% (prior year: 3.9%) to € 184.9 billion in 2022.

As in the previous year, the **IT market** is expected to grow at an above-average rate in 2022 and will continue to strengthen its importance as the largest segment of the industry. Sales exceeded the 100 billion-euro-mark for the first time in 2021 and Bitkom expects further growth of 5.9% (prior year: 6.3%) to € 108.6 billion this year. Driven in particular by its cloud business, software is likely to be the fastest-growing segment with a strong increase of 9.0% (prior year: 8.0%) to € 32.4 billion. Sales of IT hardware are also expected to increase significantly by 5.7% (prior year: 8.3%) to € 33.2 billion. Stable growth of 3.9% (prior year: 3.7%) to € 43.0 billion is expected for the IT services business, which also includes IT consulting.

By contrast, the **consumer electronics** market remains under pressure. According to a Bitkom forecast, sales will decline again in 2022 after rising temporarily in 2020 due to special corona-related effects. This smallest ICT sub-market is expected to shrink by 2.3% to € 9.0 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. Total sales are likely to grow by 0.9% (prior year: 1.2%) to € 67.3 billion in 2022.

According to Bitkom calculations, revenues from telecommunication services are expected to increase by 1.7% (prior year: 1.7%) to € 49.2 billion. Sales of user devices, and especially smartphones, are likely to fall significantly by -3.1% (prior year: 0.2%) to € 11.2 billion. Investments in telecommunication infrastructure are expected to grow by 2.2% (prior year: -0.9%) to € 6.9 billion.

Market forecast: telecommunications market in Germany

in € billion	2022e	2021	Change
Sales	67.3	66.7	+ 0.9%

Source: Bitkom, January 2022

Global cloud computing market

Following the very strong growth of 2021 (23.1%), Gartner forecasts global growth for public cloud services of 19.6% from USD 332.35 billion to USD 397.50 billion in 2022.

Market forecast: global cloud computing

in $ billion	2022e	2021	Change
Global sales of public cloud services	397.50	332.35	+ 19.6%
thereof Application Infrastructure Services (PaaS)	71.53	59.45	+ 20.3%
thereof Application Services (SaaS)	145.38	122.63	+ 18.5%
thereof Business Process Services (BPaaS)	53.12	50.17	+ 5.9%
thereof Desktop as a Service (DaaS)	2.67	2.05	+ 30.4%
thereof Management and Security Services	18.01	16.03	+ 12.3%
thereof System Infrastructure Services (IaaS)	106.80	82.02	+ 30.2%

Source: Gartner, April 2021

Online advertising market in Germany

After the strong rise in online advertising in 2021 (6.5%), PricewaterhouseCoopers expects a further increase in 2022 with total market growth (mobile advertising and desktop advertising) of 7.5% to € 10.21 billion.

The strongest growth is expected for video advertising and display advertising with increases of 16.5% and 9.7%, respectively.

Market forecast: online advertising in Germany (mobile advertising & desktop advertising)

in € billion	2022e	2021	Change
Online advertising revenues	10.21	9.50	+ 7.5%
thereof search marketing	3.66	3.61	+ 1.4%
thereof display advertising	3.38	3.08	+ 9.7%
thereof video advertising	2.40	2.06	+ 16.5%
thereof affiliate / classifieds	0.77	0.75	+ 2.7%

Source: PricewaterhouseCoopers, September 2021

Expectations for the Company in 2022

Forecast for the fiscal year 2022

With an ad-hoc announcement on December 9, 2021, United Internet AG published its guidance for the fiscal year 2022:

- United Internet AG forecasts an increase in consolidated sales to approx. € 5.8 billion for its fiscal year 2022 (prior year: around € 5.646 billion).

- Despite additional investments, EBITDA is expected to be on a par with 2021 and reach approx. € 1.25 billion again in 2022 (prior year: around € 1.259 billion). EBITDA includes initial costs for 1&1's 5G network rollout of approx. € 70 million (compared to around € 38 million in 2021), as well as approx. € 30 million for additional marketing activities of IONOS to further raise brand awareness in its most important European markets.

- In the coming year, the Company plans significantly higher capital expenditures (capex), especially for the construction of its 5G network, as well as for the expansion of its fiber-optic network to connect the 5G antennas and provide coverage in additional expansion areas. The exact capex amount will depend in part on the availability of hardware and civil engineering services and is likely to be between € 800 million and € 1 billion (prior year: around € 290 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. Against this backdrop, the Management Board expects strongly positive net income for fiscal year 2022 (subject to possible special items).

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, however, 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 internationalization, as well as via acquisitions and investments, the Company has laid a broad foundation for its planned future 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 IONOS, 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 2021.

- In the Business Access segment, the Company’s own fiber-optic network is to be expanded in 2022 with the connection of further locations. Activities for business and wholesale customers will also be expanded.

- In fiscal year 2022, the key topics in the Consumer Applications segment will again be increasing fee-based customer relationships and the further expansion of data-driven business models.

- 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 2022. In addition, the segment will strengthen its cloud business in particular and drive its international expansion.

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 2022".

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. 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.

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 AktG, the disclosures are explained in the sections below.

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 no-par value, registered 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, 2021, United Internet holds 7,284,109 treasury shares representing 3.75% of capital stock.

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 97,200,000 shares of United Internet AG (50.10% of capital stock) as of December 31, 2021. Mr. Dommermuth increased this shareholding to 97,500,000 shares (50.26% of capital stock) on February 14, 2022. Moreover, Mr. Martin Mildner held 2 shares of the Company (0.00% of capital stock) as of December 31, 2021.

As of December 31, 2021, 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, 2021, the Company's CEO, Mr. Ralph Dommermuth, residing in Germany, indirectly held 97,200,000 shares or 50.10% of the 194,000,000 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. German Stock Corporation Law (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 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 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 shared 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 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 € 1,297.5 million are outstanding at the end of the reporting period on December 31, 2021.

- 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

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.

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 fiscal year 2021, it consisted of two persons. 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.

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 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, 2021

- 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

The Supervisory Board elected by the Annual Shareholders' Meeting consisted of six members until the end of the Supervisory Board meeting on March 25, 2021. In the period from March 25, 2021 to May 26, 2021 it comprised five members, and since May 27, 2021 the Supervisory Board consists of six members again, in accordance with the resolutions of the Annual Shareholders' Meeting of May 26, 2021. 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.

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 its own efficiency. In accordance with Recommendation D.13 of the German Corporate Governance Code, the Supervisory Board regularly assesses how effectively it performs its duties as a body. For this purpose, the Supervisory Board carries out a self-assessment by means of questionnaires every two years or so. The results of the survey are evaluated anonymously and then discussed in a plenary meeting. Any need for improvement revealed in the process is addressed. The last self-assessment was conducted and evaluated in the fourth quarter of 2019.

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 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.

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.

At its meeting in December 2020, the Supervisory Board resolved to set up an Audit and Risk Committee. At its subsequent meeting in March 2021, the Supervisory Board resolved on the necessary changes to the Supervisory Board's rules of procedure, determined the tasks of the Audit and Risk Committee, and adopted the corresponding rules of procedure for the Audit and Risk Committee.

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 Chairman of the Audit and Risk 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 chair 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 aims to ensure that the Supervisory Board as a whole meets the following requirements:

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;
- In-depth knowledge and experience of controlling and risk management;
- In-depth knowledge and experience in the field of governance and compliance.

With the coming into force of the German Act to Strengthen Financial Market Integrity (FISG), the requirements for the skills profile of the Supervisory Board and the Audit and Risk Committee in the event of a subsequent appointment will increase once again.

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.

Current composition of the Supervisory Board/implementation status

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

Supervisory Board members as at December 31, 2021

- 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)

- Dr. Claudia Borgas-Herold,
  (since May 2020)

- 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 2021

- Kurt Dobitsch
  (from May 1998 to May 2021)

- Michael Scheeren
  (from May 2002 to March 2021)

The Supervisory Board believes that all six members of the current Supervisory Board, Ms. Borgas-Herold and Ms. Weiß as well as 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.

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 first targets had to be set by September 30, 2015 for a period ending no later than June 30, 2017, during which time the targets should be met. 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 a resolution of March 16, 2021:

- 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. The Supervisory Board now comprises two women and four men in accordance with a resolution of the Annual Shareholders' Meeting 2021.
- The two-member Management Board currently comprises only men. After previously setting a target of "0" for the Management Board, the target for the share of women has now been set at 30% in the event of an increase in the size of the Management Board.
- 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.

No target was set for the first and second management levels as United Internet AG does not have any management levels below the Management Board due to its holding structure.

The Supervisory Board and Management Board of United Internet AG believe that the above mentioned target for the Supervisory Board has been met at present. The above mentioned target for the Management Board has not been met at present (in view of the current size of the Management Board), but will be taken into account accordingly in the event of an expansion of the Management Board.

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

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.

- At the Annual Shareholders' Meeting that decided on the discharge of the Supervisory Board for the fiscal year 2019, the Supervisory Board was re-elected and expanded to six members. The Company's aim is thus to achieve a more diverse composition of the Supervisory Board. Since this time, the Supervisory Board has comprised six members, of which two are women. United Internet has thus achieved its targeted share of women on the Supervisory Board of 30%. The Company's two-member Management Board currently comprises only men, whereby an increase in the share of women to 30% is targeted in the event of a future expansion of the Management Board. In principle, both sexes should be treated equally on the basis of their qualifications.

- 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 six 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.

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 size of the Management Board and Supervisory Board, consisting of two and six members respectively, 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.

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. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, was elected to audit the Annual Financial Statements for the fiscal year 2021. The Supervisory Board issues the auditing mandate, determines auditing focal points, approves the auditing fee, and examines the independence of the auditors.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft has audited the Annual Financial Statements of United Internet AG and the Group since the fiscal year 2002. Mr. Jens Kemmerich has been the chief auditor since fiscal year 2019.

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 2021 in accordance with section 162 of the German Stock Corporation Act (AktG) can be found in the “Remuneration Report 2021”, 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 2021”, 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 – 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 2021 pursuant to section 162 AktG can be found in the "Remuneration Report 2021", 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 11, 2022

The Management Board

Ralph Dommermuth

Martin Mildner

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

as of December 31, 2021 in €k

ASSETS	Note	December 31, 2021	December 31, 2020
Current assets			
Cash and cash equivalents	18	110,116	131,270
Trade accounts receivable	19	380,450	344,838
Contract assets	20	619,722	577,601
Inventories	21	96,492	85,390
Prepaid expenses	22	213,974	214,382
Other financial assets	23.1	118,992	82,262
Income tax claims	15	46,354	64,822
Other non-financial assets	23.2	8,097	12,351
		1,594,198	**1,512,917**
Non-current assets			
Shares in associated companies	24	431,625	89,567
Other financial assets	25	11,617	9,901
Property, plant and equipment	26	1,379,625	1,271,567
Intangible assets	27, 29	2,059,426	2,197,818
Goodwill	28, 29	3,627,831	3,609,437
Trade accounts receivable	19	47,269	53,959
Contract assets	20	205,954	196,508
Prepaid expenses	22	287,730	144,795
Deferred tax assets	15	23,810	20,412
		8,074,887	**7,593,965**
Assets held for sale	24	0	123,955
Total assets		**9,669,084**	**9,230,836**

LIABILITIES	Note	December 31, 2021	December 31, 2020
Current liabilities			
Trade accounts payable	30, 35	583,395	532,778
Liabilities due to banks	31, 35	325,364	370,435
Income tax liabilities	15, 35	58,430	114,621
Contract liabilities	32, 35	157,886	152,094
Other accrued liabilities	33, 35	16,248	9,302
Other financial liabilities	34.1, 35	329,177	278,636
Other non-financial liabilities	34.2, 35	135,733	46,747
		1,606,233	**1,504,614**
Non-current liabilities			
Liabilities due to banks	31, 35	1,497,358	1,095,654
Deferred tax liabilities	15	290,481	331,639
Trade accounts payable	30, 35	2,475	6,014
Contract liabilities	32, 35	32,151	33,631
Other accrued liabilities	33, 35	66,026	69,329
Other financial liabilities	34.3, 35	1,251,186	1,278,744
		3,139,676	**2,815,012**
Total liabilities		**4,745,909**	**4,319,626**
EQUITY			
Capital stock	37	194,000	194,000
Capital reserves	38	1,954,652	2,322,780
Accumulated profit	38	2,562,566	2,240,473
Treasury shares	39	-231,451	-212,731
Revaluation reserves	38	601	-4,372
Currency translation adjustment	38	-12,938	-21,091
Equity attributable to shareholders of the parent company		**4,467,428**	**4,519,060**
Non-controlling interests	40	455,747	392,151
Total equity		**4,923,175**	**4,911,210**
Total liabilities and equity		**9,669,084**	**9,230,836**

NET INCOME

from January 1 to December 31, 2021 in €k

	Note	2021 January - December	2020 January - December
Sales	5	5,646,177	5,367,249
Cost of sales	6, 11, 12	-3,684,931	-3,769,319
Gross profit		**1,961,246**	**1,597,930**
Selling expenses	7, 11, 12	-835,732	-767,917
General and administrative expenses	8, 11, 12	-243,040	-205,964
Other operating expenses	9.1	-21,151	-30,852
Other operating income	9.2	54,818	74,532
Impairment of receivables and contract assets	10	-86,285	-92,869
Operating result		**829,855**	**574,860**
Financial expenses	13	-56,224	-52,792
Financial income	14	23,380	15,671
Result from associated companies	24	-23,673	18,461
Pre-tax result		**773,337**	**556,201**
Income taxes	15	-250,186	-187,441
Net income		**523,151**	**368,760**
thereof attributable to			
non-controlling interests		106,679	78,212
Shareholders of United Internet AG		416,473	290,548

	Note	2021 January – December	2020 January – December
Result per share of shareholders of United Internet AG (in €)			
basic	16	2.23	1.55
diluted	16	2.22	1.54
Weighted average of outstanding shares (in million units)			
basic	16	187.05	187.35
diluted	16	187.61	188.37
Reconciliation to total comprehensive income			
Net income		523,151	368,760
Items that may be reclassified subsequently to profit or loss			
Currency translation adjustment – unrealized	38	10,610	-16,182
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	1,556	33,913
Tax effect	38	0	-1,698
Share in other comprehensive income of associated companies	38, 24	3,417	-2,137
Other comprehensive income		**15,583**	**13,895**
Total comprehensive income		**538,735**	**382,655**
thereof attributable to			
non-controlling interests	40	109,137	84,096
Shareholders of United Internet AG		**429,598**	**298,560**

CASH FLOW

from January 1 to December 31, 2021 in €k

	Note	2021 January - December	2020 January - December
Result from operating activities			
Net income		523,151	368,760
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization of intangible assets and property, plant and equipment	11	333,741	315,454
Depreciation and amortization of assets resulting from company acquisitions	11	140,143	158,614
Employee expenses from employee shareholdings	36	19,702	14,547
Result from associated companies	24	23,673	-18,461
Distributed profits of associated companies	24, 46	229	0
Other non-cash items from tax adjustments	15	-39,607	-19,345
Other non-cash items	6, 13,14	-13,241	134,531
Operative cash flow		**987,793**	**954,099**
Change in assets and liabilities			
Change in receivables and other assets		-28,480	2,920
Change in inventories		-11,102	-6,122
Change in contract assets		-51,567	-92,030
Change in income tax claims		18,468	-43,276
Change in deferred expenses		-142,526	32,219
Change in trade accounts payable		46,383	57,217
Change in other accrued liabilities		1,019	-7,390
Change in income tax liabilities		-56,191	22,941
Change in other liabilities		121,250	4,263
Change in contract liabilities		2,587	901
Change in assets and liabilities, total		**-100,160**	**-28,357**
Cash flow from operating activities		**887,633**	**925,742**

	Note	2021 January – December	2020 January – December
Cash flow from investing activities			
Capital expenditure for intangible assets and property, plant and equipment	26, 27	-289,757	-447,033
Payments from disposals of intangible assets and property, plant and equipment		2,936	5,087
Payments for company acquisitions less cash received	4.1	-20,554	-396
Payments from company disposals less cash sold	46	8,789	0
Purchase of shares in associated companies	4.1, 24	-226,295	-1,264
Payments received from the sale of associated companies		0	500
Payments for loans granted	42	-2,423	0
Payments from the sale of financial assets	25	0	77,477
Payments received from the repayment of other financial assets		0	4,557
Cash flow from investment activities		**-527,304**	**-361,072**
Cash flow from financing activities			
Purchase of treasury stock	39	-18,721	-12,235
Taking out of loans	46	1,020,000	15,722
Repayment of loans	46	-667,048	-288,000
Redemption of spectrum liabilities	42, 46	-61,266	-61,266
Redemption of lease liabilities	44, 45	-105,630	-107,168
Dividend payments	17	-93,615	-93,615
Dividend payments to non-controlling interests	40	-3,043	-2,577
Payments to minority interests	4.1, 40	-456,775	0
Cash flow from financing activities		**-386,098**	**-549,140**
Net increase in cash and cash equivalents		-25,770	15,530
Cash and cash equivalents at beginning of fiscal year		131,270	117,573
Currency translation adjustments of cash and cash equivalents		4,615	-1,831
Cash and cash equivalents at end of fiscal year	**18**	**110,116**	**131,270**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the fiscal year 2021 and 2020 in €k

		Capital stock	Capital reserves	Accumulated profit		Treasury shares
Note		37	38	38		39
	Share	€k	€k	€k	Share	€k
Balance as of January 1, 2020	**205,000,000**	**205,000**	**2,643,946**	**1,993,860**	**17,338,513**	**-548,442**
Net income				290,548		
Other comprehensive income						
Total comprehensive income				**290,548**		
Purchase of treasury shares					430,624	-12,235
Redemption of treasury shares	-11,000,000	-11,000	-336,946		-11,000,000	347,946
Employee stock ownership program			15,781			
Dividend payments				-93,615		
Profit distributions						
Disposal of financial assets measured at fair value through other comprehensive income				49,089		
Other transactions				592		
Balance as of December 31, 2020	**194,000,000**	**194,000**	**2,322,780**	**2,240,473**	**6,769,137**	**-212,731**
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						
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						
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**

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
25,173	**-9,558**	**4,309,977**	**304,753**	**4,614,730**
		290,548	78,212	368,760
19,544	-11,532	8,012	5,883	13,895
19,544	**-11,532**	**298,560**	**84,096**	**382,655**
		-12,235		-12,235
		0		0
		15,781	6,262	22,043
		-93,615		-93,615
		0	-2,577	-2,577
-49,089		0	0	0
		592	-383	209
-4,372	**-21,091**	**4,519,060**	**392,151**	**4,911,210**
-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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

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, 2021.

The Supervisory Board approved the Consolidated Financial Statements for 2020 at its meeting on March 24, 2021. The Consolidated Financial Statements were published on March 25, 2021.

The Consolidated Financial Statements for 2021 were prepared by the Company's Management Board on March 11, 2022 and subsequently submitted to the Supervisory Board. The Consolidated Financial Statements will be presented to the Supervisory Board for approval on March 16, 2022. 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 17, 2022.

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
- In the case of de facto control

De facto control is the case if the Group has the ability to influence the variable cash flows through its power over the investee. This assessment must be considered within the framework of the necessary overall evaluation. In the case of corporations, the shareholders' meeting decides on variable returns. In the case of listed investments, de facto control may result from having the majority when attending general meetings. The Group bases its assessment of whether there is control due to majority presence on the average attendance at the general meetings of the past three years.

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 intercompany assets and liabilities, equity, income, and expenses, as well as cash flows from business transactions conducted between Group companies are fully eliminated during consolidation.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

A change in the 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.

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.

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 cancelation. 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 cancelations. 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 the current customer contracts determined that no material benefit is to be assumed at present. 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 17, 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 (Webspace) and software-as-a-service (SaaS). The service Webspace 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 Webspace 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 (Webspace and SaaS performance obligation). The total fee for the customer contract is therefore allocated to the various performance obligations. In the absence of separate standalone selling prices for Webspace and SaaS, and a high degree of price variability, the residual method is used to allocate the total fee. The 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.

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

The Consolidated Financial Statements are prepared in euro, the Company's functional and presentation currency. Each company within the Group determines its own functional currency. The items in the annual financial statements of the respective company are valued using this functional currency. Foreign currency transactions are initially translated to the functional currency at the prevailing spot rate on the day of transaction. Monetary assets and liabilities in a foreign currency are translated to the functional currency on every reporting date using the closing rate. All currency differences are expensed in the income statement. The exception to this rule are currency differences resulting from foreign currency loans, providing they are used to hedge against a net investment in a foreign operation. These are recognized directly in equity until the net investment is sold and only recognized in profit or loss on disposal. Deferred taxes arising from such currency differences are also recognized directly in equity. Non-monetary items valued at historical cost in a foreign currency, are translated at the exchange rate prevailing on the day of the transaction. Non-monetary items stated at fair value in a foreign currency are translated at the ex-change rate prevailing at the time fair value was assessed. All goodwill items resulting from the acquisition of a foreign operation and all adjustments to fair value of the carrying amounts of assets and liabilities resulting from the acquisition of this foreign operation, are carried as assets and liabilities of the foreign operation and translated at the closing rate.

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

The exchange rates of major currencies developed as follows:

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

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
Verteilernetze	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 past fiscal year. The resulting effect on earnings amounted to € 11 million in the reporting period.

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.

Goodwill arising from a business combination is initially measured at cost, being the excess of the acquisition cost of the operation over the fair value of the identifiable assets, liabilities, and contingent liabilities acquired. 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.

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 in cost of sales over the period during which future benefits are expected. An impairment test is performed annually during the development phase.

Intangible assets with indefinite useful lives, 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.

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. Unrealized gains or losses previously recognized in the revaluation reserve are not considered.

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. This shall not apply if in exceptional cases the circumstances at that time clearly indicate that there is no impairment.

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.

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.

Contract liabilities

A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer. If a customer provides consideration before the Group has transferred goods or services to the customer, a contractual liability is recognized at the time of payment or at the latest at the time when the payment becomes due. Contractual liabilities are recognized as revenue as soon as the Group fulfills the contractual obligations.

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.

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.

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, and leases of subscriber lines (local loops).

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.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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-cancellable 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.

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 a financial asset 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 39)
- 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.

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.

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 cancelation 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 cancelation 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.

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.

Provisions

Provisions are formed if the Group has a current (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. If the Group expects at least partial compensation for a recognized provision (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 provision is recognized in the income statement after deducting the reimbursement. If the interest effect from discounting is significant, provisions are discounted at a pre-tax interest rate which reflects the specific risk of the debt, if so required by the individual case. In the event of a discount, the increase in provisions caused by the passage of time is recognized as a financial expense.

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 value growth rights, which may be settled in cash or via equity instruments at the Company's discretion. As the United Internet Group has no agreements with a current obligation for cash settlement, all share-based payment transactions are carried in the balance sheet as equity-settled payment transactions.

The cost of granting equity instruments 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. With the aid of the respective measurement process, the value component is determined at the time of granting, also for subsequent measurement until the end of the term. On every measurement date, however, the expected exercise volume is to be reassessed with a corresponding adjustment of the additional amount under consideration of additions already made. Any necessary adjustment bookings are to be made in the period in which new information about the exercise volume becomes available. The measurement of cost from the granting of equity instruments and the corresponding increase in equity occurs over the period in which the vesting or performance conditions have to be satisfied (the so-called vesting period). This period ends after the vesting date, i.e., the date on which the employee concerned has gained irrevocable entitlement. The cumulative expenses recognized on each reporting date for equity-settled transactions until the vesting date reflect the extent to which the vesting period has expired and the number of equity instruments which, according to the Group's best-possible estimate, will actually be vested after the vesting period. The income or expense recognized in the income statement represents the development of cumulative expenses recognized at the beginning and end of the reporting period. No expense is recognized for payment rights which are not vested.

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

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

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.

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.

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.

Current income tax and deferred 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.

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.

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, 2021, the following standards were applied for the first time:

Standard		Mandatory for fiscal years beginning on or after	Endorsed by EU Commission
Amendment to IFRS 4	Extension of the temporary exemption from the application of IFRS 9	Jan. 1, 2021	yes
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	Reform of the reference interest rates (phase 2)	Jan. 1, 2021	yes
Amendment to IFRS 16	Rent concessions related to Covid-19 beyond 30 June 2021	Apr. 1, 2021	yes

These amendments had no significant impact on the Consolidated Financial Statements and are not expected to have a material impact on the Group in the future.

2.4 Accounting standards already published but not yet mandatory

Apart from the IFRSs mentioned above whose application is mandatory, the IASB has 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
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
IAS 1	Classification of Liabilities as Current or Non-current including deferral of effective date	Jan. 1, 2023	No
IAS 1	Amendments: Disclosure of Accounting Policies	Jan. 1, 2023	No
IAS 8	Amendments: Definition of Accounting Estimates	Jan. 1, 2023	No
IAS 12	Amendment: Deferred tax related to Assets and Liabilities arising from a Single Transaction	Jan. 1, 2023	No
IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	Jan. 1, 2023	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 Annual 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, 2020.

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**Fehler! Verweisquelle konnte nicht gefunden werden.**).

The effects and consequences of the coronavirus pandemic are still subject to uncertainties, as it is currently not possible to precisely estimate the duration and further effects of the coronavirus pandemic.

Impact of climate change

Environmental and social 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.

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.

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, 2021 amounted to € 250,252k (prior year: € 275,177k).

Measurement of non-listed equity instruments

Measuring the fair value of a non-listed equity instrument not only takes into account past experience of the company in question but also expectations of its probable future development. These expectations are based on numerous assumptions and the measurement of fair value is therefore subject to significant uncertainties. As of the reporting date, there were no non-listed equity instruments (prior year: € 0k).

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, 2021, the carrying amount of goodwill was € 3,627,831k (prior year: € 3,609,437k).

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, 2021 amounted to € 431,625k (prior year: € 89,567k).

Share-based payment

The Group measures the cost of granting equity instruments to employees by using the fair value of these equity instruments at the moment they were granted. 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 € 19,702k (prior year: € 14,547k).

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 establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates.

The amount of such provisions 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, 2021 amounted to € 58,430k (prior year: € 114,621k) 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, 2021 amounted to € 427,720k (prior year: € 398,796k). The carrying value of contract assets as of December 31, 2021 amounted to € 825,676k (prior year: € 774,109k).

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 € 96,492k (prior year: € 85,390k). Please refer to Note 21.

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. The carrying value of tangible and intangible assets amounted to € 3,138,807k as of December 31, 2021 (prior year: € 3,186,327k). This amount includes spectrum licenses of € 1,070,187k (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. In order to determine the term of leases, estimates regarding future utilization are required, particularly in the case of agreements with extension and termination options. 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. Goodwill arising from a business combination is initially measured at cost, being the excess of the acquisition cost of the operation over the fair value of the identifiable assets, liabilities, and contingent liabilities acquired. 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.

Provisions

Provisions 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 provisions as of December 31, 2021 amounted to € 82,274k (prior year: € 78,631k).

4. Business combinations and investments

4.1 Business combinations in the fiscal 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 € 11.1 million (prior year: € 12.0 million) 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 € 22.6 million. In connection with the acquisition, additional purchase price components amounting to a maximum of € 3.1 million 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 € 10.2 million and earnings after taxes decreased by € 1.3 million 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 € 11.1 million and earnings after taxes decreased by € 1.5 million 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 during the reporting period, thus increasing its stake to 78.32%. The individual purchases were made via the stock exchange and amounted to a total of € 148.6 million. The corresponding carrying amount of the net assets of 1&1 AG amounted to € 2,345.8 million. 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 TopCo SE

The Group acquired a further 8.43% of shares with voting rights of IONOS TopCo SE on May 1, 2021, thus increasing its stake to 75.10%. Compensation of € 309.8 million was paid to the owners of non-controlling interests for this purchase, of which € 308.3 million in cash. The corresponding carrying amount of the net assets of IONOS TopCo SE amounted to € -270.9 million. The acquisition of further shares in IONOS TopCo SE is shown below:

	€k
Consideration paid in cash to holders of non-controlling interests	309.8
Derivatives received in connection with the acquisition	-16.9
Carrying amount of further shares in IONOS TopCo SE	22.8
Difference recognised in capital reserves	**315.7**

4.2 Investments in companies

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**Fehler! Verweisquelle konnte nicht gefunden werden.**.

Explanations of items in the income statement

5. Sales revenue/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 2021 was as follows:

January - December 2021 (€m)	Segment Consumer Access	Segment Business Access	Segment Consumer Applications	Segment Business Applications	Corporate	Reconciliation/ Consolidation	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

Segment reporting of United Internet AG in fiscal year 2020 was as follows:

January - December 2020 (€m)	Segment Consumer Access	Segment Business Access	Segment Consumer Applications	Segment Business Applications	Corporate	Reconciliation/ Consolidation	United Internet Group
Segment revenue	3,759.0	493.3	251.8	948.6	1.2	-86.7	5,367.2
- thereof domestic	3,759.0	493.3	244.5	442.5	1.2	-31.8	4,908.7
- thereof foreign	0	0	7.3	506.1	0	-54.9	458.5
Segment revenue from transactions with other segments	1.5	68.0	12.9	4.3	0		86.7
Segment revenue from contracts with customers	3,757.5	425.3	238.9	944.3	1.2		5,367.2
- thereof domestic	3,757.5	425.3	235.0	489.7	1.2		4,908.7
- thereof foreign	0	0	3.9	454.6	0		458.5
EBITDA	471.2	149.8	100.7	328.3	-1.0		1,048.9
Financial result							-37.1
Result from associated companies							18.5
EBT							556.2
Income taxes							-187.3
Net income							**369.0**
Assets (non-current)	2,180.5	398.3	297.0	810.9	22.2	---	3,708.9
- thereof domestic	2,180.5	398.3	297.0	478.4	22.2	---	3,376.4
- thereof shares in associated companies	0.0	0	65.4	0	21.9	---	87.3
- thereof other financial assets	2.0	0	5.8	1.8	0.3	---	9.9
- thereof goodwill	2,178.5	398.3	225.8	476.6	0	---	3,279.2
- thereof foreign	0	0	0	332.5	0	---	332.5
- thereof shares in associated companies	0	0	0	2.2	0	---	2.2
- thereof other financial assets	0	0	0	0.1	0	---	0.1
- thereof goodwill	0	0	0	330.2	0	---	330.2
Investments in intangible assets and property, plant and equipment (without goodwill)	269.1	236.3	10.9	111.9	21.1	-9.8	639.5
Amortization/depreciation	152.4	197.9	21.7	99.1	3.1	---	474.1
- thereof intangible assets, and property, plant and equipment	44.3	179.3	21.7	67.2	3.1	---	315.5
- thereof assets capitalized during company acquisitions	108.1	18.6	0	31.9	0	---	158.6
Number of employees	3,191	1,188	1,005	3,631	623	---	9,638
- thereof domestic	3,191	1,188	1,001	1,926	623	---	7,929
- thereof foreign	0	0	4	1,705	0	---	1,709

Non-current segment assets comprise shares in associated companies, other financial assets, and goodwill.

In the fiscal year 2021, revenue of the Consumer Access segment from contracts with customers includes hardware sales of € 757,050k (prior year: € 739,056k). Revenue of the Business Access segment from contracts with customers for the fiscal year 2021 includes hardware sales of € 2,985k (prior year: € 9,123k). 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 9.1% (prior year: 8.5%) 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 2021:

in €k	Dec. 31, 2021	Dec. 31, 2020
Trade accounts receivable (Note 19)	427,720	398,796
Contract assets (Note 20)	825,676	774,109
Contract liabilities (Note 32)	190,037	185,725

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 2021.

In fiscal year 2021, revenue of € 152,094k (prior year: € 149,930k) 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 € 1,562,970k (prior year: € 1,717,784k) as of December 31, 2021. 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	2022	2023	>2023
Consumer Access	1,285,197	966,552	318,645	0
Business Access	258,446	164,257	80,452	13,737
Consumer Applications	14,336	12,475	1,861	0
Business Applications	4,991	3,010	1,523	458
Total	**1,562,970**	**1,146,294**	**402,481**	**14,195**

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	2021	2020
Cost of services	2,169,940	2,317,924
Cost of goods	824,940	794,244
Amortization/depreciation	307,422	306,869
Personnel expenses	262,764	236,535
Other	119,865	113,747
Total	**3,684,931**	**3,769,319**

Cost of sales in relation to sales revenue decreased to 65.3% compared with the previous year (prior year: 70.2%), resulting in a rise in gross margin to 34.7% (prior year: 29.8%).

In the reporting period, the cost of services declined as a result of the prices set in the national roaming agreement, which are based on comparable price mechanisms to those of the first five years of the MBA MVNO agreement. The negotiated lower prices apply retroactively as of July 2020. The retroactive adjustment of advance service prices resulted in a non-period positive earnings effect of € 39.4 million in the reporting period, which is to be allocated to the second half of fiscal year 2020.

In the previous year, the cost of services was burdened by the write-off of prepaid expenses in connection with the premature termination of the VDSL advance service agreement (€ 129.9 million) as well as increased costs from the middle of the year for mobile communications advance services received.

In addition, more flexible purchasing mechanisms were negotiated as part of the national roaming agreement, resulting in further positive effects for cost of sales in 2021 and for the future.

7. Selling expenses

Selling expenses rose from € 767,917k (14.3% of sales) to € 835,732k (14.8% of sales). They include personnel expenses of € 284,589k (prior year: € 264,930k), depreciation of € 134,991k (prior year: € 138,646k), and other selling expenses of € 416,152k (prior year: € 364,341k). Other selling expenses mostly comprise customer acquisition costs, advertising, customer care, and product management.

8. General and administrative expenses

Compared to the previous year, general and administrative expenses increased from € 205,964k (3.8% of sales) to € 243,040k (4.3% of sales). They include personnel expenses of € 98,079k (prior year: € 90,859k), depreciation of € 31,472k (prior year: € 28,553k), and other general and administrative expenses of € 113,489k (prior year: € 86,552k). The other general and administrative expenses mostly comprise expenses for accounts receivable management, legal and consulting fees, and maintenance costs.

9. Other operating income/expenses

9.1 Other operating expenses

€k	2021	2020
Expenses from foreign currency translation	11,105	12,540
Other taxes	3,942	0
Expenses relating to other periods	1,658	13,892
Losses from the disposal of property, plant and equipment	1,209	522
Other	3,237	3,898
Total	**21,151**	**30,852**

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 net income of € 3,598k (prior year: net loss of € 3,446k). Other taxes mainly relate to foreign sales tax or comparable country-specific taxes, resulting from activities outside Germany.

9.2 Other operating income

€k	2021	2020
Income from dunning and return debit charges	29,270	32,833
Income from foreign currency translation	7,507	15,986
Derivatives	4,941	195
Income from other periods	2,763	13,124
Income from the disposal of property, plant and equipment	1,463	421
Income from the disposal of an associated company	0	490
Income from the reversal of accrued liabilities	0	65
Other	8,874	11,418
Total	**54,818**	**74,532**

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 hedging transactions.

10. Impairment charges on receivables and contract assets

Impairment charges on receivables and contract assets comprised the following:

€k	2021	2020
Trade accounts receivable	54,727	59,817
Contract assets	31,558	33,052
Total	**86,285**	**92,869**

11. Depreciation and amortization

Depreciation and amortization of intangible assets, and property, plant and equipment consist of the following:

€k	2021	2020
Cost of sales	307,422	306,869
Selling expenses	134,991	138,646
General and administrative expenses	31,472	28,553
Total	**473,885**	**474,068**

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

€k	2021	2020
Intangible assets		
Customer base/ order backlog	123,698	126,777
Software	6,442	6,333
Trademark	3,100	0
Licenses	0	12,529
	133,240	**145,639**
Tangible assets		
Network infrastructure	6,903	12,975
Total	**140,143**	**158,614**

Intangible assets with indefinite useful lives in the consolidated financial statements for the fiscal year 2021 were subjected to an impairment test on the level of the cash-generating units as of the reporting date. In the fiscal year 2021, trademarks with a carrying amount of € 3.1 million were impaired as there are no plans at present to actively use these brands.

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

€k	2021	2020
1&1	97,610	108,133
STRATO	15,874	19,589
1&1 Versatel	12,530	18,601
Arsys	3,653	3,653
home.pl	3,104	3,225
IONOS SE	2,904	2,904
World4You	2,248	2,498
we22	2,208	0
Cronon	12	11
Total	**140,143**	**158,614**

12. Personnel expenses

Personnel expenses are divided among the various divisions as follows:

€k	2021	2020
Cost of sales	262,764	236,535
Selling expenses	284,589	264,930
General and administrative expenses	98,079	90,859
Total	**645,432**	**592,324**

Personnel expenses include wages and salaries of € 551,971k (prior year: € 507,093k), and social security costs of € 93,461k (prior year: € 85,231k). Personnel expenses in connection with employee stock ownership plan totaled € 22,394k (prior year: € 14,547k).

The number of employees increased by 3.5%, from 9,638 employees in the previous year to 9,975 employees at year-end 2021:

	2021	2020
Germany	8,199	7,929
Outside Germany	1,776	1,709
thereof the Philippines	392	395
thereof Spain	381	340
thereof Poland	333	299
thereof UK	251	251
thereof Romania	229	217
thereof USA	121	160
thereof Austria	65	44
thereof France	4	3
Total	**9,975**	**9,638**
thereof male	67%	68%
thereof female	33%	32%

The average number of employees in fiscal year 2021 amounted to 9,920 (prior year: 9,504), of which 8,143 (prior year: 7,837) were employed in Germany and 1,777 abroad (prior year: 1,667).

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 2021, they totaled € 40,627k (prior year: € 36,054k) 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	2021	2020
Loans and overdraft facilities	14,756	17,455
Subsequent valuation of embedded derivatives	19,536	15,301
Interest expense from deferral of frequency liabilities	11,000	0
Financing costs from leases	8,473	7,866
Interest expense from tax audit	2,124	11,913
Other	335	257
Total financial expenses	**56,224**	**52,792**

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**Fehler! Verweisquelle konnte nicht gefunden werden.** for an explanation of the financial expense from leases.

14. Financial income

€k	2021	2020
Subsequent valuation of embedded derivatives	19,060	6,695
Interest income from tax audit	2,029	4,851
Interest Income from leases	822	964
Income from loans to associated companies	318	294
Income from dividends	174	842
Other financial income	977	2,025
Total financial income	**23,380**	**15,671**

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	2021	2020
Current income taxes		
- Germany	-277,135	-196,478
- Outside Germany	-12,659	-10,309
Total (current period)	**-289,793**	**-206,787**
Deferred taxes		
- Due to tax loss carryforwards	8,180	10,901
- due to tax interest carryforwards	9,019	6,297
- Tax effect on temporary differences	22,399	-1,486
- Due to tax rate changes	10	0
Total deferred taxes	**39,608**	**19,346**
Total tax expense	**-250,186**	**-187,441**

Under German tax law, income taxes comprise corporate income tax and trade tax, as well as the solidarity surcharge.

German trade tax is levied on a company's taxable income adjusted for certain revenue which is not subject to such tax, and for certain expenses which are not deductible for purposes of trade tax. The effective trade tax rate depends on the municipalities in which the Group operates. The average trade tax rate in fiscal year 2021 amounted to approx. 15.3% (prior year: 15.2%).

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 tax income not relating to the period of € 868k (prior year: tax expense € 14,715k).

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	2021	2020
Germany	83,988	75,205
	83,988	**75,205**

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.

No deferred tax assets (prior year: € 0k) were formed for loss carryforwards of previous years.

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	2021	2020
USA Federal *	23,059	23,380
USA State **	182	181
	23,241	**23,561**

* 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:

	2021		**2020**	
€k	Corporation tax	Trade tax	Corporation tax	Trade tax
Germany	60,470	27,609	30,782	25,201

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 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 € 112,962k (prior year: € 118,520k).

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 € 9,019k in the financial period (prior year: € 10,901k). Deferred tax receivables on interest carryforwards from previous years account for € 2,307k of this total.

In fiscal year 2021, 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:

	2021		2020	
€k	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Trade accounts receivable	1,192	9,087	1,251	9,704
Inventories	152	139	142	88
Contract assets - current	10,570	176,271	9,384	162,500
Contract assets - non current	4,983	63,310	5,034	61,442
Other financial assets – current	2,248	1,371	464	40
Other financial assets – non-current	736	1,174	1,192	2,365
Other assets	2,895	1,326	1,284	1,348
Prepaid expenses	183,188	74,378	172,155	82,717
Property, plant and equipment	2,040	14,063	1,492	14,543
Right-of-use from leases	49	154,501	0	140,836
Intangible assets	43,709	304,273	51,506	319,810
Other accrued liabilities	52,581	8,238	38,067	4,159
Contract liabilities	22,222	49,653	22,026	50,716
Other liabilities	915	0	416	1,115
Lease liabilities - current	26,266	1,438	27,861	0
Lease liabilities - non current	130,212	59	115,440	4
Gross value	**483,958**	**859,283**	**447,714**	**851,389**
Tax loss carryforwards	83,988	n.a	75,809	n.a.
Tax interest carried forward	19,919	n.a.	10,901	n.a.
Adjustments for consolidation	10,519	5,771	9,757	4,018
Offsetting	-574,573	-574,573	-523,768	-523,768
Consolidated balance sheet	**23,810**	**290,481**	**20,412**	**331,639**

The net balance of deferred tax liabilities of € 311,227k in the previous year decreased to a net balance of deferred tax liabilities of € 266,671k. As a result, the total change in the net balance of deferred taxes amounted to € 44,556k (prior year: € 30,160k). This change was mainly due to the following factors:

- Increase in deferred tax liabilities on contract assets not recognized in the tax balance sheet (€ 14.5 million).
- Increase in deferred tax assets from leases and employee stock ownership plans of € 14.5 million
- Increase in deferred tax assets on accrued hardware subsidies, and assumed activation fees in the tax balance sheet (€ 19.4 million).
- Decrease in deferred tax liabilities from intangible assets in connection with the amortization of assets from company acquisitions of € 12.2 million.
- Increase in deferred tax assets from loss carryforwards and interest carryforwards of € 17.2 million.

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

€k	2021	2020
Deferred tax income + / Deferred tax expense -	39,607	19,346
Addition in connection with business combinations	-3,887	0
Deferred tax effects recognised directly in equity	8,836	10,814
Change in the net balance of deferred taxes	**44,556**	**30,160**

The addition from business combinations relates to the acquisition of we22 AG during the reporting period.

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:

%	2021	2020
Anticipated tax rate	**31.1**	**31.06**
Actual and deferred taxes for previous years	-0.1	2.8
Costs in connection with business combinations	0.1	0.0
Non-tax-deductible writedowns on financial assets	0.1	0.5
Non-tax-deductible writedowns on intangible assets	0.0	0.4
Tax-reduced profit from disposals and income from investments	-0.1	-0.4
Tax effects in connection with internal Group dividends and disposals	0.2	0.1
Differences due to tax rate changes	-1.6	-1.4
First-time capitalization of interest carryforwards that can be used in the future	-0.3	-2.0
Non-tax-deductible interest from back tax payments	0.1	0.0
Tax losses and non-deductible interest of the fiscal year for which no deferred taxes were recognized	0.6	2.1
Non-taxable at-equity results	0.6	-1.0
Trade tax additions	0.6	0.7
Non-tax-deductible interest from back tax payments	0.0	0.5
Balance of other tax-free income and non-deductible expenses	0.9	0.4
Effective tax rate	**31.9**	**33.7**

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 € 46,354k (prior year: € 64,822k) 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 € 58,430k (prior year: € 114,621k) as of the balance sheet date.

16. Earnings per share

Capital stock as of December 31, 2021 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, 2021, United Internet held 7,284,109 treasury shares (prior year: 6,769,137). 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 187,051,294 for fiscal year 2021 (prior year: 187,347,843).

As of the reporting date, there was a dilutive effect from employee stock ownership programs of subsidiaries of € 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 € 34.96 (prior year: € 33.57), this would result in the issuance of 554,714 shares (prior year: 1,025,323) without consideration. The number of shares used to calculate diluted earnings per share for the fiscal year 2021 is therefore 187,606,008 (prior year: 188,373,166).

The following table shows the underlying amounts for the calculation of undiluted and diluted earnings:

€k	2021	2020
Profit attributable to the shareholders of United Internet AG	**416,473**	**290,548**
Earnings per share (in €)		
- undiluted	2.23	1.55
- diluted	2.22	1.54
Weighted average of outstanding shares (in million units)		
- undiluted	187.05	187.35
- diluted	187.61	188.37

17. Dividend per share

The virtual Annual Shareholders' Meeting of United Internet AG on May 27, 2021 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 € 93.6 million was made on June 1, 2021.

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 2021, 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 2021.

The Management Board and Supervisory Board will discuss this dividend proposal at the Supervisory Board meeting on March 16, 2022.

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 7,284,109 treasury shares (prior year: 6,769,137). 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 € 110,116k (prior year: € 131,270k). 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, the current low interest rate level – which is even negative at present for amounts denominated in euros – meant that no interest was earned on bank balances.

The development and application of cash and cash equivalents is stated in the Consolidated Cash Flow Statement.

19. Trade accounts receivable

€k	2021	2020
Trade accounts receivable	495,922	473,283
Less		
Bad debt allowances	-68,202	-74,487
Trade accounts receivable, net	**427,720**	**398,796**
thereof trade accounts receivable - current	380,450	344,838
thereof trade accounts receivable - non-current	47,269	53,959

As of December 31, 2021 bad debt allowances for trade accounts receivable amounted to € 68,202k (prior year: € 74,487k). The development of bad debt allowances can be seen below:

€k	2021	2020
As of January 1	74,487	80,480
Utilization	-58,588	-56,446
Additions charged to the income statement	56,691	56,211
Reversals	-4,547	-5,401
Exchange rate differences	159	-357
As of December 31	**68,202**	**74,487**

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	2021	2020
Trade accounts receivable, net		
< 5 days	380,023	351,697
6 – 15 days	11,349	9,499
16 – 30 days	7,696	7,259
31 – 180 days	17,567	17,214
181 – 365 days	6,607	8,694
> 365 days	4,477	4,435
	427,720	**398,796**

20. Contract assets

€k	2021	2020
Contract assets	885,516	832,002
Less		
Bad debt allowances	59,840	57,893
Contract assets, net	**825,676**	**774,109**
thereof contract assets - current	619,722	577,601
thereof contract assets - non-current	205,954	196,508

The development of bad debt allowances was as follows:

€k	2021	2020
As of January 1	57,893	45,429
Utilization	-29,612	-20,588
Additions charged to the income statement	31,558	33,052
As of December 31	**59,840**	**57,893**

21. Inventories

As of December 31, 2021, inventories consisted of the following items:

€k	2021	2020
Merchandise		
Mobile telephony / mobile internet	80,551	75,151
DSL hardware	12,014	6,277
SIM cards	4,299	4,680
IP-TV	2,711	3,084
Other	2,109	437
Domain stock held for sale	2,973	3,211
	104,657	**92,839**
Less		
Bad debt allowances	-9,497	-9,724
Payments on account	1,332	2,274
Inventories, net	**96,492**	**85,390**

Goods recognized as material expense from inventories in cost of sales amounted to € 824,940k in the reporting period (prior year: € 794,244k). Of this total, an amount of € 2,053k (prior year: € 2,205k) refers to impairment of inventories.

Allowances include € 6,537k (prior year: € 6,525k) for mobile telephony/mobile internet and IP-TV, and € 2,960k (prior year: € 3,199k) for domain stock.

22. Prepaid expenses

Current prepaid expenses of € 213,974k (prior year: € 214,382k) consist mainly of contract initiation costs of € 86,825k (prior year: € 93,594k), contract fulfillment costs of € 46,862k (prior year: € 55,441k), and prepayments for wholesale fees of € 26,081k (prior year: € 12,472k), which were deferred and charged to the income statement on the basis of the underlying contractual period.

Non-current prepaid expenses of € 287,730k (prior year: € 144,795k) consist mainly of contract initiation costs of € 82,473k (prior year: € 85,767k), contract fulfillment costs of € 34,092k (prior year:€ 40,375k), and prepayments to advance service providers of € 171,165k (prior year: € 0k).

At the end of the reporting period, the final balances of capitalized contract initiation costs amounted to € 169,298k (prior year: € 179,361k) and of capitalized contract fulfillment costs to € 80,954k (prior year: € 95,816k). In the fiscal year 2021, amortization of capitalized contract initiation costs amounted to € 111,606k (prior year: € 84,872k). Amortization of capitalized contract fulfillment costs amounted to € 60,421k in the fiscal year 2021 (prior year: € 69,557k).

The final balances of prepayments for wholesale fees amounted to € 197,246k as of the reporting date (prior year: € 12,472k). A total of € 31,227k was expensed in fiscal year 2021 (prior year: € 40,038k).

23. Other current assets

23.1 Other current financial assets

€k	2021	2020
Derivatives	70,394	30,832
Receivables from pre-service providers	23,012	16,420
Creditors with debit balances	5,497	12,021
Payments on account	9,240	8,688
Deposits	977	820
Other	9,872	13,481
Other financial assets, net	**118,992**	**82,262**

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**Fehler! Verweisquelle konnte nicht gefunden werden.**.

The increase in receivables from advance 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	2021	2020
Receivables from tax office	3,761	7,941
Return claims hardware	4,336	4,410
Other non-financial assets	**8,097**	**12,351**

24. Shares in associated companies and non-current assets held for sale

The Group holds interests in several associated companies. The main investment in 2021 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.

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, 2021:

Summarized financial information on the main associated companies:	Kublai GmbH* €k	AWIN AG €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**

* On the basis of a preliminary purchase price allocation

AWIN sold a subsidiary during the previous year. This led to a decline in revenue, while net income rose strongly over the same period.

A reconciliation with the carrying amount 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**

* On the basis of a preliminary purchase price allocation

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.

As the takeover offer 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, 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**

On the basis of the agreement between United Internet and Morgan Stanley dated December 21, 2020, United Internet reclassified its shares in Tele Columbus AG as of December 31, 2020 pursuant to IFRS 5 as assets held for sale.

In accordance with IAS 28.20, shares in associated companies are to be recognized in the Consolidated Financial Statements by way of exception pursuant to IFRS 5, i.e., at fair value less costs to sell, if the shares qualify as non-current assets held for sale and the intention to sell exists as of the balance sheet date.

At the time of reclassification, the assets were measured at fair value. Tele Columbus was already impaired in the past. In the fiscal year 2020, an impairment reversal of €29.2 million was recognized due to the higher offer price. By contrast, the prorated result of Tele Columbus led to a burden on earnings of € 11.8 million. Both effects were recognized in the result from associated companies. The carrying amount of shares in Tele Columbus as at December 31, 2020 had increased by € 17.3 million, from € 106.6 million to € 123.9 million.

The shareholding in Tele Columbus AG corresponds to the proportion of voting rights. It was valued using the equity method. in the previous year, the Group’s total stake in Tele Columbus amounted to 29.90%.

The following table contains summarized financial information of AWIN AG on the basis of a 100% shareholding as of December 31, 2020:

Summarized financial information on the main associated companies:	AWIN AG €k
Current assets	418,252
Non-current assets	337,583
Current liabilities	365,506
Non-current liabilities	63,149
Shareholders’ equity	327,180
Sales	145,571
Other comprehensive income	-9,828
Net profit/loss	23,140
Total comprehensive income	**13,312**

A reconciliation of the associated company with the carrying amounts in the Consolidated Financial Statements as of December 31, 2020 – with an estimation of investment results for the fourth quarter – is presented below::

€k	AWIN AG
United Internet Group's share in the net asset values	65,436
Impairment / reversal effects	0
Closing date-related reconciliation effects	0
Carrying amount on Dec. 31, 2020	**65,436**
Dividend received in 2020	**0**

As of December 31, 2021, other associated companies disclosed an aggregated carrying amount of € 38,536k (prior year: € 24,131k) and an aggregated loss of € 2,401k (prior year: € 3,477k). 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, 2021 of € 11,617k (prior year: € 9,901k) mainly comprise loans to related parties of € 8,923k (prior year: € 8,423k).

In the previous year, the breakdown of other non-current financial assets was as follows:

€k	Jan. 1, 2020	Additions	Change in revaluation reserve	Change affecting income/ Impairment	Reclassifications	Disposal	Dec. 31, 2020
Afilias shares	44,622		32,855		-76,924	-553	0
Derivatives	31,450			-618	-30,832		0
Other	14,341	354			-2,384	-2,411	9,901
	90,414	**354**	**32,855**	**-618**	**-110,140**	**-2,964**	**9,901**

The shares held in the Afilias Group were sold in the previous year. The proceeds from disposal amounted to € 77,477k. The profit realized on disposal of € 76,924k, including the share of minority shareholders totaling € 27,835k, was recognized in equity. The profit attributable to shareholders of the parent company amounting to € 49,089k was reclassified from the revaluation reserve to revenue reserves.

26. Property, plant and equipment

€k	2021	2020
Acquisition costs		
- Telecommunication equipment	998,712	886,000
- Right of use	833,378	718,594
- Operational and office equipment	615,247	551,142
- Network infrastructure	240,343	228,254
- Payments on account	86,366	63,250
- Land and buildings	22,672	20,176
	2,796,719	**2,467,416**
Less		
Accumulated depreciation	-1,417,094	-1,195,849
Property, plant and equipment, net	**1,379,625**	**1,271,567**

Further details and an alternative presentation of the development of property, plant and equipment in the fiscal years 2021 and 2020 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 € 500.6 million as of December 31, 2021 (prior year: € 461.7 million).

As of the reporting date, there are purchase obligations for property, plant and equipment totaling € 150.8 million (prior year: € 138.9 million).

27. Intangible assets (without goodwill)

€k	2021	2020
Acquisition costs		
- Customer base	1,238,525	1,235,607
- Spectrum licenses	1,070,187	1,070,187
- Software / licenses	296,501	252,913
- Trademarks	212,496	210,457
- Rights similar to concessions	165,000	165,000
- Internally generated intangible assets	48,887	42,008
- Payments on account	13,686	17,438
- Right of use	9,282	9,282
- Other intangible assets	74,062	73,777
	3,128,626	**3,076,669**
Less		
Accumulated depreciation	-1,069,200	-878,851
Intangible assets, net	**2,059,426**	**2,197,818**

Further details and an alternative presentation of the development of intangible assets in the fiscal years 2021 and 2020 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, 2021	Dec. 31, 2020
1&1	317,659	411,919
Strato	94,549	109,882
1&1 Versatel	96,113	101,740
World4You	17,784	19,631
home.pl	11,299	14,256
Arsys	2,458	7,004
we22	1,748	0
	541,610	**664,432**

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 19 years, depending on the products and services, whereby 19 years applies to the major share.

Spectrum licenses

In the previous year, 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.

As in the previous year, the carrying amounts of the frequency blocks as of December 31, 2021 are comprised as follows:

Frequency block	Amount in k€
3.6 GHz	735,190
2 GHz	334,997
	1,070,187

There was no amortization in the 2021 financial year. The acquired frequency blocks will not be amortized until actual network operation commences and if these frequency blocks are also available at that time. The spectrum licenses are not yet usable and were therefore subjected to an impairment test in the fiscal year 2021. 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, 2021	Dec. 31, 2020
1&1 Versatel	62,000	62,000
1&1	53,200	56,300
Mail.com	24,136	22,270
Strato	20,070	20,070
WEB.DE	17,173	17,173
home.pl	10,519	10,619
Arsys	7,553	7,553
united-domains	4,198	4,198
Fasthosts	4,121	3,848
World4You	3,494	3,494
Cronon	463	463
	206,927	**207,988**

The carrying amounts of intangible assets with indefinite useful lives (trademarks) totaled € 206,927k (prior year: € 207,988k). 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. In the fiscal year 2021, trademarks in the cash-generating unit 1&1 with a carrying amount of € 3.1 million were impaired as there are no plans at present to actively use these brands.

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 € 1.2 million (prior year: € 0.8 million).

28. Goodwill

Further details, including a presentation of the development of goodwill in the fiscal years 2021 and 2020, 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, as well as intangible assets not yet usable (spectrum licenses)

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, 2021	Dec. 31, 2020
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	225,517	225,517
Mail.com	333	307
	225,850	**225,824**
Business Applications		
we22	14,660	0
Strato	401,570	401,570
home.pl	117,389	117,979
Arsys	100,495	100,495
Fasthosts	64,822	60,524
World4You	51,250	51,250
united-domains	35,925	35,925
1&1 Hosting	28,562	28,562
InterNetX	5,237	5,237
Domain marketing	5,098	5,098
Cronon	252	252
	825,260	**806,892**
Carrying amount according to balance sheet	**3,627,831**	**3,609,437**

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.
- The goodwill of the cash-generating unit Cronon results from the acquisition of ASC Consulting in 2020.
- The goodwill of the cash-generating unit World4You results from the acquisition of World4You in 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, 2021

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 2022. 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 an annual increase in cash flow of 0.05% for the Business Access segment (prior year: 0%). Management assumes an annual increase in cash flow of 0.05% for the Consumer Applications segment (prior year: 0%) and an annual increase in cash flow for the Business Applications segment of between 0.1% and 0.8% (prior year: between 0% and 0.8%). The expected increase corresponds to long-term average growth of the sector in which the respective cash-generating unit operates. The discount rates after tax used for cash flow forecasts in the reporting period are 3% (prior year: 2.7%) for the Business Access segment. The discount rate for the Consumer Applications segment is 5.8% (prior year: 5.2%), and the discount rate used for the Business Applications segment is in a range between 5.3% and 6.8% (prior year: between 5.1% and 6.7%).

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 of the cash-generating units for the Business Access segment are based on average annual sales growth rates of 0.8% or 3.4% (prior year: 1.0% or 2.5%). Sales revenue figures in the detailed planning period of the cash-generating units for the Consumer Applications and Business Applications segments are based on average annual sales growth rates of between 3.4% and 11.1% (prior year: between 1.4% and 8.4%).

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%).

In the Business Applications segment, trademarks recognized amount to € 50,418k (prior year: € 50,245k), in the Consumer Applications segment they amount to € 41,309k (prior year: € 39,443k), and in the Business Access segment to € 62,000k (prior year: € 62,000k) (see Note 27).

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 (in the previous year on the basis of fair value less disposal costs) using 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 2022 as well as a planning calculation for the fiscal years 2023 to 2027. 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 (2027), it has been extended to include an interim phase for the years 2028 to 2032 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. Sales revenue figures in the detailed planning period of the cash-generating unit 1&1 Consumer Access are based on average annual sales growth rates of 1.6% (prior year: 1.1%). Another key basic assumption for the planning of the cash-generating unit 1&1 Consumer Access is the number of subscribers, 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. For the perpetual annuity period, management assumes an annual increase in cash flows of 0.05% (prior year: 0.00%). This growth rate corresponds to the long-term average growth rate for the sector. The discount rates before tax used for the cash flow forecast in the fiscal year are 6.9% (prior year: 4.3% after tax).

In the Consumer Access segment, trademarks totaling € 53,200k (prior year: € 56,300k) are recognized. In the fiscal year 2021, trademarks in the cash-generating unit 1&1 Consumer Access with a carrying amount of € 3.1 million were impaired as there are no plans at present to actively use these brands (see Note 27**Fehler! Verweisquelle konnte nicht gefunden werden.**).

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	2021	60.10%	0.05%	4.70%
	2020	60.20%	0.00%	4.30%
1&1 Telecom	2021	n/a	n/a	n/a
	2020	n/a	n/a	n/a
Business Access				
1&1 Versatel	2021	11.00%	0.05%	3.00%
	2020	11.00%	0.00%	2.70%
Consumer Applications				
1&1 Mail & Media	2021	6.20%	0.05%	5.80%
	2020	6.20%	0.00%	5.20%
Business Applications				
Strato	2021	11.10%	0.06%	5.30%
	2020	11.10%	0.01%	5.20%
home.pl	2021	3.20%	0.47%	6.20%
	2020	3.40%	0.48%	6.20%
Arsys	2021	2.80%	0.84%	6.80%
	2020	2.80%	0.77%	6.70%
Fasthosts	2021	1.80%	0.35%	6.00%
	2020	1.80%	0.29%	5.80%
World4You	2021	1.40%	0.25%	5.70%
	2020	1.40%	0.19%	5.60%
united-domains	2021	1.00%	0.05%	5.30%
	2020	1.00%	0.00%	5.20%
InterNetX	2021	0.10%	0.05%	5.30%
	2020	0.10%	0.00%	5.20%
Domain marketing	2021	0.10%	0.05%	5.30%
	2020	0.10%	0.00%	5.10%
1&1 Hosting	2021	0.80%	0.21%	5.60%
	2020	0.80%	0.16%	5.50%
we22	2021	0.40%	0.05%	5.30%
	2020	n/a	n/a	n/a

* Discount rate before taxes

Sensitivity of assumptions

The sensitivity of the assumptions made with respect to the impairment of goodwill or trademarks depends on the respective cash-generating units.

In the course of analyzing sensitivity for cash-generating units to which goodwill or trademarks have been allocated, an increase in the discount rates (after taxes) of 1% and a decline in the long-term growth rate in perpetuity of 0.1% to 0.25% was assumed, as in the previous year. These assumptions would not result in any changes to the impairment test.

As in the previous year, the Company's management believes that, on the basis of reasonable judgment, no generally possible change in one of the basic assumptions used to determine fair value less disposal costs of a cash-generating unit could cause the carrying value to significantly exceed the recoverable amount.

Intangible assets not yet usable (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 (in the previous year on the basis of fair value less cost of disposal) 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 2022 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 discount rate before tax used for the cash flow forecast in the reporting period was 3.9% (prior year: 3.0% after tax, the comparable discount rate after tax for the reporting period is 2.9%). 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 5G, an increase of 10% in operating costs for active network technology (in particular energy costs) was assumed.

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

As in the previous year, the Company's management believes that, on the basis of reasonable judgment, no generally possible change in one of the basic assumptions used to determine the value-in-use of a cash-generating unit could cause the carrying amount to significantly exceed the value-in-use.

30. Trade accounts payable

Trade accounts payable amount to € 585,869k (prior year: € 538,792k), of which liabilities with terms of more than one year total € 2,475k (prior year: € 6,014k).

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 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**

in € million	Promissory note loan	Syndicated loan	credit	Total
Loan liability as of 31 December 2020	547.5	750.0	165.0	1,463.5
Accrued bank commissions	-0.6	-1.2	0.0	-1.8
Interest liabilities	4.6	0.8	0.0	5.4
As of December 31, 2020	**551.5**	**749.5**	**165.0**	**1,466.0**
thereof current	**5.2**	**200.2**	**165.0**	**370.4**
thereof non-current	**546.3**	**549.3**	**0.0**	**1,095.6**

Promissory note loans
At the end of the reporting period, total liabilities from promissory note loans with terms until 2027 amounted to € 1,297.5 million (prior year: € 547.5 million).

As in 2014 and 2017, United Internet AG successfully placed a promissory note loan ("Schuldscheindarlehen") in its fiscal year 2021. As the transaction was significantly oversubscribed, the Company decided to raise the originally planned placement volume to an ultimate amount of € 750 million. The promissory note loan comprises several tranches with terms of three to six years and largely fixed interest rates of between 0.60% und 0.90% p.a. The transaction was closed in July 2021.

The five outstanding tranches from the promissory note loans 2014 and 2017 are all fixed-interest, as are three of the four tranches of the promissory note loans 2021. The fixed interest rates vary according to term between 0.70% and 2.15% p.a. The interest rate of the variable-interest tranche of the promissory note loan 2017 consists of the respective 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

The syndicated loan totaling € 200.0 million redeemable on maturity in August 2021 was paid back in full in the fiscal year 2021.

A banking syndicate has 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 agreed on December 21, 2018 for the period from January 2025 to January 2026. A credit facility of € 690 million was agreed for this prolongation period.

As of December 31, 2021, € 250 million of the revolving syndicated loan facility had been drawn (prior year: € 550 million). As a result, funds of € 560 million (prior year: € 260 million) were still available to be drawn from the credit facility.

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, United Internet AG has a bilateral credit facility of € 375 million. The facility has been granted until further notice and bears interest at normal market rates. United Internet AG is the sole borrower of this facility. Drawings of € 100 million (prior year: € 165 million) had been made from the credit facility as at the end of the reporting period.

At the end of the reporting period, United Internet thus had free credit lines totaling € 835 million (prior year: € 375 million).

Credit lines granted (without the revolving syndicated loan facility)

€k	2021	2020
Credit lines granted	375,000	280,000
Credit lines utilized	100,000	165,000
Available credit lines	275,000	115,000
Average interest rate	0.19	0.25

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**Fehler! Verweisquelle konnte nicht gefunden werden.**.

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	2021	2020
Guaranty lines granted	105,000	105,000
Guaranty lines utilized	27,473	33,635
Available guaranty lines	77,527	71,365
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	2021	2020
Contract liabilities	**190,037**	**185,725**
thereof current	157,886	152,094
thereof non-current	32,151	33,631

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 2021 was as follows:

€k	Termination fees	Litigation risks	Restoration obligation	Other	Total
As of January 1	**46,168**	**7,526**	**23,454**	**1,483**	**78,631**
Utilization	8,521	1,546	146	636	10,849
Reversals	0	1,475	0	0	1,475
Addition	5,828	692	50	9,222	15,792
Effects of accrued interest	0	100	75	0	175
As of December 31, 2021	**43,475**	**5,297**	**23,433**	**10,069**	**82,274**

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 provisions for warranties and impending losses.

34. Other liabilities

34.1 Other current financial liabilities

€k	2021	2020
Other current financial liabilities		
- Leasing liabilities	102,172	97,761
- Spectrum liabilities	61,266	61,266
- Salary liabilities	41,294	38,741
- Marketing and selling expenses / commissions	27,148	21,781
- Conditional purchase price liabilities	51,980	25,014
- Creditors with debit balances	11,464	11,057
- Legal and consulting fees, auditing fees	10,071	4,819
- Service / maintenance / restoration obligations	4,714	5,580
- Other	19,068	12,617
Total	**329,177**	**278,636**

The current conditional purchase price liabilities refer to variable purchase price components from the acquisition of STRATO AG amounting to € 31,680k (prior year: € 20,307k) and of ProfitBricks GmbH amounting to € 4,416k (prior year: € 4,416k), as well as from the InterNetX put option of € 15,884k (prior year: € 7,721k).

34.2 Other current non-financial liabilities

€k	2021	2020
Other current non-financial liabilities		
- Liabilities to the tax office	125,155	37,280
- Other	10,578	9,467
Total	**135,733**	**46,747**

Liabilities to the tax office mainly refer to sales tax liabilities. The increase compared to the previous year is due to a change in the law 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	2021	2020
Other non-current non-financial liabilities		
- Spectrum liabilities	825,124	886,389
- Leasing liabilities	413,048	376,067
- Other loans	8,151	0
- Conditional purchase price liabilities	0	7,721
- Other	4,863	8,567
Total	**1,251,186**	**1,278,744**

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.

The non-current conditional purchase price liabilities from the InterNetX put option were transferred to short-term liabilities due to their term as at the reporting date.

35. Maturities of liabilities

The maturities of liabilities are as follows:

	Dec. 31, 2021			
€k	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
- 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**

The maturities of liabilities in the previous year were as follows:

	Dec. 31, 2020			
T€	Total	up to 1 year	1 to 5 years	Over 5 years
Financial liabilities				
Liabilities due to banks				
– Revolving syndicated loan facility	550,000	0	0	550,000
– Syndicated loan	200,249	200,249	0	0
– Promissory note loan	550,836	5,182	545,654	0
– Credit	165,004	165,004	0	0
Trade accounts payable	538,793	532,779	6,014	0
Other financial liabilities				
– Finance leases	473,828	97,761	208,790	167,277
– Others	1,083,551	180,875	324,423	578,253
Total financial liabilities	**3,562,262**	**1,181,850**	**1,084,882**	**1,295,530**
Non-financial liabilities				
Income tax liabilities	114,621	114,621	0	0
Contract liabilities	185,725	152,094	33,631	0
Other accrued liabilities	78,631	9,302	52,387	16,943
Other non-financial liabilities	46,747	46,747	0	0
Total non-financial liabilities	**425,725**	**322,765**	**86,017**	**16,943**
Liabilities	**3,987,986**	**1,504,615**	**1,170,899**	**1,312,472**

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 2021. One model with so-called Stock Appreciation Rights (SAR) is aimed at the group of senior executives and managers and based on virtual stock options of United Internet AG. The second plan, the Long-Term Incentive Plan Hosting (LTIP) was introduced in the second half of 2017 and is aimed at the group of executives and employees in key positions in the Business Applications segment. The third plan, the Long Term Incentive Plan Versatel (LTIP) was introduced in the first half of 2018 and is aimed at the group of executives and employees in key positions in the Business Access segment. The fourth plan, the Stock Appreciation Rights Drillisch (SAR) was introduced in the first half of 2020, is aimed at the group of executives and employees in key positions in the Consumer Access segment, and replaces the former SAR plan of Drillisch. The fifth plan, the Long-Term Incentive Plan Portal (LTIP) was introduced in the first half of 2019 and is aimed at the group of executives and employees in key positions in the Consumer Applications segment.

36.1 Stock Appreciation Rights (SAR United Internet)

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 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 share 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. Payment of value growth to the entitled person 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. Moreover, the value growth is partly limited to a 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. 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 was carried 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.

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

Issue date	Oct. 1, 2020	
Volume	350,000	SARs
Average market value per option	22.55	€
Strike price	30.00	€
Share price	32.47	€
Dividend yield	1.5	%
Volatility of the share	48.20	%
Expected term (years)	5	
Risk-free interest rate	0	%

The volatility used to determine fair value was calculated on the basis of historical volatility for the last 6 and 12 months 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 total expense from the stock ownership plan amounts to € 41,468k (prior year: € 41,468k). The cumulative expense as of December 31, 2021 totaled € 36,866k (prior year: € 34,181k). Expenses of € 4,602k (prior year: € 7,287k) therefore relate to future years. The personnel expense for share options issued amounted to € 2,685k in the reporting period (prior year: € 879k).

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, 2019	**677,500**	**37.75**
issued	350,000	30.00
expired / forfeited	-15,000	30.11
expired / forfeited	-25,000	32.79
expired / forfeited	-25,000	36.27
expired / forfeited	-85,000	31.15
Outstanding as of December 31, 2020	**877,500**	**35.61**
expired / forfeited	-75,000	31.15
expired / forfeited	-150,000	40.00
expired / forfeited	-75,000	36.27
Outstanding as of December 31, 2021	**577,500**	**34.97**
Exercisable as of December 31, 2021	0	n/a
Exercisable as of December 31, 2020	0	n/a
Weighted average remaining term as at 31 December 2021 (in	37	
Weighted average remaining term as at 31 December 2020 (in months)	35	

The range of strike prices (without consideration of minimum payments) for stock options outstanding at the end of the reporting period is between € 30.00 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 in the fiscal year 2017. The LTIP is designed to align the long-term interests of management board members and 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 company (IONOS TopCo SE) and other companies of the IONOS Group.

Within the LTIP plan, qualifying employees in the Hosting division will be allocated so-called Management Incentive Plan (MIP) units. The grant is made on a straight-line basis over a period of four years (beginning with the date of issue) and provided that the respective employee has not terminated his contract at the end of each year.

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	74.23	30.30	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%

	Nov. 1, 2019	Jan. 1, 2020	Mar. 1, 2020	Apr. 1, 2020	Jul. 1, 2020
Number of MIP units granted	1,350	2,750	37,500	12,500	2,500
Strike price	203.20	205.50	207.70	208.50	186.50
Fair value at time of issue	77.96	52.64	58.62	57.78	57.45
Volatility	approx. 41%	approx. 40%	approx. 40%	approx. 40%	approx. 49%
Maturity at the time of issue	approx. 2 years	approx. 2 years	approx. 2 years	approx. 2 years	approx. 1 year
Dividend yield	of 0%	of 0%	of 0%	of 0%	of 0%
Risk-free interest	of 0%	of 0%	of 0%	of 0%	of 0%

	Jan. 1, 2019	Apr. 1, 2019	Jul. 1, 2019	Oct. 1, 2019
Number of MIP units granted	10,000	90,750	21,500	37,500
Strike price	153.60	156.20	182.00	161.50
Fair value at time of issue	54.06	62.60	54.55	81.25
Volatility	approx. 36%	approx. 38%	approx. 38%	approx. 38%
Maturity at the time of issue	approx. 3 years	approx. 3 years	approx. 3 years	approx. 3 years
Dividend yield	of 0%	of 0%	of 0%	of 0%
Risk-free interest	of 0%	of 0%	of 0%	of 0%

The volatility used to determine fair value was calculated using the price fluctuations of the past 180 days or last 360 days of the Business Applications division peer group.

Expense is recognized on a straight-line basis over a period of 4 years until the anticipated occurrence of an event defined by the contract conditions, providing that this occurs before the end of the 4-year period. This assessment is reviewed on each reporting date. Based on current estimates, the total underlying period is around 1 to 4 years (prior year: 1 to 4 years).

The fair value of commitments classified as equity instruments of the current year amounted in total to € 4,367k (prior year: € 3,326k), each as of the grant date.

The total expense of vested and future vested claims from the employee stock ownership plan amounts to € 34,716k (prior year: € 27,513k). The cumulative expense as of December 31, 2021 totaled € 32,813k (prior year: € 21,748k). Expenses for future years therefore account for € 1,903k (prior year: € 5,765k). The personnel expense in the reporting period in connection with issued stock options amounted to € 11,066k (prior year: € 9,467k).

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

	Units	Average strike price (€)
Outstanding as of December 31, 2019	**379,750**	**134.07**
issued	56,600	206.73
expired / forfeited	-56,125	123.73
Outstanding as of December 31, 2020	**380,225**	**146.42**
issued	86,596	292.47
expired / forfeited	-1,250	114.70
Outstanding as of December 31, 2021	**465,571**	**173.36**
Exercisable as of December 31, 2021	0	n/a
Exercisable as of December 31, 2020	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 TopCo SE.

Within the LTIP plan, qualifying employees of the we22 Group will be allocated so-called Management Incentive Plan (MIP) units. The grant is made on a straight-line basis over a period of around four years (beginning with the date of issue) and provided that the respective employee has not terminated their contract at the end of each year. The entitlements are settled in the form of cash.

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

	Feb. 1, 2021	Feb. 28, 2021
Number of MIP units granted	64,238	2,500
Strike price	161.56	161.56
Fair value at time of issue	34.0	33.9
Volatility	approx. 44%	von rd. 43%
Maturity at the time of issue	approx. 4 years	4 years
Dividend yield	0%	0%
Risk-free interest	0%	0%

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

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

The total expense of vested claims from this employee stock ownership plan carried in the balance sheet as cash-settled share-based remuneration is expected to be € 2,846k (prior year: € 0k) The cumulative expense as of December 31, 2021 totaled € 669k (prior year: € 0k). The personnel expense recognized in the reporting period in connection with issued stock options amounted to € 669k (prior year: € 0k).

36.3 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.

Within the LTIP plan, qualifying employees in the Business Access segment are allocated value growth shares. The grant is generally made over a period of six years (beginning with the date of issue) and provided that the respective employee has not terminated his contract at the end of each year and no event occurs as defined by the LTIP plan conditions.

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 LTIP entitlement results from the difference between the terminal value and an initial value, which is multiplied by the respective value growth share and dilution factor.

Expense per participant is recognized on a straight-line basis over the period until the expiry of the respective LTIP contract, unless an event specified in the LTIP plan occurs. This assessment is reviewed on each reporting date. Based on current estimates, a total period of 6 years is used.

The total expense from the employee stock ownership plan amounts to € 7,872k (prior year: € 6,922k). The cumulative expense as of December 31, 2021 totaled € 2,210k (prior year: € 1,008k) and the personnel expense from issued stock options amounted to € 1,202k in the reporting period (prior year: € 742k income). Expenses for future years therefore account for € 5,662k (prior year: € 5,914k).

		Average strike price (€)
Allocation	1.3% value growth share	4,003
Outstanding as of December 31, 2020	**2.3% value growth**	**3,009**
Allocation	0.38% value growth	1,404
Outstanding as of December 31, 2021	**2.7% value growth**	**2,937**
Exercisable as of December 31, 2021	0	0
Exercisable as of December 31, 2020	0	0

36.4 Stock Appreciation Rights Drillisch (SAR Drillisch)

The Stock Appreciation Rights Drillisch (SAR) plan introduced in the first half of 2018 existed until April 17, 2020. It was aimed at 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 cancelation, 77,400 stock options were outstanding and replaced by new equity instruments.

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.

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 share price, which 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 limited to 100% of the calculated share price (strike price).

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.

The volatility used to determine fair value was calculated on the basis of historical volatility for the last 6 and 12 months 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.

1&1 AG reserves the right to fulfill its commitment from the SAR plan (or the commitment of a subsidiary) to transfer shares of 1&1 AG from its stock of treasury shares by also paying the beneficiary in cash, at its own discretion. As there is currently no obligation to settle in cash, these commitments are accounted for as equity-settled transactions.

Using an option pricing model (Black-Scholes model) in accordance with IFRS 2, the fair value of the options issued was calculated as follows:

Issue date	Jun. 1, 2021		Nov. 1, 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	Jahre	5	Jahre
risk-free interest rate	0	%	0	%

Issue date	Apr. 17, 2020		Jun. 1, 2020		Oct. 1, 2020	
Number of SARs	1,904,600		270,000		314,000	
Starting price	19.84	€	22.95	€	18.95	€
Strike price	19.07	€	23.20	€	19.80	€
Average market value per option	3.64	€	4.12	€	3.32	€
Dividend yield	0.25	%	0.22	%	0.26	%
Volatility of the share	55	%	54	%	58	%
Expected term (years)	5	Jahre	5	Jahre	5	Jahre
risk-free interest rate	0	%	0	%	0	%

The total expense from the new employee stock ownership plan amounts to € 10,306k (prior year: € 9,083k). The expense for the reporting period was € 3,164k (prior year: € 1,879k). The cumulative expense as of December 31, 2021 amounts to € 5,043k (prior year: € 1,879k). Expenses for future years account for € 5,263k (prior year: € 7,204k).

The changes in the virtual stock options granted and outstanding under the SAR Drillisch plan (including replaced SARs) are shown in the following table:

	Number	Average strike price (€)
Outstanding as of December 31, 2019	**77,400**	**0**
expired / forfeited	-77,400	0
Expenses - Replacement	534,800	19.07
Expenses - Reallocation	1,369,800	19.07
issued	270,000	23.2
issued	314,000	19.8
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**

36.5 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 executives as well as to align the long-term interests of management board members 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 value growth shares. The grant is made over a period of six years (beginning with the date of issue) and provided that the respective employee has not terminated his contract at the end of each year and no event as defined by the LTIP plan conditions has occurred. The LTIP entitlement arises as soon as the full term of the LTIP contract ends or an event as defined by the LTIP plan conditions (e.g., the sale of shares held by United Internet AG in 1&1 Mail & Media Applications SE or similar) occurs.

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.

As of the grant date in 2021, the fair value of commitments classified as equity instruments amounted to € 2,470k (prior year: € 3,529k).

The total expense from the employee stock ownership plan amounts to € 9,407k (prior year: € 7,544k). The cumulative expense as of December 31, 2021 totaled € 3,235k (prior year: € 1,758k). Expenses for future years therefore account for € 6,172k (prior year: € 5,786k). The personnel expense from issued stock options amounted to € 1,477k in the reporting period (prior year: € 1,089k).

	Value growth shares	Average strike price (€)
Outstanding as of December 31, 2019	**2.7% value growth**	**1,487**
Allocation	1.55% value growth share	2,626
Outstanding as of December 31, 2020	**4.25% value gowth share**	**1,775**
Zuteilung	1.05% value growth	2,353
expired	0.3% value growth	-607
Outstanding as of December 31, 2021	**5.0% value growth**	**1,881**
Exercisable as of December 31, 2021	0	0
Exercisable as of December 31, 2020	0	0

37. Capital stock

The fully paid-in capital stock as of December 31, 2021 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 2015
The Annual Shareholders' Meeting of May 20, 2020 resolved to cancel Authorized Capital 2015 and to create new Authorized Capital 2020 with the option to exclude subscription rights and to amend the Articles of Association accordingly.

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 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 2015

The Annual Shareholders' Meeting of May 20, 2020 also resolved to cancel the existing authorization to issue warrants and convertible bonds and the associated Conditional Capital 2015, and to grant a new authorization to issue warrants and convertible bonds, and to exclude subscription rights for these warrants and convertible bonds, as well as to create conditional capital (Conditional Capital 2020), and to make the corresponding amendments to the by-laws.

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, 2021, capital reserves amounted to € 1,955 million (prior year: € 2,323 million). The decline is due to transactions with equity providers. See Note 4 for further details.

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	Dec. 31, 2021	Dec. 31, 2020
Financial assets at fair value through other comprehensive income		
Other shares	0	-2,235
Share in other comprehensive income of associated companies:	**601**	**-2,137**
Total	**601**	**-4,372**

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 2021 and 2020 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.

Based on the authorization granted by the Annual Shareholders' Meeting on May 18, 2017 regarding the acquisition and use of treasury shares, and with the approval of the Supervisory Board, the Management Board of United Internet AG resolved on March 12, 2020 to cancel 11,000,000 treasury shares and to reduce the capital stock of United Internet AG by € 11,000,000, from € 205,000,000 to € 194,000,000. The number of shares issued decreased correspondingly by 11,000,000, from 205,000,000 to 194,000,000 shares. Issued shares continue to represent a notional share of capital stock of € 1 each. The cancelation of treasury shares is aimed at raising the percentage stake of United Internet shareholders. On completion of the capital reduction, the Company's capital stock returned to the level prior to the capital increase for the Versatel acquisition in 2014.

In the reporting period, the Group purchased a total of 514,972 treasury shares (prior year: 430,624) for an amount of € 18,721k (prior year: € 12,235k).

As of the balance sheet date, a total of 7,284,109 treasury shares were held (prior year: 6,769,137).

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 TopCo SE/Business Applications (24.90%)	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
Pro-rated changes	-72,223	22,843	-49,380
Other changes in equity	1,282	5,601	6,883
Dividend	-2,080	-962	-3,043
Dec. 31, 2021	**513,911**	**-58,165**	**455,747**

Pro-rated changes in the reporting period relate to increased stakes in 1&1 AG and IONOS TopCo SE. Please refer to Note 4.

€k	1&1 AG / Consumer Access (24.69%)	IONOS TopCo SE/Business Applications (33.33%)	Total
Jan. 1, 2020	**447,915**	**-143,163**	**304,753**
Pro-rated result	54,217	23,995	78,212
Pro-rated other comprehensive income	-11	5,894	5,883
Other changes in equity	538	5,341	5,879
Dividend	-2,176	-401	-2,577
Dec. 31, 2020	**500,483**	**-108,333**	**392,150**

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	2021	2020
Current assets	1,899	1,553
Non-current assets	5,165	5,137
Current liabilities	656	575
Non-current liabilities	1,189	1,262
Shareholders' equity	**5,219**	**4,854**
Sales revenue	3,910	3,787
Pre-tax result	**535**	**313**
Income taxes	-165	-93
Net income	**370**	**220**
Cash flow from operating activities	432	451
Cash flow from investment activities	-351	-397
Cash flow from financing activities	-81	-81

IONOS TopCo SE (Business Applications)

in € million	2021	2020
Current assets	166	232
Non-current assets	1,311	1,257
Current liabilities	283	233
Non-current liabilities	1,427	1,583
Shareholders' equity	**-233**	**-327**
Sales revenue	1,103	988
Pre-tax result	**98**	**117**
Income taxes	-36	-42
Net income	**62**	**75**
Cash flow from operating activities	201	166
Cash flow from investment activities	-89	37
Cash flow from financing activities	-170	-136

41. Additional details on financial instruments

The following table shows the carrying amounts for each category of financial assets and liabilities for fiscal year 2021:

€k	Measurement category acc. to IFRS 9	Carrying amount on Dec. 31, 2021	Amortized cost	Fair value through profit or loss	Measurement acc. to IFRS 16	Fair value as of Dec. 31, 2021
Financial assets						
Cash and cash equivalents	ac	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 profit or loss	fvtpl	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	-515,220			-515,220	-
- Fair value through profit or loss	fvtpl	-51,980		-51,980		-51,980
- Others	flac	-1,013,163	-1,013,163			-1,013,163
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 profit or loss	fvtpl	70,394		70,394		70,394
Financial liabilities at amortized cost	flac	-3,421,754	-3,421,754			-3,427,064
Financial liabilities measured at fair value through profit or loss	fvtpl	-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			
€k	Measurement category IFRS 9	From interest and dividends	At fair value	Currency translation	Allowance	Net result
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**

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 2020:

€k	Measurement category acc. to IFRS 9	Carrying amount on Dec. 31, 2020	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, 2020
Financial assets							
Cash and cash equivalents	ac	131,270	131,270				131,270
Trade accounts receivable							
- Receivables from finance leases	n/a	60,165				60,165	62,814
- Others	ac	338,631	338,631				338,631
Other current financial assets							
- At amortized cost	ac	47,684	47,684				47,684
- Fair value through other comprehensive income	fvoci	3,746		3,746			3,823
- Fair value through profit or loss	fvtpl	30,832			30,832		30,832
Other non-current financial assets							
- At amortized cost	ac	9,901	9,901				9,901
Financial liabilities							
Trade accounts payable	flac	-538,793	-538,793				-538,793
Liabilities due to banks	flac	-1,466,089	-1,466,089				-1,472,006
Other financial liabilities							
- Leasing liability	n/a	-473,828				-473,828	-
- Fair value through profit or loss	fvtpl	-32,735			-32,735		-32,735
- Others	flac	-1,050,817	-1,050,817				-1,050,817
Of which aggregated acc. to measurement categories:							
Financial assets at amortized cost	ac	527,487	527,487				527,487
Financial assets at fair value through other comprehensive income without recycling to profit or loss	fvoci	3,746		3,746			3,823
Financial assets at fair value through profit or loss	fvtpl	30,832			30,832		30,832
Financial liabilities at amortized cost	flac	-3,055,699	-3,055,699				-3,061,615
Finanzielle Verbindlichkeiten zum Fair Value erfolgswirksam (At Fair Value through Profit or Loss)	fvtpl	-32,735			-32,735		-32,735

The following net results were stated for the individual categories of financial instruments acc. to IFRS 9 in fiscal year 2020:

Net result acc. to measurement categories 2020 (in €k)				Net profits and losses from subsequent measurement			
€k	Measurement category IFRS 9	From interest and dividends	At fair value	Currency translation	Allowance	Net result
Financial assets at amortized cost	ac	294	--	2,412	-59,817	-57,111
Financial assets at fair value						
- through other comprehensive income	fvoci	842	32,215	--	--	33,057
- through profit or loss	fvtpl		-618	--	--	-618
Financial liabilities at amortized cost	flac	-17,455	--	1,034	--	-16,421
Financial liabilities measured at fair value						
- through profit or loss	fvtpl		-7,866			-7,866
Total		**-16,319**	**23,731**	**3,446**	**-59,817**	**-48,959**

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, 2021, 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, 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

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

€k	as of Dec. 31, 2020	Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income without recycling to profit or loss	3,746	3,746		
Listed shares	3,746	3,746		
Financial assets at fair value through profit or loss	30,832			30,832
Derivatives	30,832			30,832
Financial liabilities measured at fair value through profit or loss	-32,735			-32,735
Purchase price liabilities	-32,735			-32,735

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, 2021:

31.12.2021	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	6.0%	+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	36.58%	+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	36.58%	+1%	-1%
				-0.2 Mio. €	+0.2 Mio. €
Conditional purchase price liability	Modified mulitiple	EBITDA growth*	23%	n/a	n/a

* The value is not subject to any significant estimation assumptions.

31.12.2020	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 as of Dec. 31, 2020	0.75 year	0.5 year	-0.5 year
				+1.6 Mio. €	-2.7 Mio. €
		Volatility	8.7%	+1%	-1%
				+0.7 Mio. €	-0.7 Mio. €
Earnings-based derivatives	Black-Scholes model	Exit date of Warburg Pincus from Business Application segment as of Dec. 31, 2020	0.75 year	0.5 year	-0.5 year
				-2.5 Mio. €	+5.9 Mio. €
		Volatility	43.8%	+1%	-1%
				-0.2 Mio. €	+0.2 Mio. €
Conditional purchase price liability	Black-Scholes model	Exit date of Warburg Pincus from Business Application segment as of Dec. 31, 2020	0.75 year	0.5 year	-0.5 year
				-2.0 Mio. €	+4.9 Mio. €
		Volatility	43.8%	+1%	-1%
				-0.2 Mio. €	+0.2 Mio. €
Conditional purchase price liability	Modified mulitiple	EBITDA growth	4%	+1%	-1%
				+ 0.1 Mio. €	-0.1 Mio. €

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	Non-listed share	Derivatives	Conditional purchase price obligation
As of January 1, 2020	**44,622**	**31,450**	**-25,604**
Revaluation recognized in other comprehensive income	32,855	0	0
Revaluation recognized in profit or loss	0	-618	-7,131
Derecognition	-77,477	-	
As of December 31, 2020	**0**	**30,832**	**-32,735**
Revaluation recognized in profit or loss	0	24,001	-19,536
Additions		16,867	
Derecognition		-1,306	291
As of December 31, 2021	**0**	**70,394**	**-51,980**

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.

Mr. Michael Scheeren retired from the Supervisory Board on expiry of the balance sheet meeting on March 24, 2021. The Chairman of the Supervisory Board, Mr. Kurt Dobitsch, retired from the Supervisory Board with effect from the end of the Annual Shareholders' Meeting on May 27, 2021. At the same Annual Shareholders' Meeting, Mr. Stefan Rasch and Prof. Dr. Andreas Söffing were elected to the Supervisory Board. At its meeting on May 27, 2021, the Supervisory Board elected Mr. Philipp von Bismarck as Chairman of the Supervisory Board and Dr. Manuel Cubero as Deputy Chairman of the Supervisory Board.

In fiscal year 2021, the members of the Supervisory Board also held seats on supervisory boards or similar committees of the following companies:

Phillip von Bismarck

- No other offices

Kurt Dobitsch

- IONOS Holding SE (formerly: 1&1 IONOS Holding SE), Montabaur
- 1&1 Mail & Media Applications SE, Montabaur (chair)
- 1&1 AG (formerly: 1&1 Drillisch AG), Maintal (chair)
- Nemetschek SE, Munich (chair)

- Graphisoft S.E., Budapest / Hungary (until May 31, 2021)
- Vectorworks Inc., Columbia / USA (until May 31, 2021)
- Bechtle AG, Gaildorf
- Singhammer IT Consulting AG, Munich

Michael Scheeren

- IONOS Holding SE (formerly: 1&1 IONOS Holding SE), Montabaur (until February 23, 2021)
- 1&1 Telecommunication SE, Montabaur (chair, until February 23, 2021)
- 1&1 Mail & Media Applications SE, Montabaur (until February 23, 2021)
- 1&1 AG (formerly 1&1 Drillisch AG), Maintal (chair, until February 23, 2021)
- Tele Columbus AG, Berlin (until December 31, 2021)

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 March 2022)

Prof. Dr. Andreas Söffing

- Deutsche Oppenheim Family Office AG, Cologne (deputy chair of the advisory committee)
- Institut der Steuerberater Hessen e. V., Frankfurt (chair of the scientific committee)
- Nemetschek Innovationsstiftung, Munich (chair of the management board)
- Nemetschek Familienstiftung, Munich
- Capella GmbH, Hamburg

Dr. Claudia Borgas-Herold

- 1&1 AG, (formerly: 1&1 Drillisch AG), Maintal
- 1&1 Telecommunication SE, Montabaur (until September 10, 2021)
- Tele Columbus AG, Berlin (since May 28, 2021)

Stefan Rasch

- Tele Columbus AG, Berlin (until May 28, 2021)

The current remuneration system for Supervisory Board members was last amended by the Annual Shareholders' Meeting of May 20, 2020 and supplemented by the Annual Shareholders' Meeting of May 27, 2021 by 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 € 20,000.00. The chair receives € 30,000.00, the deputy chair receives € 22,500.00.

For serving on the Supervisory Board's Audit and Risk Committee, the Chairman of the Audit and Risk Committee receives an additional € 20,000.00 per year, and each other member of the Audit and Risk Committee receives an additional € 15,000.00 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.

In addition, the Chairman of the Audit and Risk Committee receives further remuneration of up to € 15,000.00 per fiscal year, which may be used for the engagement of auditors and/or tax advisors whose support the Chairman requires to perform his duties as Chairman of the Audit and Risk Committee, provided that such support cannot be provided primarily by using the resources and advisory services already available to the Company.

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 receives an attendance fee of € 1,000 for each time they attend a Supervisory Board meeting held in person. If the Supervisory Board meeting 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 receive no attendance fee if the meeting lasted no more than one hour; half the attendance fee if the meeting lasted more than one hour but no more than two hours; and the full attendance fee if the meeting lasted two hours or more. Members who do not personally attend meetings of the Supervisory Board 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 (€k):

2021	United Internet AG			Subsidiaries of United Internet AG						Total
€k	Fixed	Attendance fee	Total	Fixed	Attendance fee	Total	Fixed	Attendance fee	Other*	Total
Kurt Dobitsch	13	1	14	105	15	120	118	16	26	160
Philipp von Bismarck	35	6	41	0	0	0	35	6	8	49
Prof. Dr. Yasmin Mei-Yee 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**	**72**	**513**

* Reimbursement of value added tax

2020	United Internet AG			Subsidiaries of United Internet AG						Total
€k	Fixed	Attendance fee	Total	Fixed	Attendance fee	Total	Fixed	Attendance fee		Total
Kurt Dobitsch	30	4	34	112	16	128	142	20		162
Kai-Uwe Ricke	8	1	9	84	11	95	92	12		104
Philipp von Bismarck	10	2	12	0	0	0	10	2		12
Prof. Dr. Yasmin Mei-Yee Weiß	10	2	12	0	0	0	10	2		12
Dr. Claudia Borgas-Herold	13	3	16	65	8	73	78	11		89
Dr. Manuel Cubero del Castillo-Olivares	13	3	16	0	0	0	13	3		16
Michael Scheeren	17	3	20	120	16	136	137	19		156
	101	**18**	**119**	**381**	**51**	**432**	**482**	**69**		**551**

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 2017. 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:

2021	Fixed	Variable	Fringe benefits	Total fixed, variable and fringe benefits	Market value of share-based payments granted in 2021 *
Ralph Dommermuth	0	0	0	0	-
Martin Mildner	650	361	44	1,055	-
	650	**361**	**44**	**1,055**	**-**

2020 T€	Fixed	Variable	Fringe benefits	Total fixed, variable and fringe benefits	Market value of share-based payments granted in 2020 *
Ralph Dommermuth	0	0	0	0	-
Martin Mildner	163	88	2	253	7,891
Frank Krause	270	105	8	383	-
	433	**193**	**10**	**636**	**7,891**

* Share-based payments (so-called Stock Appreciation Rights) are compensation components with a long-term incentive and paid out over a total period of 6 years

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 € 1,055k (prior year: € 8,527k). The corresponding remuneration as defined by IAS 24 (including the current expense from share-based remuneration) amounted to € 3,691k (prior year: € 8,527k). 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.

Reference is also made to the disclosures in the Remuneration Report.

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	1. Januar 2021			31. Dezember 2021		
Management Board	**Direct**	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**
Ralph Dommermuth	0	82,000,000	82,000,000	0	97,200,000	97,200,000
Martin Mildner	2	---	2	2	---	2
	2	**82,000,000**	**82,000,002**	**2**	**97,200,000**	**97,200,002**
Supervisory Board	**Direkt**	**Indirekt**	**Gesamt**	**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 2021 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 end of 2021 and June 2028. The resulting rent expenses are customary and amounted to € 13,206k in fiscal year 2021 (prior year: € 10,216k).

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	125,112	4,881	-12,090	117,903

The following table presents lease liabilities in connection with related parties.

	Opening balance	**Addition of fiscal year**	**Redemption/Interest**	**Carrying amount**
Lease liabilities	126,529	4,881	-10,956	120,454

At the end of the reporting period, there were two loan agreements with associated companies totaling € 7,183k (prior year: € 6,099k).

The loans have terms of one and up to eight years. The tranches each have fixed interest rates of 2.5% p.a. to 3.0% p.a..

The following table presents the outstanding balances and total transactions volumes with associated companies in the respective fiscal year:

	Purchases/services from related parties		Sales/services to related parties		Liabilities due to related parties		Receivables from related parties	
€k	2021	2020	2021	2020	2021	2020	2021	2020
	26,303	27,070	2,176	3,919	228	432	298	7,070

	Financial income		Financial expenses	
€k	2021	2020	2021	2020
	104	200	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 € 110.1 million (prior year: € 131.2 million) as well as free credit lines of € 835 million (prior year: € 375 million) 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, 2021 and 2020:

€k	**Carrying amount on** 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**
Lease liabilities	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**

Payments from other financial liabilities mainly comprise payment obligations in connection with the 5G spectrum auction of € 61.3 million (prior year: € 61.3 million), as well as expected payments from derivatives of € 52.0 million (prior year: € 32.7 million) in fiscal year 2022. Payments to the German government do not follow a linear pattern. Cash outflows of € 61.3 million (prior year: € 61.3 million) are expected each year in the fiscal years 2022 to 2026 and of € 128 million (prior year: € 128 million) each year in the fiscal years 2027 to 2031.

€k	**Buchwert zum** Dec. 31, 2020	2021	2022	2023	2024	> 2024	Total
Liabilities due to banks	1,466,089	376,518	207,509	157,028	182,097	583,371	1,506,524
Trade accounts payable	538,793	533,255	0	0	119	7,009	540,383
Other financial liabilities	1,091,076	188,492	72,507	61,441	61,442	707,406	1,091,288
	3,095,958	**1,098,265**	**280,016**	**218,469**	**243,658**	**1,297,786**	**3,138,195**
Lease liabilities	473,828	96,332	74,519	67,076	50,650	232,550	521,127
	3,569,786	**1,194,597**	**354,535**	**285,545**	**294,308**	**1,530,336**	**3,659,322**

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 € 250 million (prior year: € 550 million) 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 € 250 million (prior year: € 750 million).

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.

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, 2021 and December 31, 2020, 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 € 333 million 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, 2021, 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	2021	2020
Depreciation of right-of-use assets		
- Land and buildings	42,720	41,109
- Operational and office equipment	2,055	3,080
- Network infrastructure	56,300	57,600
- Licenses	1,591	1,326
Total depreciation of right-of-use assets	**102,666**	**103,115**
Interest expense from lease liabilities	**8,473**	**7,866**
Expense for short-term leases	**997**	**405**
Expense for low-value leases	**3,136**	**1,273**

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

€k	Carrying amount on Dec. 31, 2021	Carrying amount on Dec. 31, 2020
Land and buildings	298,655	268,056
Operating and office equipment	2,836	3,361
Network infrastructure	199,118	190,295
Licenses	6,364	7,956

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

€k	Dec. 31, 2021	Dec. 31, 2020
up to 1 year	102,172	97,761
1 to 5 years	223,354	208,790
Over 5 years	189,694	167,277
Total	**515,220**	**473,828**

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

€k	Dec. 31, 2021	Dec. 31, 2020
As of January 1	473,828	393,040
Additions	147,806	191,809
Interest effect	8,473	7,866
Payments	-105,630	-107,168
Disposals	-9,258	-11,719
As of December 31	515,220	473,828
thereof current	102,172	97,761
thereof non-current	413,048	376,067

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, 2021	Dec. 31, 2020
Gross investment		
(thereof unguaranteed residual values)		
thereof due within 1 year	6,805	6,944
thereof due in 1-5 years	25,341	26,427
thereof due after more than 5 years	23,943	29,598
Unearned finance income	-5,049	-6,265
Net investment	**51,040**	**56,704**
Accumulated impairment	0	0
Receivables from sales taxes and other	2,972	3,461
Carrying amount of finance lease receivables	**54,012**	**60,165**
thereof present value of unguaranteed residual values	0	0
Present value of outstanding minimum lease payments	**51,040**	**56,704**
thereof due within 1 year	6,697	6,832
thereof due in 1-5 years	23,441	24,320
thereof due after more than 5 years	20,902	25,551

Finance lease receivables relate solely to leases for the provision and use of dark fiber lines.

In fiscal year 2021, several new finance lease agreements were concluded regarding the provision of fiber pairs. An amount of € 3.0 million (prior year: € 3.5 million) is recognized in gross investment less unrealized financial income for these leases. The maturities range from 15 to 29 years.

Other financial commitments

As of December 31, 2021, there were the following other financial commitments which do not represent leases:

€k	2021	2020
up to 1 year	29,342	27,638
1 to 5 years	86,701	81,489
Over 5 years	15,511	10,442
Total*	131,554	119,569

* Figures are based on minimum contractual terms.

The main other financial commitments are described below:

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 € 3,198k as of December 31, 2021 (prior year: € 2,993k).

In addition to the commitments presented in the table above, a purchase agreement results in purchase obligations until December 31, 2022 in an expected range of € 84 million to € 86.3 million (prior year: € 337.9 million to € 349.4 million).

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.

In the fiscal year 2021, there were additional other financial commitments from supply and service relationships amounting to approximately € 130.5 million (prior year: € 82.7 million). Of this amount, approx. € 88.8 million (prior year: € 79.7 million) relates to obligations arising from advertising agreements, which are expected to fall due in constant amounts up to 2026.

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 € 50 million. 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 2021, cash flow from operating activities includes interest paid of € 19,168k (prior year: € 20,255k) and interest received of € 2,071k (prior year: € 6,609k). Income tax payments in fiscal year 2021 amounted to € 377,127k (prior year: € 267,973k) while income tax proceeds totaled € 56,910k (prior year: € 40,945k).

Cash and cash equivalents include bank balances of € 2,764k (prior year: € 2,764k) which are only usable under certain conditions.

Reconciliation of balance sheet changes in liabilities from financial activities:

	Jan. 1, 2021	cash transactions	non-cash transactions		Dec. 31, 2021
			Acquisitions	Reclassifications	
Non-current loan liabilities	1,095.6	727.0		-325.4	1,497.2
Short-term loan liabilities	370.4	-370.4		325.4	325.4
Lease liabilities	473.8	-105.6	147.0		515.2
Spectrum liabilities	947.6	-61.3			886.3
Total liabilities from financing activities	2,887.5	189.6	147.0	0.0	3,224.1

	Jan. 1, 2020	cash transactions	non-cash transactions		Dec. 31, 2020
			Acquisitions	Reclassifications	
Non-current loan liabilities	1,494.6	-28.6		-370.4	1,095.6
Short-term loan liabilities	243.7	-243.7		370.4	370.4
Lease liabilities	350.6	-107.2	230.4		473.8
Spectrum liabilities	1,008.9	-61.3			947.6
Total liabilities from financing activities	3,097.9	-440.8	230.4	0.0	2,887.5

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.

In the previous year, cash inflows in connection with dividends received of € 842k mainly comprised dividends from afilias Ltd.

The shares in MIP Multimedia Internet Park GmbH, Zweibrücken, were sold in the reporting period. As the corresponding leases have several renewal options, the building will remain in the Group economically and will not be recognized as a sale-and-lease-back transaction. The transaction resulted in a cash inflow of € 8,789k.

Cash flows in connection with the change in other financial liabilities of € 123.5 million 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 Mail & Media 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 Deutschland GmbH, Düsseldorf
- 1&1 Versatel GmbH, Düsseldorf
- A 1 Marketing, Kommunikation und neue Medien GmbH, Montabaur
- Cronon GmbH, Berlin
- IONOS SE, Montabaur
- IONOS Holding SE, Montabaur
- IONOS TopCo SE, Montabaur
- IONOS Service GmbH, Montabaur
- STRATO Customer Service GmbH, Berlin
- STRATO AG, Berlin
- 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
- we22 Aktiengesellschaft, Cologne
- we22 Solutions GmbH, Berlin
- CM4all GmbH, Cologne

48. Subsequent events

There were no significant events subsequent to the end of the reporting period on December 31, 2021 which had a material effect on the financial position and performance or the accounting and reporting of the Group.

With the invasion of Ukrainian territories by the Russian army, war has broken out in Ukraine and represents a turning point for the whole of Europe. The EU, the USA, the UK and other countries reacted 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, United Internet does not currently expect any significant impact on the business performance and position of the Company or the Group.

Nevertheless, the economic consequences of the war and the sanctions imposed (humanitarian crises, influx of refugees, shortages/price rises of oil, gas, and raw materials) for the target countries of United Internet companies and for United Internet itself cannot be accurately estimated as yet. The same applies to the potential danger of war spreading to other countries.

49. Auditing fees

In fiscal year 2021, auditing fees totaling € 4,655k were expensed in the Consolidated Financial Statements. These include auditing fees of € 3,589k, other assurance services of € 78k, tax consultancy services of € 369k, and other services of € 619k. Auditing fees comprise both statutory audits, as well as voluntary audits. Other services are mainly in connection with due diligence.

50. List of shareholdings of the United Internet AG Group acc. to section 313 (2) HGB

As of December 31, 2021, 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., Chesterbrook / 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 (formerly 1&1 Drillisch Aktiengesellschaft), Maintal (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 TopCo SE (formerly 1&1 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.), Chesterbrook / USA (100.0%)
        - A1 Media USA LLC, Chesterbrook / USA (100.0%)
        - 1&1 Cardgate LLC, Chesterbrook / 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%)
      - 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 (95.56%)
        - 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 Aktiengesellschaft, Cologne (100.0%)
        - we22 Solutions GmbH, 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 (94.80%)
- 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%)
- POSpulse GmbH, Berlin (1.49%)
- High-Tech Gründerfonds III GmbH & Co. KG, Bonn (0.95%)

Changes in the reporting unit

The following companies were acquired in the fiscal year 2021:
- we22 Aktiengesellschaft, Cologne (100.0%)
- we22 Solutions GmbH, Berlin (100.0%)
- CM4all GmbH, Cologne (100.0%)
- Content Management Support GmbH, Cologne (100.0%)
- Content Management Inc., USA (100.0%)
- Kublai GmbH, Frankfurt am Main (40.0%)
- Stackable GmbH, Pinneberg (25.10%)
- Worcester Six Management Company Ltd., Birmingham / UK (5.23%)

The following companies were founded in the fiscal year 2021:
- No events

The legal status of the following companies was changed in the fiscal year 2021:
- 1&1 Mobilfunk GmbH (formerly Drillisch Netz AG), Düsseldorf (100.0%)

The following companies were renamed in the fiscal year 2021:
- 1&1 AG, (formerly 1&1 Drillisch Aktiengesellschaft), Maintal (78.32%)
- IONOS TopCo SE (formerly 1&1 IONOS TopCo SE), Montabaur (75.10%)
- IONOS Holding SE (formerly 1&1 IONOS Holding SE), Montabaur (100.0%)
- IONOS Inc. (formerly 1&1 IONOS Inc.), Chesterbrook / USA (100.0%)
- IONOS Cloud Inc. (formerly 1&1 IONOS Cloud Inc.), Newark / USA (100.0%)
- IONOS Cloud Ltd. (formerly 1&1 IONOS Ltd.), Gloucester / UK (100.0%)
- IONOS Cloud Holdings Ltd. (formerly 1&1 IONOS UK Holdings Ltd.), Gloucester / UK (100.00%)
- IONOS SE (formerly: 1&1 IONOS SE), Montabaur (100.0%)
- IONOS Service GmbH (formerly 1&1 IONOS Service GmbH), Montabaur (100.0%)
- IONOS Datacenter SAS (formerly 1&1 IONOS Datacenter SAS), Niederlauterbach / France (100.0%)
- IONOS SARL (formerly 1&1 IONOS SARL), Saargemünd / France (100.0%)
- IONOS Cloud, S.L.U. (formerly 1&1 IONOS España, S.L.U.), Madrid / Spain (100.0%)
- 1&1 Mobilfunk GmbH (formerly Drillisch Netz AG), Düsseldorf (100.0%)

The following companies were merged with an existing Group company in the fiscal year 2021:
- No events

The following companies were sold in the fiscal year 2021:
- MIP Multimedia Internet Park GmbH, Zweibrücken (100.0%)

The following companies were liquidated in the fiscal year 2021:
- Nicline Internet S.L., Logroño / Spain (100.0%)

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 11, 2022

The Management Board

Ralph Dommermuth | Martin Mildner

DELOPMENT OF FIXED ASSETS

for the fiscal year 2021 and 2020 in €k

2021	Acquisition and production costs						
	Jan. 1, 2021	Additions from initial consolidation	Additions	Disposals	Reclassifi cations	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**

	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**

2020	Acquisition and production costs						
	Jan. 1, 2020	Additions from initial consolidation	Additions	Disposals	Reclassific ations	Exchange rate differences	Dec. 31, 2020
Intangible assets							
Software / licenses	276,740	-10	16,014	43,165	4,065	-731	252,914
Spectrum licenses	1,070,187						1,070,187
Trademarks	213,497					-3,041	210,456
Customer base	1,238,652		60			-3,105	1,235,607
Goodwill	3,660,225		253			-7,980	3,652,498
Rights similar to concessions	0		165,000				165,000
Internally generated intangible assets	23,936		18,433	113		-248	42,008
Other intangible assets	73,205		1,243	670			73,779
Rights of use from leases	0		9,282				9,282
Payments on account	7,046		14,505		-4,113		17,438
Total (I)	**6,563,488**	**-10**	**224,790**	**43,948**	**-48**	**-15,105**	**6,729,169**
Property, plant and equipment							
Land and buildings	19,289		887				20,176
Telecommunication equipment	782,963		86,988	7,148	23,197		886,000
Network infrastructure	212,541		13,136	919	3,497		228,255
Operating and office equipment	505,528	-112	89,102	36,765	2,508	-9,120	551,141
Payments on account	50,282		41,664	-467	-29,154	-9	63,250
Leasing*	552,354		183,177	16,301		-636	718,594
Total (II)	**2,122,957**	**-112**	**414,954**	**60,666**	**48**	**-9,765**	**2,467,416**
Total	**8,686,444**	**-122**	**639,744**	**104,614**	**0**	**-24,870**	**9,196,584**

*Due to the extensions of the terms of the leases, the carrying amounts of the rights of use from leases were retroactively increased byk 40,986 as at 1 January 2019. Additions to fixed assets for the financial year were retrospectively increased byk 1,426. See note 45.

Accumulated depreciation							NET BOOK VALUE	
Jan. 1, 2020	Additions	Disposals	Reclassifications	Exchange rate differences	Additions from initial consolidation	Dec. 31, 2020	Jan. 1, 2020	Dec. 31, 2020
222,718	26,332	42,998		-552	-10	205,490	54,022	47,424
						0	1,070,187	1,070,187
2,469						2,469	211,028	207,988
445,493	127,670			-1,988		571,175	793,159	664,432
43,710				-650		43,060	3,616,515	3,609,438
0	16,500					16,500	0	148,500
4,651	4,411	92		-50		8,920	19,285	33,088
60,540	13,102	670				72,972	12,665	807
0	1,326					1,326	0	7,956
						0	7,046	17,438
779,580	**189,341**	**43,760**	**0**	**-3,240**	**-10**	**921,911**	**5,783,907**	**5,807,258**
11,583	1,641					13,224	7,706	6,952
336,488	89,869	5,017	22			421,362	446,476	464,638
138,451	18,922	466	-22			156,885	74,090	71,370
310,996	71,776	33,983		-6,959	46	341,876	194,532	209,265
4,889	729					5,618	45,393	57,632
159,943	101,790	4,583		-267		256,883	392,411	461,711
962,350	**284,727**	**44,049**	**0**	**-7,226**	**46**	**1,195,847**	**1,160,608**	**1,271,569**
1,741,930	**474,068**	**87,809**	**0**	**-10,466**	**36**	**2,117,758**	**6,944,516**	**7,078,827**

AUDITOR'S REPORT

To United Internet AG

Report on the audit of the consolidated financial statements and of the management report of the Company and the Group

Opinions

We have audited the consolidated financial statements of United Internet AG, Montabaur, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of the Company and the Group of United Internet AG, for the fiscal year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance contained in section 7 of the management report of the Company and the Group that is a part of the management report of the Company and the Group. Furthermore, we have not audited the following disclosures extraneous to management reports:

- All information and comments relating to the "Main focus areas for products and innovation" contained in section 1.4 of the management report of the Company and the Group

- The quarterly figures at group and segment level as at 31 March, 30 June and 30 September in the reporting period and the prior year contained in sections 2.2 and 2.3 of the management report of the Company and the Group

- The corporate governance report pursuant to No. 22 of the German Corporate Governance Code contained in section 7 of the management report of the Company and the Group

Disclosures extraneous to management reports are such disclosures that are not required pursuant to Secs. 315, 315a or Secs. 315b to 315d HGB ["Handelsgesetzbuch": German Commercial Code].

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021 and of its financial performance for the fiscal year from 1 January to 31 December 2021, and

- the accompanying management report of the Company and the Group as a whole provides an appropriate view of the Group's position. In all material respects, this management report of the Company and the Group is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report of the Company and the Group does not cover the content of the aforementioned statement on corporate governance or the aforementioned extraneous information in sections 1.4, 2.2, 2.3 and 7 of the management report of the Company and the Group.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the management report of the Company and the Group.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the management report of the Company and the Group in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the management report of the Company and the Group" 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 Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 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 opinions on the consolidated financial statements and on the management report of the Company and the Group.

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 fiscal year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Impairment of goodwill and intangible assets which are not yet usable (frequency licenses)

Reasons why the matter was determined to be a key audit matter

The goodwill and intangible assets not yet usable presented in the consolidated financial statements of United Internet AG comprises 48.6% of total assets. Goodwill is tested for impairment at least once every fiscal year. The radio spectrum band acquired in fiscal year 2019 in the form of 5G frequency licenses will not be usable until the actual start of network operation. Up to this point, the frequency licenses have to be classified as intangible assets not yet usable and therefore also have to be tested for impairment once a year.

The impairment tests comprise valuations of the cash-generating units to which the goodwill or the frequency licenses are allocated and are regularly based on the present value of the future cash flows of the cash-generating units. The cash flows used for the purpose of impairment testing of goodwill are derived from the Company's budgets for the coming fiscal year which are extrapolated by the Company on the basis of internal assumptions and external market studies and rolled forward after the detailed planning period and a subsequent interim period using a long-term growth rate. The forecasts underlying the impairment tests of the frequency licenses include expected capital expenditures to build up the network infrastructure, the projected cash inflows and outflows from operating activities and the related cost-reduction potential associating with buying in network capacities from third parties. The planning horizon ends when the licenses expire in 2040 and takes into account the proceeds from the sale of existing infrastructure as well as restoration costs for leased sites estimated at that time.

In light of the magnitude of the goodwill and the frequency licenses, the underlying complexity of the valuation and the judgment exercised during valuation, the corresponding impairment tests were a key audit matter.

Auditor’s response

We obtained an understanding of the methodology applied by the external expert for the valuations on the basis of the design requirements of IAS 36 and reperformed the calculations in the underlying valuation models. In this context, we also assessed the competence, capabilities and objectivity of the expert, obtained an understanding of the expert’s work and assessed the suitability of the expert opinion for the determination of fair values. The focus of our audit was on appraising the key assumptions used for the valuation, such as planning assumptions and discount rates.

For the purpose of reviewing the impairment testing of goodwill and of frequency licenses, we assessed the financial planning in terms of the reliability of previous forecasts and verified that the key assumptions were derived plausibly.

The assumptions relating to future cash flows used in the valuation models were assessed by obtaining supporting evidence and by making inquiries about the significant assumptions relating to growth and business performance. We assessed the other significant assumptions, such as the discount rate and the long-term growth rate with the aid of internal valuation specialists and on the basis of our own analysis of the general market indicators.

Our audit procedures did not lead to any reservations relating to the assessment of impairment of goodwill and the frequency licenses by the executive directors.

Reference to related disclosures

The Company’s information on the impairment of frequency licenses and of goodwill is contained in Notes 27, 28 and 29 of the notes to the consolidated financial statements.

2. Revenue recognition

Reasons why the matter was determined to be a key audit matter

The recognition and cut-off of revenue in the group companies' mass customer business are largely automated and uniform processes due to the use of special IT systems dedicated to revenue recognition which, owing to the extensive branching and interdependencies, are highly complex in their structure. Owing to the logic implemented in the IT systems, adjustments triggered by changes in tariffs or the launch of new products, for example, made in certain IT systems have a direct effect on the entire revenue recognition process. In addition, there are manual postings which entail an inherently higher risk of errors. In recognizing revenue pursuant to IFRS 15, assumptions were made and estimates used in particular relating to the determination of stand-alone selling prices for hardware; as a consequence the recognition of revenue was a key audit matter.

Auditor's response

As part of our audit procedures, with the aid of internal IT specialists, we assessed the design and operating effectiveness of the control system established by the Group with regard to the IT systems relevant for revenue recognition. In so doing, we tested IT systems and interfaces and assessed the mapping and processing of business processes. We examined relevant IT general controls and relevant IT application controls as well as manual controls. We examined in particular the allocation of the transaction price to each performance obligation on a relative stand-alone selling price basis. In connection with the setting and amendment of rates and products, we evaluated the process used to determine stand-alone selling prices for hardware and services as well as the related judgments by the executive directors with regard to the requirements of IFRS 15. Furthermore, we considered the risk of errors arising from manual posting by performing substantive analytical procedures using internal data analysis tools. In this context, revenue was analyzed in relation to its development during the year, the underlying posting patterns, the persons responsible for posting and the correlation between revenue and selected accounts (e.g., cost of materials) as well as non-financial indicators (e.g., contracts concluded and terminated).

Our audit procedures did not lead to any reservations relating to the recognition of revenue.

Reference to related disclosures

The Company's information on revenue in the consolidated financial statements of United Internet AG is contained in Note 5 and in Note 2.1 "Explanation of main accounting and measurement methods" in the notes to the consolidated financial statements.

3. Recognition of contract initiation costs and contract fulfillment costs

Reasons why the matter was determined to be a key audit matter

Provided that the recognition criteria are met, contract costs are recognized and amortized over their expected useful life. To determine and roll forward the costs to be recognized and assess impairment, there are relevant posting logic and processes. In addition, assumptions are made and estimates used with regard to the amortization periods which means that the recognition of contract initiation costs and contract fulfillment costs was a key audit matter.

Auditor’s response

Based on the cost recording, we assessed the process used to identify the costs to be recognized and the further processing of the relevant data. We also evaluated on a sample basis whether the criteria of IFRS 15 for the recognition of contract initiation costs and contract fulfillment costs have been met and in particular whether the recognized contract initiation costs are incremental in character. We also checked the measurement of contract costs on a sample basis by comparing them with the underlying invoices. We also performed analytical procedures to assess the recognition and the rollforward of contract initiation costs and contract fulfillment costs over time. We assessed the underlying assumptions and estimates made in connection with the amortization periods using historical customer data. Furthermore, we assessed the logic of the impairment tests of the recognized contract initiation costs and contract fulfillment costs with regard to the requirements of IFRS 15.

Our audit procedures did not lead to any reservations relating to the recognition of contract initiation costs and contract fulfillment costs.

Reference to related disclosures

The Company’s information on contract initiation costs and contract fulfillment costs in the consolidated financial statements of United Internet AG is contained in Note 22 and in Note 2.1 “Explanation of main accounting and measurement methods” in the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the report of the Supervisory Board pursuant to Sec. 171 (2) AktG [“Aktiengesetz”: German Stock Corporation Act]. In all other respects, the executive directors are responsible for the other information. The other information comprises the aforementioned statement on corporate governance and the aforementioned extraneous information contained in sections 1.4, 2.2, 2.3 and 7 of the management report of the Company and the Group and in addition the following other parts to be included in the annual report, of which we received a version prior to issuing this auditor’s report, in particular:

- the responsibility statement pursuant to Sec. 297 (2) Sentence 4 HGB, Sec. 289 (1) Sentence 5 and Sec. 315 (1) Sentence 5 HGB,
- the remuneration report pursuant to Sec. 162 AktG,

but not the consolidated financial statements, not the disclosures in the management report of the Company and the Group whose content is audited and not our auditor’s report thereon.

Our opinions on the consolidated financial statements and on the management report of the Company and the Group do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

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

- is materially inconsistent with the consolidated financial statements, with the management report of the Company and the Group or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report with regard to the other information already provided to us.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the management report of the Company and the Group

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the management report of the Company and the Group 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 of the Company and the Group that is in accordance with the German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report of the Company and the Group.

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 of the Company and the Group.

Auditor's responsibilities for the audit of the consolidated financial statements and of the management report of the Company and the Group

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 of the Company and the Group as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the management report of the Company and the Group.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 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) 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 of the Company and the Group.

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 of the Company and the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the management report of the Company and the Group in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the management report of the Company and the Group or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the management report of the Company and the Group. 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 of the Company and the Group 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 of the Company and the Group. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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, the related safeguards.

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 of the Company and the Group prepared for publication purposes in accordance with Sec. 317 (3a) HGB

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the management report of the Company and the Group (hereinafter the "ESEF documents") contained in the accompanying file "unitedinternetag-2021-12-31-de.zip" (SHA-256 checksum: fe1906438b6ef19906d5965b159def78d4f7b178e928e396284dd8beff6c9cb8) and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (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 of the Company and the Group into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the management report of the Company and the Group contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying management report of the Company and the Group for the fiscal year from 1 January to 31 December 2021 contained in the "Report on the audit of the consolidated financial statements and of the management report of the Company and the Group" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the management report of the Company and the Group contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (10.2021). 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 rendering of the consolidated financial statements and the management report of the Company and the Group in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

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 intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, 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 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 file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.

- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited management report of the Company and the Group.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual Shareholders' Meeting on 27 May 2021. We were engaged by the Supervisory Board on 22 October 2021. We have been the group auditor of United Internet AG without interruption since fiscal year 2002.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

Other matter – Use of the auditor's report

Our auditor's report must always be read together with the audited annual financial statements and the audited management report as well as the assured ESEF documents. The annual financial statements and the management report converted to the ESEF format – including the versions to be published in the *Bundesanzeiger* [German Federal Gazette] – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the ESEF report 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 Jens Kemmerich.

Eschborn/Frankfurt am Main, 15 March 2022

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Kemmerich	Reihl
Wirtschaftsprüfer [German Public Auditor]	Wirtschaftsprüfer [German Public Auditor]

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 11, 2022

The Management Board

Ralph Dommermuth

Martin Mildner

United Internet AG

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