Annual Report 2020

SELECTED KEY FIGURES

	2020	2019
NET INCOME (in € million)		
Sales	5,367.2	5,194.1
EBITDA[1]	1,178.8	1,244.2
EBIT[1]	704.5	770.2
EBT[1]	656.9	720.3
BALANCE SHEET (in € million)		
Current assets	1,636.9	1,371.2
Non-current assets	7,594.0	7,757.6
Equity	4,911.2	4,614.7
Total assets	9,230.8	9,128.8
CASH FLOW (in € million)		
Operative cash flow	954.1	935.0
Cash flow from operating activities	925.7	828.9
Cash flow from investing activities	- 361.1	87.2
Free cash flow[2]	376.6	496.0
EMPLOYEES (HEADCOUNT)		
Employees, total	9,638	9,374
thereof in Germany	7,929	7,761
thereof abroad	1,709	1,613
Personnel expenses (in Mio. €)	592.3	552.8
SHARE (in €)		
Share price at year-end (Xetra)	34.43	29.28
Operating EPS[1]	1.76	1.88
EPS	1.55	2.13

Customer contracts (in million)	31.12.2020	31.12.2019
Fee-based customer contracts, total	25.65	24.74
Consumer Access, total contracts	14.83	14.33
thereof mobile internet	10.52	9.99
thereof broadband connections	4.31	4.34
Consumer Applications, total accounts	41.77	39.85
thereof with Premium Mail subscription (contracts)	1.63	1.54
thereof with Value-Added subscription (contracts)	0.74	0.72
thereof free accounts	39.40	37.59
Business Applications, total contracts	8.45	8.15
thereof Germany	4.06	3.90
thereof abroad	4.39	4.25

(1) 2020 without write-off VDSL contingents (EBITDA/EBIT/EBT effect: € -129.9 million; EPS effect: € -0.37) and without impairment reversals Tele Columbus (EBT effect: € +29.2 million; EPS effect: +0.16 €); 2019 without sale of virtual minds shares (EBITDA/EBIT/EBT effect: € +21.5 million; EPS effect: € +0.11), without trademark writeups Strato (EBIT/EBT effect: € +19.4 million; EPS effect: € +0.05) and without impairment reversals Tele Columbus (EBT effect: € +18.5 million; EPS effect: +0.09 €)

(2) Free cash flow 2020 incl. 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); Free cash flow 2019 without consideration of tax payments from fiscal year 2017 and previous years (effect: € -22.1 million); incl. the repayment portion of lease liabilities (effect: € 111.0 million), which have been reported under cash flow from financing activities since the financial year 2019 (IFRS 16)

CONTENT

SIGNS AND SYMBOLS

Internet Link

Glossary

Page Reference

LETTER TO THE SHAREHOLDERS

Dear shareholders, employees, and friends of United Internet,

In the fiscal year 2020, United Internet once again made significant investments in new customer contracts and the expansion of existing customer relationships – and thus in sustainable growth. All in all, we increased the number of fee-based customer contracts organically by 910,000 to 25.65 million contracts. Of this total, 500,000 were added in the Consumer Access segment and 300,000 contracts in the Business Applications segment. A further 110,000 contracts and 1.81 million ad-financed free accounts were added in the Consumer Applications segment.

Consolidated sales grew by 3.3% in the fiscal year 2020, from € 5,194.1 million in the previous year to € 5,367.2 million. The development of sales was impeded by the effects of the coronavirus pandemic, which had an overall negative impact on the Consumer Access and Consumer Applications segments. There were opposing positive effects in the Business Access segment. Adjusted for these pandemic effects, like-for-like sales rose by 3.8%.

Earnings in 2020 and 2019 were impacted by various special items. The one-off, non-cash write-off of remaining VDSL contingents for existing customers in 2020 (€ -129.9 million) was opposed by income from the sale of shares in virtual minds in the previous year (€ +21.5 million).

Adjusted for these special items, consolidated EBITDA of € 1,178.8 million for the fiscal year 2020 was 5.3% down on the prior-year figure (€ 1,244.2 million). This decline was mainly due to the price increase introduced by Telefónica Germany on July 1, 2020 for the use by 1&1 Drillisch AG of Telefónica's network capacity under the MBA MVNO agreement. In addition to this price rise, which will be reduced retroactively by € 34.4 million on the planned conclusion in May 2021 of a national roaming agreement with Telefónica (out-of-period recognition in fiscal 2021), earnings of 1&1 Drillisch were mainly burdened by initial costs for the rollout of the 5G network, as well as by effects from regulatory decisions. On top of this, the coronavirus pandemic also had a negative impact on earnings. Adjusted additionally for these negative effects, like-for-like EBITDA was 1.3% above the prior-year figure.

Similarly influenced by excessive MBA invoicing and the aforementioned effects, consolidated EBIT of € 704.8 million also fell short of the prior-year figure (€ 770.2 million – without trademark writeups for Strato). Adjusted for these effects, like-for-like EBIT was up 2.1% on the previous year.

Earnings per share (EPS) for the fiscal year 2020 fell from € 2.13 in the previous year to € 1.55. There was an overall negative impact on EPS in 2020 (EPS effect: € -0.21) from the non-cash write-off of VDSL contingents still available and – with an opposing effect – impairment reversals for Tele Columbus, whereas in the previous year EPS was positively impacted in total by the sale of virtual minds shares, the trademark writeups for Strato, and impairment reversals for Tele Columbus (EPS effect: € +0.25). Adjusted for these effects, operating EPS decreased by 6.4% from € 1.88 to € 1.76.

In addition to our operating business, the fiscal year 2020 was dominated by preparations for the construction of our own mobile communications network and the ongoing negotiations on national roaming with Telefónica Germany, needed for the transition period as we gradually establish our network. In an ad-hoc announcement on February 15, 2021, we reported that 1&1 Drillisch would accept Telefónica Germany's offer – improved following a review by the EU Commission – for national roaming and the related MBA MVNO advance services. The terms offered by Telefónica with retroactive effect from July 2020 will therefore be based in future once more on the pricing mechanisms of the first five years of the MBA MVNO agreement. In particular, the offer again includes annually decreasing data prices, which are lower than the prices charged by Telefónica in the second half of 2020. The conclusion of an agreement, which Telefónica's offer expects in May 2021, would constitute a further essential prerequisite for the planned rollout of a high-performance 5G network. Shared use of the Telefónica network ensures our customers can already enjoy nationwide mobile coverage during the construction phase of our own network.

In the same ad-hoc announcement, we reported that 1&1 Drillisch planned to expand its fiber-optic offerings and would in future receive VDSL and FTTH advance services (fiber-to-the-home/FTTH) from its affiliate 1&1 Versatel. For this purpose, 1&1 Drillisch has entered into an agreement with 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 has 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 Drillisch, as 1&1 Versatel's nationwide fiber-optic transport network is largely connected to the local broadband networks of Deutsche Telekom. In addition to the 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 the coming years. FTTH connections for private households enable bandwidths of up to 1Gbit/s. Households not yet equipped with FTTH will be supplied with VDSL connections (up to 250 Mbit/s). By signing this agreement, we have taken a further step toward our goal of providing an ever-growing number of households with guaranteed gigabit speeds as fiber-optic becomes more and more the standard for fast communication.

Together with Morgan Stanley Infrastructure Partners, we also plan to 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) has submitted a voluntary public takeover offer for the Tele Columbus shares. If the takeover bid is successful, United Internet will contribute its stake in Tele Columbus of around 29.9% to Kublai in return for a shareholding in Kublai GmbH. Part of Tele Columbus's Fiber Champion strategy is to open up its broadband network for cooperation partners. In view of this, 1&1 Drillisch 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 new target groups via fiber-optic and, for the first time, also via cable connections. United Internet's stake in Kublai and the cooperation agreement are currently still subject to the successful conclusion of the takeover offer, expected in April 2021.

Last but not least, we also strengthened our Business Applications segment in early 2021 with the acquisition of the Cologne-based company we22 AG, which develops software for the creation, maintenance and hosting of websites. we22 is best-known for its white-label website builder CM4all, which has been used to create and operate more than 5 million websites to date. With over 25 language versions, CM4all has been 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 to small businesses in Germany. we22's products and services will also be made available to IONOS customers in the future. Moreover, CM4all will continue to be offered as a white-label solution for other internet providers and business customers.

For the fiscal year 2020, the Management Board and Supervisory Board will propose a dividend of € 0.50 per share (prior year: € 0.50) at the Annual Shareholders' Meeting to be held on May 27, 2021. On the basis of around 187.2 million shares with dividend entitlement (as of December 31, 2020), the total dividend payment for fiscal year 2020 would amount to € 93.6 million. The dividend payout ratio corresponds to 28.3% of adjusted consolidated net income for 2020 after minority interests (€ 330.2 million) and would thus lie – in view of the investments due to be made in the 5G mobile network of 1&1 Drillisch – within the medium range of our dividend policy.

For the fiscal year 2021, we expect sales growth to approx. € 5.5 billion. Without consideration of out-of-period income of approx. € 34.4 million in connection with the planned conclusion of a national roaming agreement, EBITDA is expected to increase to approx. € 1.22 billion. This forecast includes negative effects on sales and earnings from the coronavirus pandemic of approx. € 25 million as well as high investments in future topics. For example, 1&1 Drillisch plans initial costs for the 5G network rollout in 2021 of approx. € 30 million and IONOS an additional approx. € 40 million for a product and sales drive. Following the integration of STRATO, World4You, and ProfitBricks in the past few years and its successful rebranding, IONOS aims to focus on expanding its cloud business and driving further internationalization. In the current year, IONOS expects to reach sales of approx. € 1 billion for the first time. Its IPO is scheduled to be held within the next two years.

We are well prepared for the next steps in our company's development and upbeat about our future prospects. In view of the past year and the challenges that lie ahead, we would like to express our particular gratitude to all employees for their dedicated efforts as well as to our shareholders and customers for the trust they continue to place in United Internet AG.

Montabaur, March 2021

The Management Board

Ralph Dommermuth   Martin Mildner

"With the imminent conclusion of a national roaming agreement, we will reach a further major milestone on the path to establishing our own mobile communications network. As the fourth network provider, our aim is to build Germany's most cutting-edge 5G network."

RALPH DOMMERMUTH

THE MANAGEMENT BOARD

RALPH DOMMERMUTH
CEO (since 1988)

Ralph Dommermuth (born in 1963) laid the foundation for today's United Internet AG with the formation of 1&1 EDV Marketing GmbH in 1988. He originally offered systemized marketing services for smaller software suppliers. He later developed additional marketing services for major clients, such as IBM, Compaq, and Deutsche Telekom. With the advent of the internet, Ralph Dommermuth gradually phased out these marketing services for third parties and began developing the company's own internet services and direct customer relationships. In 1998, the qualified banker took 1&1 to the stock exchange. It was the first IPO of an internet company in Germany. In 2000, Ralph Dommermuth restructured the holding company 1&1 AG & Co. KGaA as United Internet AG and built the company into a leading European internet specialist.

MARTIN MILDNER
CFO (since 2020)

Martin Mildner (born in 1970) has been a member of the Management Board of United Internet AG since October 1, 2020 and is responsible for Finance and Human Resources. Martin Mildner has many years of experience in the field of M&As, private equity, venture capital, legal affairs, and tax law. He was previously employed by the Otto Group for 13 years, where as Group General Counsel and Group Vice President M&A he played a leading role in shaping the strategic realignment of the company portfolio.

INTERVIEW WITH RALPH DOMMERMUTH

Mr. Dommermuth, how would you judge the past fiscal year 2020?
2020 was undoubtedly an exceptional year for our company and for the economy as a whole, dominated as it was by the effects of the coronavirus pandemic. However, we coped well with the situation and in the past fiscal year continued to systematically pursue our goals and invest in the long-term success of our company.

The main focus was on preparations for the construction of our own 5G mobile network in the Access division. We drew up a detailed network plan, continued to expand our fiber-optic network, and drove forward our talks with potential partners for the network rollout. At the same time, we held detailed negotiations with the established network operators on the subject of national roaming, i.e., the shared use of third-party networks during the construction phase of our own network infrastructure. In February 2021, we received an offer from Telefónica – improved following a review by the EU Commission – and thus took an important step forward on our path to becoming a network operator.

There was also plenty of activity in our Applications division in 2020. As we continue to expand our portal brands GMX and WEB.DE into comprehensive communication and information platforms – also through the increased use of artificial intelligence – we initiated a further valuable acquisition for the brand portfolio of IONOS in the form of cloud website builder we22 and concluded the deal in early 2021.

Your aim is to build Germany’s most cutting-edge 5G network. What exactly does that mean? What will be the next steps?
As a new market player without technical legacy issues, we can deploy the latest technologies for the construction of our mobile network, without having to make any compromises. We will be the first network operator in Europe to fully virtualize our 5G network and build it on the basis of OpenRAN technology. Network intelligence will not be located at the antenna sites, as is usually the case, but controlled via decentralized data centers.

This approach based on edge technology will enable us to fully exploit the future potential of 5G, as well as offering other key advantages: for one thing, maintenance work can be carried out much more efficiently and, above all, we are not dependent on network equipment suppliers. This is because clearly defined interfaces allow us to collaborate simultaneously with various partners.

The next step for us is to convert Telefónica Germany’s national roaming offer into a final agreement, as this is the only way we can offer our customers nationwide coverage right from the start. At the same time, we will conclude our advanced negotiations with network equipment suppliers and site operators so that we can start construction work as quickly as possible.

Fiber is regarded as a key prerequisite for 5G and gigabit speeds in private households. The cooperation between 1&1 Versatel and Deutsche Telekom was recently intensified in this field. What are the benefits of this move?
Fiber is definitely the key to 5G. What’s more, direct fiber-optic connections will increasingly become the standard for high-speed communications – also in private households. Our subsidiary 1&1 Versatel gives us access to one of Germany’s largest fiber-optic networks, thus creating the ideal conditions for us to connect our future antenna sites.

1&1 Versatel also signed an agreement with Deutsche Telekom regarding the use of its FTTH and VDSL house connections. This agreement will also benefit the consumer business of 1&1 Drillisch, as at the same time 1&1 Drillisch concluded an agreement with 1&1 Versatel about procuring all broadband services from a single source.

This will allow 1&1 Drillisch to significantly expand its broadband offerings for consumers. In addition to VDSL, it will increasingly include FTTH (fiber-to-the-home) in the future – in other words fiber-optic connections for private households. In addition to our existing access to the FTTH connections of well-known city carriers, we can therefore market an additional 750,000 FTTH connections in the first stage. This number is expected to increase by an average of 2 million households per year in the coming years, enabling us to provide ever more households with guaranteed gigabit speeds.

To put it simply, the intensified cooperation with Deutsche Telekom has strengthened our position in the broadband market and represents an investment in our company's long-term success.

Your company's investments in the future also include 1&1's sponsorship of Borussia Dortmund. And you added Mick Schumacher as a brand ambassador in early 2021. What exactly do these partnerships entail?

Both our partnership with Borussia Dortmund and our sponsoring of the Formula 1 Team Uralkali Haas F1 with Mick Schumacher go far beyond simply placing the 1&1 logo on the team jersey or racing car.

As the exclusive telecommunications partner, we are actively contributing our technological expertise to these teams. Both sponsorships also feature an innovative social media concept to inspire customers and fans alike. The aim is to further increase awareness of the 1&1 brand and sustainably acquire new target groups.

We will be the first network operator in Europe to build our 5G network fully virtualized based on OpenRAN technology.

You already mentioned that the coronavirus pandemic had a significant impact on the fiscal year 2020. What exactly were the effects on United Internet's business?

As an internet specialist with approx. 65 million accounts, we have a stable business model that is largely immune to cyclical trends and puts us in a good position to face economic challenges. Nevertheless, the effects of Covid-19 also had a negative impact on our performance – albeit to a much lesser extent than for other sectors or companies.

The shortfall in international roaming revenue outside the EU caused by severe travel restrictions for our customers in the past year had a particularly negative impact on sales and earnings in the Consumer Access segment. There were also pandemic-related losses in the marketing business of our Consumer Applications due to a temporary downturn in advertising activity during the pandemic. However, as our business model is mainly based on electronic subscriptions with fixed monthly payments and contractually agreed terms, it proved to be extremely robust – even during the coronavirus pandemic.

What are your expectations for the fiscal year 2021?

For the fiscal year 2021, we expect an increase in sales to approx. € 5.5 billion. EBITDA is expected to improve to approx. € 1.22 billion. In addition to the anticipated negative impact on sales and earnings from the coronavirus pandemic on a par with the previous year of approx. € 25 million, this forecast also includes high investments in future topics. For example, 1&1 Drillisch plans initial costs for the 5G network rollout of approx. € 30 million in 2021 and IONOS an additional approx. € 40 million for a product and sales drive in its cloud business and for further international expansion.

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

In the following, I would like to inform you about the work of the Supervisory Board in the fiscal year 2020.

In fiscal year 2020, the Supervisory Board of United Internet AG fulfilled its legal and statutory duties to regularly advise the Management Board and monitor its management of the Company. The Supervisory Board was directly involved in all decisions of fundamental significance for the Company. The Management Board provided the Supervisory Board with regular and comprehensive reports, both written and oral, and also between meetings, about all relevant questions concerning corporate strategy and planning, as well as the associated risks and opportunities, the development and progress of business, planned and current investments, the status of the Company, its exposure to risk, the risk management system, and issues of compliance. The Management Board discussed the Company's strategic alignment with the Supervisory Board and presented it with a comprehensive report every quarter about the state of business, the development of sales and earnings, and the position of the Company and its business policy. This also included information about deviations between planned and actual figures. With regard to both content and scope, these reports met all statutory requirements, the standards of good corporate governance, and the criteria set by the Supervisory Board. The Management Board's reports were made available to all members of the Supervisory Board. The Chairman of the Supervisory Board was also kept regularly informed by the Management Board on all business activities, also between the meetings, and gave advice on questions of business policy. The Supervisory Board examined the plausibility of the reports provided by the Management Board, discussed their content in detail, and gave a critical assessment.

The Supervisory Board was regularly informed by the Management Board about the internal control system, the Group-wide risk management system, and the Internal Audit system which it had introduced. On the basis of its own reviews, the Supervisory Board came to the conclusion that the internal control system, the Group-wide risk management system, and the internal audit system are fully functional and effective.

Personnel changes of the Supervisory Board

In the course of the Annual Shareholders' Meeting 2020, the Supervisory Board was re-elected and expanded from three to six members. Mr. Kai-Uwe Ricke's term of office ended on expiry of the Annual Shareholders' Meeting on May 20, 2020. The Annual Shareholders' Meeting elected Mr. Kurt Dobitsch, Dr. Manuel Cubero and Dr. Claudia Borgas-Herold to the Supervisory Board. In addition, Mr. Michael Scheeren, Prof. Dr. Yasmin Weiß and Mr. Philipp von Bismarck were elected to the Supervisory Board, whose mandates became effective with the expansion of the Supervisory Board to six members with effect from July 24, 2020. At the constituent Supervisory Board meeting on May 20, 2020, Mr. Kurt Dobitsch was elected Chairman of the Supervisory Board and was confirmed in this role at the Supervisory Board meeting on August 11, 2020 (following the expansion of the Supervisory Board to six members).

Mr. Michael Scheeren retired from the Supervisory Board on expiry of the balance sheet meeting on March 24, 2021. Due to the short period of time between the day of his departure and the day of the planned Annual Shareholders' Meeting on May 27, 2021, the Supervisory Board decided not to have a successor appointed by the court, but rather to leave the mandate vacant for the time being and to have a new member elected by the Annual Shareholders' Meeting.

The Chairman of the Supervisory Board Kurt Dobitsch thanks Mr. Michael Scheeren and Mr. Kai-Uwe Ricke for their trust and successful efforts over many years of cooperation.

None of the Supervisory Board members holds any executive body or advisory positions with enterprises which the Company regards as its major competitors. There was no indication of any conflicts of interest involving members of the Supervisory Board or Management Board.

Establishment of an Audit and Risk Committee

At its meeting in December 2020, the Supervisory Board resolved to set up an Audit and Risk Committee and to prepare the necessary steps for establishing such a body by the next meeting of the Supervisory Board in March 2021. At its meeting in March 2021, the Supervisory Board then 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 Committee is to commence its activities after the Annual Shareholders' Meeting 2021. The members of the Audit and Risk Committee have not been elected yet, as the Supervisory Board first wants to wait until a replacement for Mr. Scheeren has been elected and then directly elect the members of the Committee after the new appointment, thus allowing the Audit and Risk Committee to commence its activities.

The Audit and Risk Committee will assist 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 will support 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 chair 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.

Meetings and main topics:

In addition to the regular statutory reports, the Supervisory Board discussed and reviewed the following issues in greater detail:

- The Annual Financial Statements and Consolidated Financial Statements for fiscal year 2019
- The Report of the Supervisory Board to the Annual Shareholders' Meeting for fiscal year 2019
- The Sustainability Report 2019
- The adoption of planning for fiscal year 2020
- Determining the Management Board's target achievement for fiscal year 2019 and approving the payment of variable compensation components, as well as agreeing new targets for the Management Board for fiscal year 2020
- The invitation to the Annual Shareholders' Meeting 2020 together with the agenda and motions for resolutions, as well as the resolutions to conduct it as a virtual Annual Shareholders' Meeting
- Examining the independence of the proposed auditor of the Annual Financial Statements and adopting the corresponding resolution proposal
- The dividend proposal for the Annual Shareholders' Meeting
- The Compliance Report 2019
- Audit planning and the quarterly reports of the Internal Audit department
- The effects of the coronavirus pandemic on the Group and measures to maintain operating activities and protect staff
- The cancelation of 11 million treasury shares and the corresponding reduction of capital
- The launch of a share buyback program for up to 5 million treasury shares or € 150 million on April 1, 2020
- The suspension of the share buyback program launched on April 1 as of April 30, 2020
- The election of Mr. Kurt Dobitsch as Chairman of the Supervisory Board and Mr. Michael Scheeren as Deputy Chairman of the Supervisory Board
- The development of the Company during the year
- Significant changes in investments
- The quarterly reports on risk management and the risk management strategy
- The development of the proportion of women and the implementation status of the agreed targets
- Amendments to the Rules of Procedure for the Supervisory Board
- The random audit of the German Financial Reporting Enforcement Panel (FREP)
- The appointment to the Management Board of Martin Mildner as of October 1, 2020
- The new conclusion of D&O insurance
- Business planning 2021
- Aspects concerning the introduction of an Audit and Risk Committee
- The dates for future meetings and the financial calendars for the fiscal years 2021 and 2022
- The updates to the Declaration of Conformity with the German Corporate Governance Code in December 2020
- The voluntary public takeover offer for Tele Columbus submitted by the bidding company of Morgan Stanley Infrastructure Partners, the possible contribution of the minority shareholding in Tele Columbus to the bidding company and purchase of a minority shareholding in the bidding company, as well as the further planned capital measures to support the Fiber Champion Strategy of Tele Columbus

The Supervisory Board held four ordinary meetings during fiscal year 2020 during which the Management Board presented detailed information about the business situation and the development of the Company and Group, as well as about significant business events. The meetings of the Supervisory Board were each attended by all members. Due to the effects of the coronavirus pandemic, some of the meetings were held as conference calls, via telephone or video. In addition to the meetings, further resolutions on current topics were adopted by means of circular written consent and via telephone conference call.

Corporate Governance

The Supervisory Board once again discussed in detail the standards of good corporate governance in fiscal year 2020, and in this connection also the German Corporate Governance Code. The Management Board and Supervisory Board issued a Declaration of Conformity pursuant to section 161 AktG on December 19, 2020. The declarations are permanently available on the corporate website and in the Federal Gazette (Bundesanzeiger). Declarations of Conformity of previous years can also be viewed here. Further details on corporate governance are provided in the Declaration on Company Management and the Corporate Governance Report on the fiscal year 2020.

Discussion of the Annual Financial Statements 2020 for the Company and the Group

The Annual Shareholders' Meeting of United Internet AG on May 20, 2020 elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, based in Eschborn/Frankfurt am Main, as auditors for the fiscal year 2020. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft audited the accounting system, the Annual Financial Statements of United Internet AG, the Consolidated Financial Statements according to IFRS and the Combined Management Report for United Internet AG and the Group for the fiscal year 2020. In the course of the audit, the auditor focused in particular on the key audit matters. For the Consolidated Financial Statements, these included the impairment of goodwill, revenue recognition, the recognition of contract initiation and fulfillment costs, and for the Annual Financial Statements of United Internet AG, the impairment of financial assets. The risk management system was also examined and analyzed as part of the audit of the Annual Financial Statements. The auditor did not detect any major weaknesses in the internal control system, Group-wide risk management system or internal audit system. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft awarded an unqualified certificate in each case.

The Supervisory Board satisfied itself as to the independence of the auditors and received a written declaration to this effect. In addition, the Supervisory Board was informed about services rendered in the past fiscal year and the awarding of non-audit-related services.

The aforementioned Annual Financial Statement documents, the proposal for the appropriation of profit, and the auditor's report were presented to all members of the Supervisory Board in due time. The chief auditor participated in the balance sheet meeting via video conference call of the Supervisory Board on March 24, 2021, where he reported on his audits and their results, elaborated on the audit report, and answered the Supervisory Board's questions. Following its own inspection, the Supervisory Board came to the conclusion that the Annual Financial Statements, the Combined Management Report, the Consolidated Financial Statements and the auditor's report gave no cause for objections.

The Supervisory Board concurs with the auditor that there are no major weaknesses in the internal control and risk management system, especially with regard to the accounting process. With a resolution on March 24, 2021, the Supervisory Board approved the Annual Financial Statements of United Internet AG, as prepared by the Company on March 19, 2021, and the Consolidated Financial Statements according to IFRS for fiscal 2020, also prepared by the Company on March 19, 2021. The Annual Financial Statements are therefore adopted pursuant to section 172 AktG. The Supervisory Board supports the proposal of the Management Board concerning the appropriation of the balance sheet profit.

Audit of the Management Board's report on relations with affiliated companies

The Management Board presented its report on relations with affiliated companies (Dependent Company Report) for fiscal year 2020 to the Supervisory Board in good time.

The report prepared by the Management Board about relations with affiliated companies was also audited by the external auditors. The following certificate was awarded in this respect:

"On the basis of our statutory examination and evaluation, we can confirm that

1. the details made in the report are accurate,
2. the Company was compensated adequately for each transaction mentioned in the report,
3. in the case of those measures mentioned in the report, there is no evidence to suggest a significantly different assessment to that provided by the Management Board."

The external auditors submitted the audit report to the Supervisory Board. The Dependent Company Report and Audit Report were made available to the Supervisory Board in good time. The Supervisory Board reviewed the Management Board's Dependent Company Report and the audit report. The Supervisory Board performed the final review at its meeting held via video conference call on March 24, 2021. The external auditors attended this meeting and reported on their audit of the Dependent Company Report and their main audit results, explained their audit report, and answered questions from members of the Supervisory Board. On the basis of our final examination, we concur with the Management Board's Dependent Company Report and the audit report and have no objections to raise regarding the Management Board's declaration at the end of the Dependent Company Report.

Reporting for the Sustainability Report

United Internet AG submitted a non-financial statement for fiscal year 2020, which will be published as part of a separate non-financial report (Sustainability Report).

The Supervisory Board of United Internet already discussed the Sustainability Report during the course of the year. As part of its own final review, the Supervisory Board dealt in detail with the non-financial statement in its entirety. The Supervisory Board scrutinized the contents of the non-financial statement and discussed it at length with the Management Board, whose members were on hand to answer additional questions and provide further information. Following its own review, the Supervisory Board came to the conclusion that the non-financial statement did not give rise to any objections.

The Supervisory Board thanks the Management Board and all employees for their outstanding commitment to the Company in fiscal year 2020.

Montabaur, March 24, 2021

For the Supervisory Board
Kurt Dobitsch

Members of the Supervisory Board

- **Kurt Dobitsch, Markt Schwaben**
  Chairman of the Supervisory Board of United Internet AG

- **Dr. Claudia Borgas-Herold, Kilchberg / Switzerland** (since May 20, 2020)
  Managing Director of borgas Advisory GmbH

- **Dr. Manuel Cubero, Munich** (since May 20, 2020)
  Self-employed supervisory board/advisory board member

- **Kai-Uwe Ricke, Stallikon / Switzerland** (until May 20, 2020)
  Member of the Board of Directors of Delta Partners / Dubai

- **Michael Scheeren, Frankfurt** (until May 20, 2020; since July 24, 2020; until March 24, 2021)
  Supervisory board member

- **Philipp von Bismarck, Frankfurt, Königstein im Taunus** (since July 24, 2020)
  Lawyer and partner at Wendelstein LLP

- **Prof. Dr. Yasmin Weiß, Gauting** (since July 24, 2020)
  Professor at the Technical University of Nuremberg

UNITED INTERNET AT A GLANCE

UNITED INTERNET AT A GLANCE

The internet has firmly established itself with consumers and companies as a universal medium for information, entertainment, communication, organization, and e-business. This development is being driven by broadband connections and mobile internet access.

Our vision

Thanks to its permanent availability from any location and the relentless rise in access speeds, the internet has become the universal infrastructure that serves our information and entertainment needs, while also providing us with private and corporate applications.

Portal

At the same time, the internet opens up new kinds of sales and marketing channels. E-business is becoming an integral element of corporate strategy. Portals represent a universal home base and are increasingly becoming a central hub for news as well as the communication, information, and identity management needs of users.

This is exactly our vision: to supply private and commercial users with market-oriented information and communication products, as well as cloud and e-business applications, from our "Internet Factory" via increasingly powerful broadband or mobile internet connections.

Our business model

Free accounts

With 25.65 million fee-based customer contracts and 39.40 million ad-financed free accounts, United Internet is a leading European internet specialist.

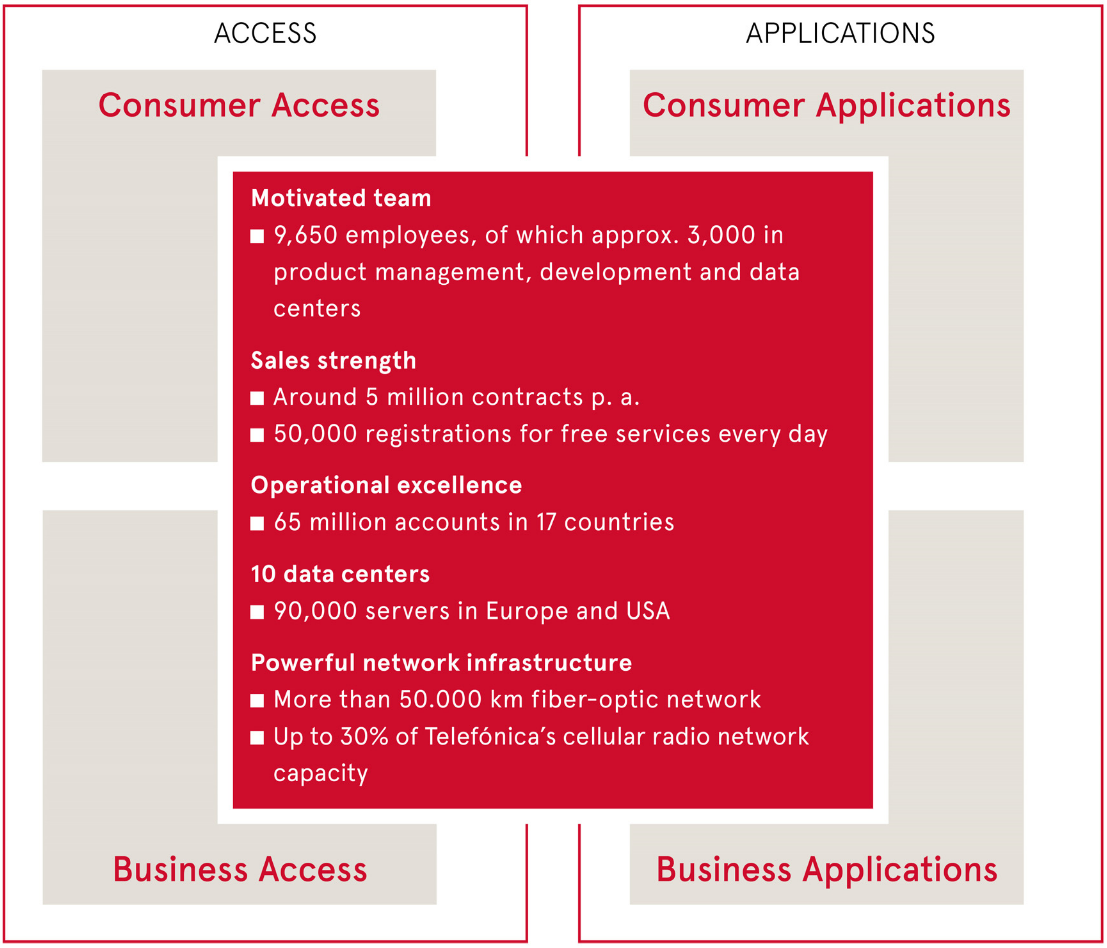
United Internet provides consumers and business clients with landline and mobile internet access products, as well as various cloud applications which we run at our 10 data centers. The use of these services is based on subscription contracts with fixed monthly fees as well as variable, volume-based charges.

Our 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".

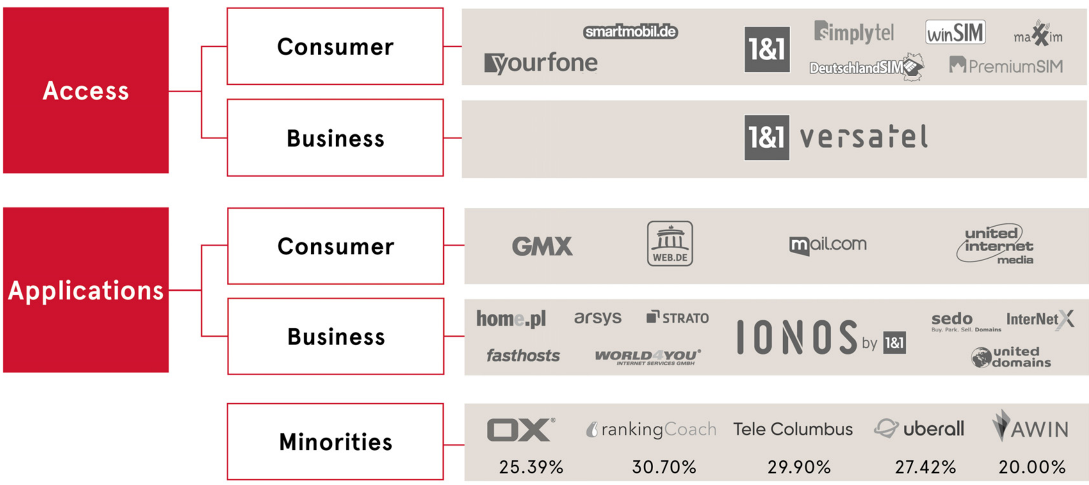
Our access products targeting specific customer groups are marketed in the Consumer Access segment via our premium brand 1&1, as well as via discount brands such as yourfone and smartmobile.de. Business Access products are offered by 1&1 Versatel.

Our Consumer Applications are marketed via the differently positioned brands GMX, mail.com, and WEB.DE, while Business Applications are marketed via IONOS, as well as via STRATO, Arsys, Fasthosts, home.pl, InterNetX, united-domains, and World4You. In addition, Sedo provides customers around the world with professional services in the field of active domain management, while we22 (acquired in early 2021) offers other hosting suppliers a white-label website builder for the creation of high-quality websites.

Business model



Brands and investments (as of December 31, 2020)



Our “Internet Factory”

At the heart of our business is our powerful “Internet Factory” with around 9,650 employees, of which approx. 3,000 are engaged in product management, development, and at our data centers. Our “Internet Factory” applies the mechanisms of rationalized production to the internet business. Highly efficient development departments “manufacture” products which represent the backbone of our two business divisions, Access and Applications. These are then run on some 90,000 servers at 10 data centers. This “Internet Factory” enables us to extend, combine, and scale our product lines almost at will – and then to export them throughout the world.

United Internet also stands for high sales strength as well as for outstanding operational excellence with around 65 million customer accounts worldwide.

Success factors of our business model

United Internet’s business model offers various benefits: the contractual commitment of our customers via fee-based, fixed-term subscriptions (over 25 million customer contracts at year-end 2020) secures long-lasting customer relationships and thus stable and predictable sales and earnings. In addition, our ad-financed free accounts (over 39 million at year-end 2020) provide a large reservoir for monetizing our applications via advertising and e-commerce as well as converting users to fee-based contracts.

Thanks to our existing business relationships with millions of customers and users, we have our ear close to the market. This often enables us to anticipate customer wishes and trends. We then consistently develop new business fields – at a national and international level.

We have already picked up a number of customer wishes and successfully transformed them into new solutions or new business fields:

- We meet the **privacy demands** of our customers with a variety of initiatives. Within the “E-mail made in Germany” alliance, for example, e-mails are automatically encrypted, while “De-Mail” and “eIDAS” also offer customers legally binding communication via e-mail in Germany and Europe. Our modern data centers meet the strictest security standards with largely geo-redundant operation, i.e., applications and data are constantly mirrored at geographically separate data centers.

- Our mobile internet products reflect the trend toward ever greater **mobility** in internet usage. A clear tariff structure offering great value for money and excellent service helps us achieve high customer retention rates and customer satisfaction, while securing a top-quality client base in a dynamic market environment.

- From our domestic market in Germany, our cloud and e-business solutions are now being marketed in new target markets as part of our **internationalization** strategy. As a result, the cultural diversity of our employees is also growing. The resulting potential for new ideas and innovation is strengthening our competitive edge and enhancing our long-term opportunities in future markets.

- For our Business Applications under the IONOS brand, all customers have the opportunity to contact a personal consultant free of charge as a central point of contact for all questions relating to products, their contracts, and their online **business success**. In this way, IONOS can accompany companies through all phases of their development – from registering a domain and setting up a first website, to setting up shop systems and dedicated servers, to using enterprise cloud infrastructures.

- **Trust i**s the basis for our customer relationships. Data protection, operational reliability, 24/7 availability of our competent contact partners, and 24-hour replacement of defective equipment are all exemplary elements of the so-called 1&1 Principle which ensure customers can rely on us at all times.

Wherever it makes good business sense, we cover large areas of the value chain – from product development and data center operation, to effective sales and marketing, and active customer support.

Economies of scale represent a further key success factor for our business: each new customer enhances the profitability of our "Internet Factory". After making the necessary investments, developing the products, and providing them via our data centers and networks, it is then a question of marketing them as effectively as possible. The greater the number of customers using products created by our development teams and run at the Group's own data centers, and/or data transported in our own networks, the greater the profit will be.

A further advantage is our marketing strategy tailored to specific target groups. Our brands such as GMX, Mail.com, WEB.DE, 1&1, yourfone, smartmobil.de, IONOS, STRATO, united-domains, and InterNetX are positioned differently and target a wide variety of user groups.

Last but not least, the exportability of our applications is a further trump card. Our applications can often be used anywhere in the world and work on the same principle in Frankfurt as they do in London, Paris, or New York.

Growth opportunities

In view of the dynamic market development of fiber-optic, mobile internet, and cloud applications, our growth opportunities are clearly apparent: universally accessible, increasingly powerful broadband connections are enabling new and more sophisticated cloud applications. These internet-based programs for end users and companies will remain our growth drivers over the coming years – both as stand-alone products in our Applications division as well as in combination with landline and mobile access products in our Access division.

With our many years of experience as an access and applications provider, our expertise in software development, the operation of networks and data centers, marketing, sales, and customer support, as well as our strong and well-known brands, and our customer relationships with millions of private users, freelancers, and small companies in Germany and abroad, we are well placed to fully exploit the expected market growth in our business fields.

Access division

In the Access division, our operations are pooled in the two segments Consumer Access and Business Access.

Consumer Access segment

IPTV

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

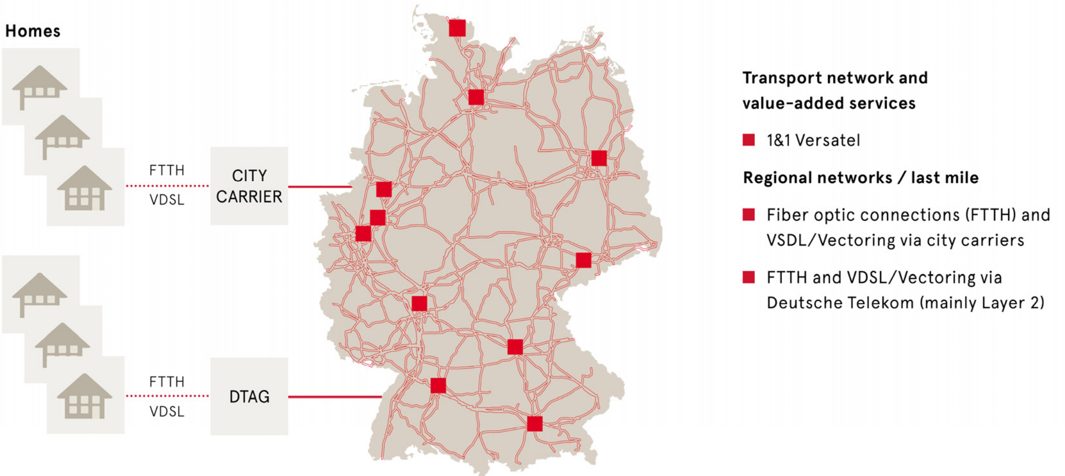
These internet access products are offered to our customers as subscription contracts with fixed monthly fees (and variable, volume-based charges) as well as contractually fixed terms.

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

VDSL, Vectoring, FTTH

We use 1&1 Versatel's own fiber-optic network as the transport network to connect local networks in the case of VDSL/vectoring connections as well as direct fiber-optic connections (FTTH), and the "last mile" via city carriers as well as Deutsche Telekom (mostly Layer 2). In the case of ADSL connections (a business which is currently being phased out), further advance service providers are used.

Landline infrastructure for private customers



With our **mobile internet products**, we are the leading Mobile Virtual Network Operator (MVNO) in Germany.

MBA MVNO, 5G, Roaming / National roaming

Via 1&1 Drillisch AG – acquired in 2017 – we are 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 have extensive access to one of Germany's largest mobile communications networks. In addition, we successfully participated in the 5G spectrum auction in 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. This laid the foundation for the development of our own powerful mobile communications network in order to also extend added value in this market – as in the landline market. In February 2021, 1&1 Drillisch decided to accept Telefónica Germany`s offer – improved following review by the EU Commission – for national roaming. The conclusion of an agreement, which is expected in May 2021, would be a further important prerequisite for the planned rollout of our own network. In addition to our privileged access to the Telefónica network, we also purchase 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 us from the competition.

Our mobile internet products are marketed via the premium brand 1&1, as well as discount brands like yourfone and smartmobile.de, which enable us to target a wide range of specific user groups in the mobile communications market.

Our brands

Main brand	1&1
Co-brands	GMX, WEB.DE
Discount brands	smartmobil.de, yourfone, DeutschlandSIM, maXim, winSIM, simplytel, PremiumSIM

- Telefónica remedy partner with long-term guaranteed access to up to 30% of network capacity and all future technologies
- Additional wholesale contract with Vodafone

In addition to preparations for the creation of our own mobile communications network, our Consumer Access segment focused on adding further valuable broadband and mobile internet contracts in the fiscal year 2020. The total number of fee-based contracts in the Consumer Access segment rose by 500,000 contracts to 14.83 million in 2020. A total of 530,000 customer contracts were added in the mobile internet business, thus raising the total number of contracts to 10.52 million. The number of broadband connections fell slightly to 4.31 million.

Development of Consumer Access contracts in fiscal year 2020

in million	Dec. 31, 2020	Dec. 31, 2019	Change
Consumer Access, total contracts	14.83	14.33	+ 0.50
thereof Mobile Internet	10.52	9.99	+ 0.53
thereof broadband connections	4.31	4.34	-0.03

In view of our strong brands, innovative products, customer-oriented services, flexible pricing policy, and our excellent value for money, we believe the Consumer Access segment is also very well positioned for the future. In 2021, the main focus will once again be on marketing mobile internet products. With regard to our broadband products, we aim to exploit our strong positioning. In early 2021, 1&1 Versatel entered into an agreement with Deutsche Telekom on the use of the latter's FTTH and VDSL connections for households. This agreement will also benefit the consumer business of 1&1 Drillisch as it also signed an agreement with 1&1 Versatel regarding the procurement of all its broadband services from a single source. As a result, 1&1 Drillisch will be able to significantly expand its broadband offerings for consumers and thus provide an ever-growing number of households with guaranteed gigabit speeds.

Business Access segment

In the Business Access segment, we offer – via the 1&1 Versatel brand – a wide range of telecommunication products and solutions for business customers.

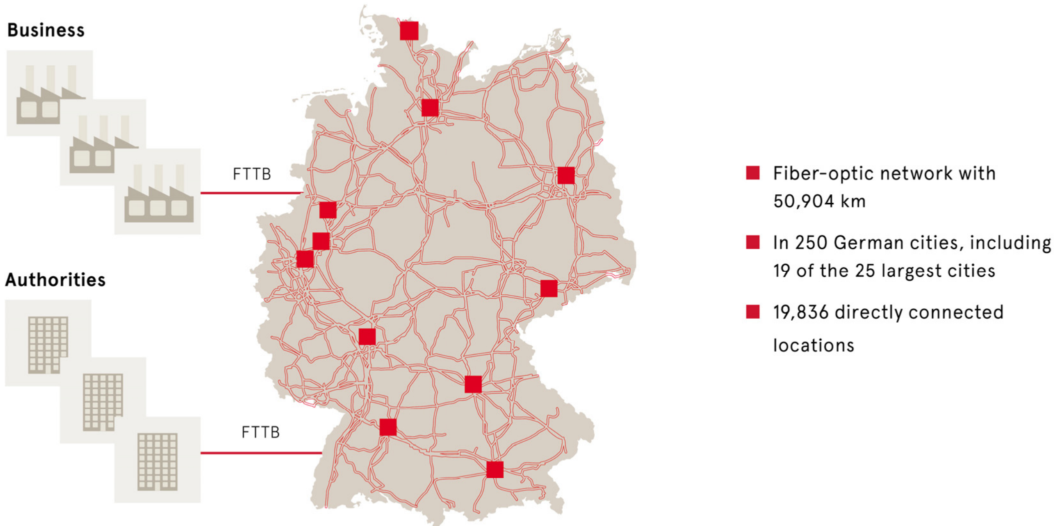
The core of 1&1 Versatel's business model is a cutting-edge fiber-optic network with a length of around 50,900 km, which is one of the largest networks in Germany and is constantly being expanded.

Via this network, 1&1 Versatel offers 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 used for infrastructure services (wholesale) for national and international carriers and ISPs.

FTTB

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

Fiber-optic infrastructure for business customers



In the fiscal year 2020, the key topics in the Business Access segment were the expansion of the fiber-optic network and the addition of further sites. The network was expanded from 48,489 km in the previous year to a length of 50,904 km, while the number of connected sites was increased from 17,145 to 19,836.

The focus in 2021 will lie on voice, data, and network solutions for SMEs, as well as infrastructure services for large corporations. In addition, our fiber-optic network is to be expanded further in order to gain new customers.

The German telecommunications market is of particular importance for the Access division. The industry association Bitkom forecasts moderate growth for this market in 2021. Following two years of consolidation, sales are expected to grow by +1.0% (prior year: -0.1%) to € 67.4 billion.

Bitkom

Slight growth of +0.3% (prior year: +0.1%) to € 48.7 billion is anticipated for telecommunication services. Sales of TC devices are set to grow by +2.8% (prior year: +0.3%) to € 11.6 billion. The telecommunication infrastructure business is forecast to grow the strongest at +3.2% (prior year: -2.4%) to € 7.1 billion. The industry association expects network operators to invest heavily in the future of their fixed-line (expansion of fiber-optics) and mobile communications (expansion of new 5G mobile communications standard) networks.

Market forecast: telecommunications market in Germany

in € billion	2021e	2020	Change
Sales	67.4	66.7	+ 1.0%

Source: Bitkom, Annual press conference, January 2021

Applications division

The Applications division comprises our activities in the two segments Consumer Applications and Business Applications.

Consumer Applications segment

Our applications for home users are pooled in the Consumer Applications segment. These mainly comprise 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.

Domains

By steadily developing our portfolio, we have expanded the GMX and WEB.DE brands – the most widely used e-mail providers in Germany for many years now – from pure e-mail service providers to complete command centers for the communication, information, and identity management needs of our users.

From e-mail service to command center for communication, information, and identity management

Communication and organisation
E-mail, calendar, contacts, SMS, Fax

Online office
Texts, spreadsheets, presentations

Cloud storage
For photos, videos, music and documents

De-Mail
Legally secure communication and identity management

Our consumer applications are nearly all developed in-house and run at the Group’s own data centers.

The products are offered as fee-based subscriptions (pay accounts) or 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.

Our ad-financed applications and fee-based consumer applications are marketed actively via the GMX and WEB.DE brands primarily in Germany, Austria, and Switzerland, where we are among the leading players.

Market standing in Germany

	E-mail[1]	eIDAS/ De-Mail	Cloud-storage[1]	Content[1]	ID
GMX WEB.DE mail.com	#1	#1	#2	#1	#3
Google	#2	-	#1	-	#1
Deutsche Telekom	#3	#2	#8	#3	n/a
Microsoft	#4	-	#5	#26	n/a
Facebook	n/a	-	n/a	n/a	#2

- Differentiation via data privacy and information security
- Ad space marketed by United Internet Media

(1) E-Mail and Cloud storage: Representative survey of Convios Consulting on behalf of United Internet, 2020 (privately most used e-mail / cloud provider in Germany)
Content: die medienanstalten, MedienVielfaltsMonitor 2020-I, Marktanteile Onlinemedien

Since the acquisition of the US provider mail.com, we have been driving our international expansion in this segment. In addition to the USA, mail.com targets other countries, such as the UK, France, and Spain.

In the fiscal year 2020, activities in the Consumer Applications segment continued to focus on the establishment of data-driven business models.

At the same time, our fee-based pay accounts (contracts) rose by 110,000 to 2.37 million in the fiscal year 2020. Ad-financed free accounts increased by 1.81 million to 39.40 million. The total number of Consumer Applications accounts therefore increased by 1.92 million to 41.77 million.

Development of Consumer Applications accounts in fiscal year 2020

in million	Dec. 31, 2020	Dec. 31, 2019	Change
Consumer Applications, total accounts	41.77	39.85	+ 1.92
thereof with Premium Mail subscription	1.63	1.54	+ 0.09
thereof with Value-Added subscription	0.74	0.72	+ 0.02
thereof free accounts	39.40	37.59	+ 1.81

With our strong and specialized brands, constantly growing portfolio of cloud applications, and already established business relationships with millions of home users, the Consumer Applications segment is well positioned to exploit the emerging opportunities in the cloud computing market for home users, as well as in the advertising-oriented big data business.

In the fiscal year 2021, we will once again focus on raising the number of fee-based customer relationships and further expanding our data-driven business models.

Business Applications segment

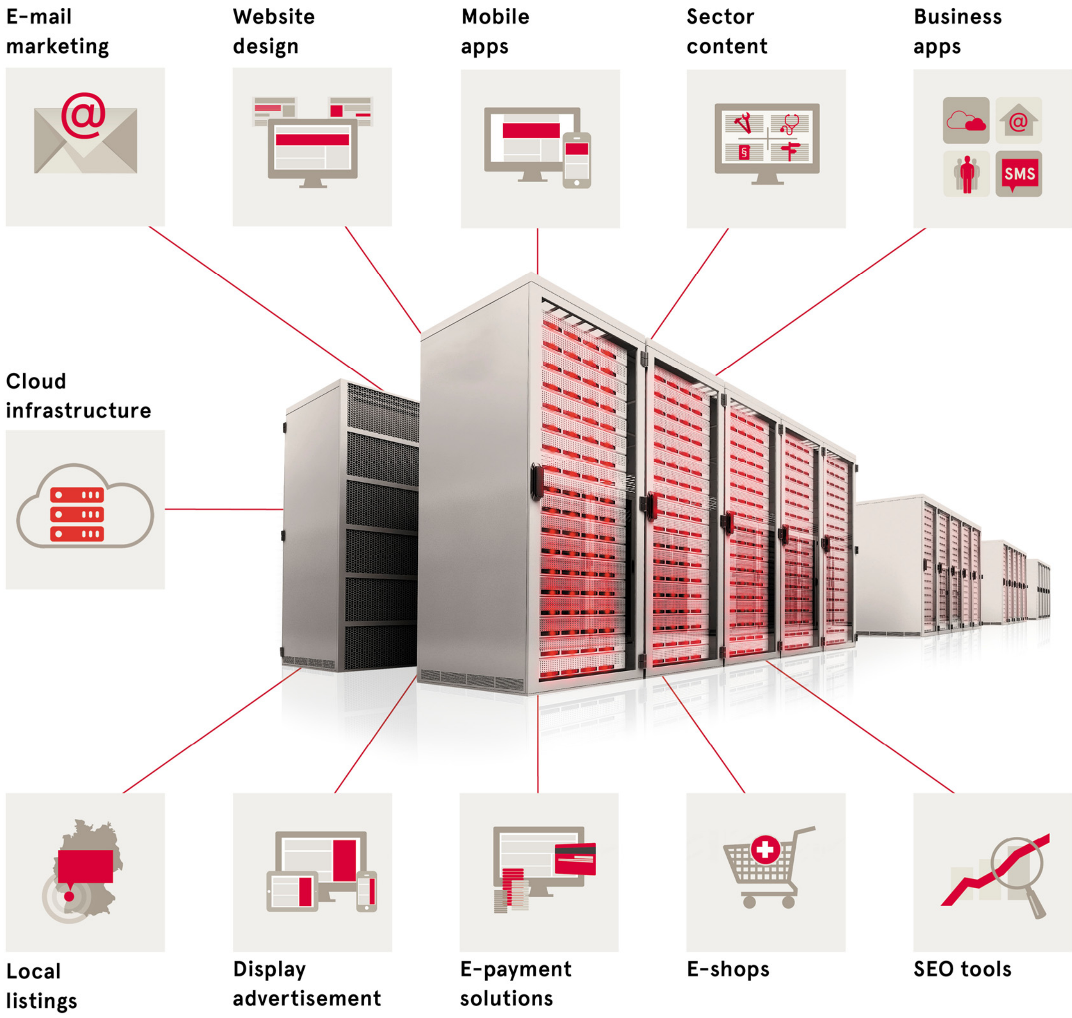
In the Business Applications segment, we open up online business opportunities for freelancers and SMEs, while also helping them to digitize their processes. We do this by offering a comprehensive range of powerful applications, such as domains, websites, web hosting, servers, cloud solutions, e-shops,

Webhosting, E-shops, Groupwork

group work, online storage (cloud), and office software, which our customers can use via subscription agreements.

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

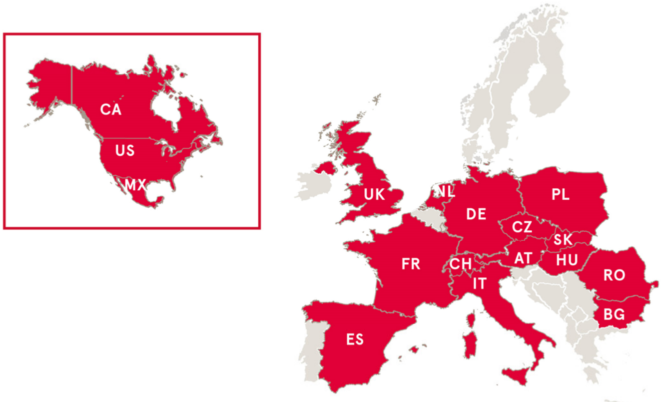
From web host to e-business solutions provider



Our business applications are developed at our in-house development centers or in cooperation with partner firms and run on over 90,000 servers at 10 data centers.

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

International footprint



- Broad product portfolio
- In-house developments and cooperation with development partners
- High-performance data centers

Our business applications are marketed to specific target groups via the differently positioned brands IONOS, Arsys, Fasthosts, home.pl, InterNetX, STRATO, united-domains and World4You. In addition, we offer our customers professional services in the field of active domain management via the Sedo brand, while we22 (acquired in early 2021) offers other hosting suppliers a white-label website builder for the creation of high-quality websites.

In the fiscal year 2020, the main focus in this segment was on the sale of additional features to existing customers (e.g., further domains, e-shops, and business apps), as well as the acquisition of high-value customer relationships. Due in part to time-limited discounted offers for new customers during the coronavirus crisis, the total number of fee-based Business Applications contracts was increased by 300,000 contracts in fiscal 2020. This growth resulted from 160,000 new contracts in Germany and 140,000 abroad. As a result, the total number of contracts rose to 8.45 million.

Development of Business Applications contracts in the fiscal year 2020

in million	Dec. 31, 2020	Dec. 31, 2019	Change
Business Applications, total contracts	8.45	8.15	+ 0.30
thereof in Germany	4.06	3.90	+ 0.16
thereof abroad	4.39	4.25	+ 0.14

With our strong and specialized brands, a steadily growing portfolio of cloud applications, and existing relationships with millions of home users, freelancers, and small businesses, we are also well positioned in our Business Applications segment to further exploit the domestic and international opportunities offered by the cloud computing market for business clients. In the Business Applications segment, the focus will continue to be on expanding business with existing customers and gaining new high-quality customer relationships in 2021.

The trend toward the increasing use of cloud applications is working in favor of our Applications division – both for Consumer and Business Applications.

In an update of its study "Forecast Analysis: Public Cloud Services, Worldwide, 2018-2024, 3Q20 Update" (September 2020), Gartner forecasts global growth for public cloud services of +18.4% from

USD 257.54 billion to USD 304.99 billion in 2021, following the pandemic-related slowdown of growth in 2020 (+6.1%).

Market forecast: global cloud computing

in $ billion	2021e	2020	Change
Global sales of public cloud services	304.99	257.54	+ 18.4%
thereof Application Infrastructure Services (PaaS)	55.49	43.82	+ 26.6%
thereof Application Services (SaaS)	117.77	101.48	+ 16.1%
thereof System Infrastructure Services (IaaS)	65.26	51.42	+ 26.9%
thereof Management and Security Services	17.00	14.88	+ 14.2%
thereof Business Process Services (BPaaS)	47.52	44.74	+ 6.2%
thereof Cloud Desktop as a Service (DaaS)	1.95	1.20	+ 62.5%

Source: Gartner, September 2020

The prospects for funding free applications via online advertising are also positive again. After the pandemic-related strong decline in online advertising of -4.7% in 2020, PricewaterhouseCoopers expects the market to recover in 2021 with total market growth (mobile advertising and desktop advertising) of +7.5% to € 8.7 billion.

The strongest growth is expected for video advertising and display advertising with increases of +16.9% and +8.7%, respectively.

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

in € billion	2021e	2020	Change
Online advertising revenues	8.70	8.09	+ 7.5%
thereof search marketing	3.51	3.40	+ 3.2%
thereof display advertising	2.63	2.42	+ 8.7%
thereof affiliate / classifieds	0.76	0.73	+ 4.1%
thereof video advertising	1.80	1.54	+ 16.9%

Source: PricewaterhouseCoopers, German Entertainment and Media Outlook 2020 – 2024, November 2020

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, 2020

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, 2020, 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.

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, there were only minor changes in the Group structure as of December 31, 2020.

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 Drillisch AG.

In its **Business Access segment**, United Internet mainly operates via 1&1 Versatel Deutschland GmbH – held by 1&1 Versatel GmbH (formerly prior to merger of United Internet Service Holding GmbH with 1&1 Versatel GmbH: United Internet Service Holding 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.

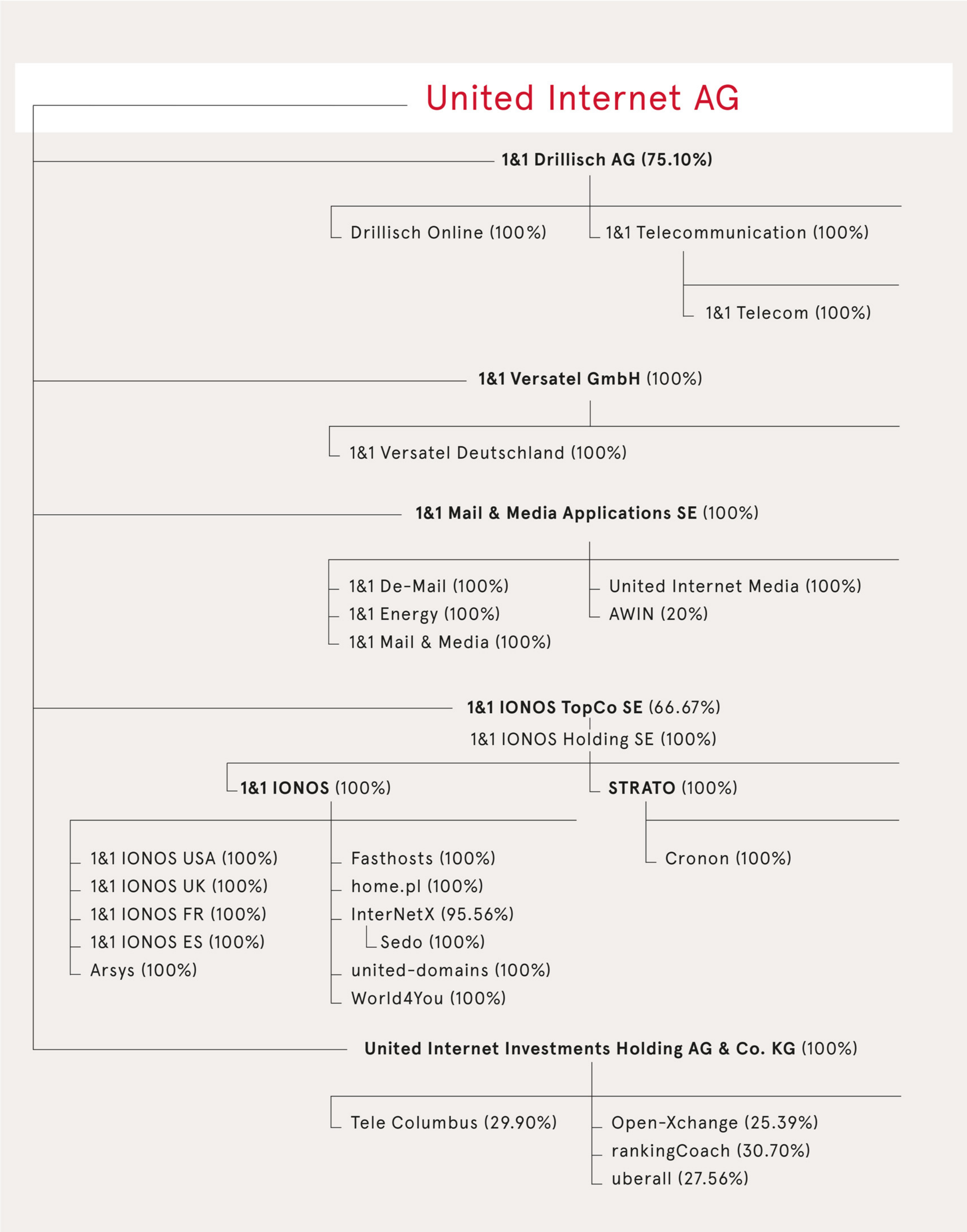
In its **Business Applications segment**, United Internet is primarily active via STRATO AG and its subsidiary Cronon GmbH – held by the holding companies 1&1 IONOS TopCo SE and 1&1 IONOS Holding SE – as well as via 1&1 IONOS SE and its main domestic and foreign subsidiaries. These include – in addition to the foreign subsidiaries 1&1 IONOS Inc. (USA), 1&1 IONOS Ltd. (UK), 1&1 IONOS S.A.R.L. (France), and 1&1 IONOS España S.L.U. (Spain) – in particular Arsys Internet S.L.U. (Spain), Fasthosts Internet Ltd. (UK), home.pl S.A. (Poland), InterNetX GmbH, Sedo GmbH, united-domains AG, and World4You Internet Services GmbH (Austria).

In addition to these operative and fully consolidated subsidiaries, United Internet held a number of other **investments** as of December 31, 2020. These mainly consist of equity interests – held by United Internet Investments Holding AG & Co. KG – in the listed company Tele Columbus AG, Berlin (29.90%), as well as investments in the strategic partners Open-Xchange AG, Cologne (25.39%), rankingCoach International GmbH, Cologne (30.70%), and uberall GmbH, Berlin (27.56%). In addition, United Internet holds shares in AWIN AG, Berlin (20.00%), via 1&1 Mail & Media Applications SE – following the contribution of affilinet to Awin in 2017.

see page 57

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, 2020 – is shown in the following chart.



Business operations

With 25.65 million fee-based customer contracts (prior year: 24.74 million) and 39.40 million ad-financed free accounts (prior year: 37.59 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 (1&1 Versatel) and connects the "last mile" of its VDSL/vectoring connections (FTTC = Fiber-to-the-Curb) mainly via the Broadband Network Gateway (BNG)/Layer 2 infrastructure of Deutsche Telekom (or Layer 3 outside its own fiber-optic network). In the case of direct fiber-optic connections (FTTH = Fiber-to-the-Home), the "last mile" is connected via the FTTH home connections of leading city carriers and Deutsche Telekom (as of April 1, 2021). 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 Drillisch AG, acquired in 2017 – 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 2019, United Internet also successfully participated in the 5G spectrum auction 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 foundation was thus laid for the development of the Company's own powerful mobile communications network in order to also extend its added value in this market – as in its landline market. In February 2021, 1&1 Drillisch decided to accept Telefónica Germany`s offer – that was improved following review by the EU Commission – for national roaming. The conclusion of an agreement, which is expected by approx. mid-May 2021, would be a further important prerequisite for the planned rollout of the Company's own network. 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.

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 around 50,900 km, which is one of the largest networks in Germany and is constantly being expanded.

In addition, 1&1 Versatel offers 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 in late 2010, 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.

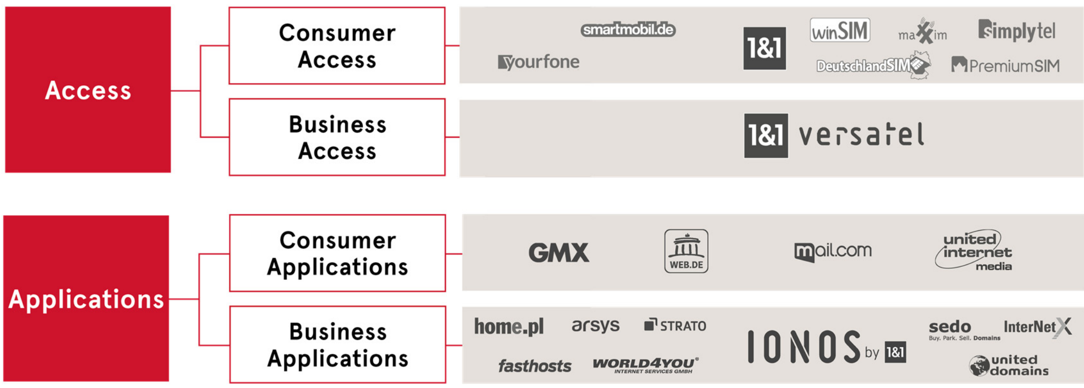
Based on its tried and tested, million-selling hosting packages, the Company has expanded its product range over the past few years with the addition of numerous cloud-based e-business solutions.

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 (including Germany, France, the UK, Italy, the Netherlands, Austria, Poland, Switzerland, and Spain) and North America (Canada, Mexico, and the USA).

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 (acquired on February 1, 2021) offers other hosting suppliers a white-label website builder for the creation of high-quality websites.

Divisions, segments and brands (as of: December 31, 2020)



Management

The **Management Board** of United Internet AG comprised the following members in the fiscal year 2020:

Management Board members as at December 31, 2020

- Ralph Dommermuth, founder and Chief Executive Officer
  (with the Company since 1988)

- Martin Mildner, Chief Financial Officer
  (with the Company since October 1, 2020)

Departed in the fiscal year 2020

- Frank Krause, Chief Financial Officer
  (member of the Management Board from July 1, 2015 to September 30, 2020)

Frank Krause, Chief Financial Officer of United Internet AG, informed the Supervisory Board in May 2020 that he did not intend to extend his Management Board contract, which expired at the end of 2020. Mr. Krause left United Internet after five years at his own request to take on new professional challenges.

As his successor, the Company's Supervisory Board was able to recruit Mr. Martin Mildner, the former General Counsel and Group Vice President M&A of the Otto Group, who took over responsibility for the position of Chief Financial Officer of United Internet AG as of October 1, 2020.

Together with the Otto Group Executive Board, Mr. Mildner actively shaped and significantly developed the company portfolio of the Otto Group over the past 13 years. He played a leading role in many company transactions, such as the support of About You from the first beginnings in 2012 to Unicorn in 2018, the sale of the 3Suisse Group, Fegro Selgros, Otto Office or Sport Scheck. In addition, he continuously developed the Group Legal Department and the Group-wide Compliance Management System of the Otto Group.

The Supervisory Board of United Internet AG was re-elected by the Annual Shareholders' Meeting 2020 and expanded to six members.

The **Supervisory Board** of United Internet AG comprised the following members in the fiscal year 2020:

Supervisory Board members as at December 31, 2020

- Kurt Dobitsch, chair
  (since 1998)

- Michael Scheeren, deputy chair
  (from May 2002 to May 2020 and since July 2020)

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

- Dr. Manuel Cubero del Castillo-Olivares
  (since May 2020)

- Philipp von Bismarck
  (since July 2020)

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

Departed in the fiscal year 2020

- Kai Uwe Ricke
  (from February 2008 to May 2020)

Main markets and competitive standing

Germany is the most important **sales market** of the United Internet Group by far and accounted for over 91% of total global sales in the fiscal year 2020.

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 (now 1&1 Drillisch) 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 approximately 50,900 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 12 countries with its hosting and cloud applications. The Company has long been the market leader in Germany – 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 and cloud 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 in the aforementioned countries. All in all, therefore, United Internet is also one of the leading European suppliers of hosting and cloud 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 one of the leading companies in this business.

Main locations

As of December 31, 2020, the United Internet Group employed a total of 9,638 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 Telecommunication
Karlsruhe	Corporate functions	United Internet
	Consumer Access	1&1 Telecommunication
	Consumer Applications	1&1 Mail & Media Applications
	Business Applications	1&1 IONOS
Berlin	Consumer Access	1&1 Telecommunication
	Business Access	1&1 Versatel
	Business Applications	1&1 IONOS, Strato
Zweibrücken	Consumer Access	1&1 Telecommunication
	Business Applications	1&1 IONOS
Cebu City (Philippines)	Business Applications	1&1 IONOS
Munich	Consumer Access	1&1 Drillisch
	Consumer Applications	1&1 Mail & Media Applications
Madrid / Logroño (Spain)	Business Applications	1&1 IONOS, Arsys
Szczecin (Poland)	Business Applications	home.pl
Dusseldorf	Business Access	1&1 Versatel
Flensburg	Business Access	1&1 Versatel
Krefeld	Consumer Access	1&1 Drillisch
Gloucester (UK)	Business Applications	1&1 IONOS, Fasthosts
Bucharest (Romania)	Business Applications	1&1 IONOS
Maintal	Consumer Access	1&1 Drillisch
Dortmund	Business Access	1&1 Versatel
Essen	Business Access	1&1 Versatel
Chesterbrook / Lenexa (USA)	Business Access	1&1 IONOS
Regensburg	Business Applications	InterNetX
Stuttgart	Business Access	1&1 Versatel
Cologne	Business Applications	Sedo
Starnberg	Business Applications	united-domains
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 65 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".

see pages 57 and 76

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

see page 93

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.

IFRS

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.

see page 57

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.

see page 217

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.

see page 110

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 2020 were unchanged from the previous year.

see page 57 and page 76

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. 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 roll-out 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), over 3,000 programmers, product managers, and technical administrators (corresponding to around 31% 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 2020

Consumer Access

- Launch of a fiber-optic gigabit tariff for home users
- Development of a new "IPTV application" for smart TVs based on Tizen/Samsung
- Expansion of streaming options for IPTV users from 3 to 4 parallel streams
- Introduction of a process for the marketing and installation of Apple Smart Watches with LTE and E-SIM in cooperation with Apple and Telefónica

Business Access

- Launch of standard fiber-optic products with bandwidths above 1 Gbit/s for business customers
- Convergent city network planning in conjunction with new contingent contract for FTTH advance services of Deutsche Telekom
- Further network expansion to become a multi-service network
- Performance increase by means of a new coherent optical line system for the multi-service core
- Further expansion of the multi-tenant / connected building service

Consumer Applications

- New cloud functions in WEB.DE Mail app
- Launch of letter notification by e-mail in cooperation with Deutsche Post
- Expansion of big data platform via centralized big data hub
- Expansion of Smart Inbox with additional use cases: contract recognition, social media and newsletter detection

Business Applications

IONOS

- Start of Private Cloud powered by VMWare, including Intel Scalable CPU with Optane technology
- 10G speed for Intel Scalable Bare Metal Servers
- Introduction of Cloud PBX with integration in MS Teams for collaboration and voice services
- Repositioning of Managed Wordpress
- Launch of MyWebsite NOW – section-based web builder for easy website creation
- Launch of new website design services
- Expansion of eCommerce portfolio with addition of social & CMS features
- Launch of video chat solution
- Certification of mail archiving according to IDW PS 880 (audit of software products)
- Expansion of mail archiving to MS Hosted Exchange as well as external "non IONOS" mailboxes
- Launch of MyBackup as "multi-device" backup solution with solution partner Acronis

- Upgrade of VPS packages (extension vCore, RAM and SSD as well as launch of RAM-optimized packages)
- Development of an efficient implementation of the Tier IV Uptime Institute standard, which is being implemented for the first time in the new UK data center
- Continuous improvement and rollout of the Global Scrubbing platform to defend against Distributed Denial of Service (DDoS) attacks
- Development of an IONOS-specific optimized hardware platform for servers and storages
- DC power supply and liquid cooling to optimize energy efficiency of the data center
- Expansion of dual vendor backbone to 100G speed (first multi-100G/200G connections in operation)
- Development and launch of a customer management and project dashboard for the IONOS partner portal

STRATO

- Launch of MySQL databases deployed via the IONOS WaaS MyQSL platform
- Mail archiving certified according to IDW PS 880 (audit of software products)
- Launch of a mail validator to check the authenticity of an e-mail from STRATO

Arsys

- Integration of Arsys into IONOS hosted exchange platform
- Integration of an SAP HANA platform into Arsys CloudBuilder

2. ECONOMIC REPORT

2.1 General economic and sector conditions

General economic development

As a result of the coronavirus pandemic, the International Monetary Fund (IMF) already downgraded its growth forecasts for the global economy in 2020 after the first quarter of 2020. In its updated outlook (World Economic Outlook, Update April 2020), the IMF drastically reduced its forecast by -6.3 percentage points (compared to its January outlook) to -3.0%. The IMF was thus already anticipating the worst recession since the Great Depression of the 1930s.

In its latest update on January 26, 2021, the IMF reported – based on preliminary calculations – a decline for the **global economy** of -3.5% in 2020. Growth was thus well below the prior-year figure (+2.8%) and also 6.8 percentage points below the IMF's outlook in January 2020 (+3.3%).

The Fund also downgraded its forecasts for the United Internet Group's target markets in North America during the past year. Its most recent forecast is a decline of -3.4% for the **USA** (prior year: +2.2%), and thus 5.4 percentage points lower than in its January outlook. The forecast of -5.5% for **Canada** (prior year: +1.9%) is 7.3 percentage points less than originally expected. And for **Mexico**, the IMF forecasts a decline in economic output of -8.5% (prior year: -0.1%), and thus 9.5 percentage points lower than at the beginning of the year.

The picture is similar in United Internet's important **eurozone** region. The IMF has also drastically downgraded its forecast for the region and now expects economic output to fall by -7.2% (prior year: +1.3%) – 8.5 percentage points less than in January. The forecast for **France** was downgraded to -9.0% (prior year: +1.5%), for **Italy** to -9.2% (prior year: +0.3%), and for **Spain** to -11.1% (prior year: +2.0%). This corresponds to a decrease of 10.3 percentage points for France, 9.7 percentage points for Italy, and 12.7 percentage points for Spain compared to the January outlook.

For the **UK**, the IMF now expects a recession of -10.0% (prior year: +1.4%), and thus 11.4 percentage points lower than at the beginning of the year.

The IMF also downgraded its economic forecast for **Germany** – United Internet's most important market by far (sales share 2020: over 91%) – by 6.5 percentage points during the past year and expects economic output to fall by -5.4% (prior year: +0.6%).

The IMF's calculations for Germany are below the preliminary figures of the country's Federal Statistics Office (Destatis), which calculated a (price adjusted) decline in gross domestic product (GDP) of -5.0% (prior year: +0.6%). Following ten years of growth, the German economy thus entered into a severe recession in the corona crisis year 2020, similar to that of the global financial and economic crisis of 2008/2009. However, the economic decline was less severe than the recession of -5.7% in 2009. After price and calendar adjustments, German GDP fell by -5.3% in 2020, as the past year had more working days than 2019.

Changes in growth forecasts made during 2020 for United Internet's key target countries and regions

	January forecast	April forecast	June forecast	October forecast	Actual 2020	Change on January forecast
World	3.3%	-3.0%	-4.9%	-4.4%	-3.5%	-6.8%-points
USA	2.0%	-5.9%	-8.0%	-4.3%	-3.4%	-5.4%-points
Canada	1.8%	-6.2%	-8.4%	-7.1%	-5.5%	-7.3%-points
Mexico	1.0%	-6.6%	-10.5%	-9.0%	-8.5%	-9.5%-points
Eurozone	1.3%	-7.5%	-10.2%	-8.3%	-7.2%	-8.5%-points
France	1.3%	-7.2%	-12.5%	-9.8%	-9.0%	-10.3%-points
Spain	1.6%	-8.0%	-12.8%	-12.8%	-11.1%	-12.7%-points
Italy	0.5%	-9.1%	-12.8%	-10.6%	-9.2%	-9.7%-points
UK	1.4%	-6.5%	-10.2%	-9.8%	-10.0%	-11.4%-points
Germany	1.1%	-7.0%	-7.8%	-6.0%	-5.4%	-6.5%-points

Source: International Monetary Fund, World Economic Outlook (Update), January 2021

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

	2016	2017	2018	2019	2020	YoY change
World	3.2%	3.7%	3.6%	2.8%	-3.5%	-6.3%-points
USA	1.5%	2.3%	2.9%	2.2%	-3.4%	-5.6%-points
Canada	1.4%	3.0%	1.9%	1.9%	-5.5%	-7.4%-points
Mexico	2.9%	2.0%	2.1%	-0.1%	-8.5%	-8.4%-points
Eurozone	1.8%	2.4%	1.9%	1.3%	-7.2%	-8.5%-points
France	1.2%	1.8%	1.7%	1.5%	-9.0%	-10.5%-points
Spain	3.3%	3.1%	2.4%	2.0%	-11.1%	-13.1%-points
Italy	0.9%	1.6%	0.8%	0.3%	-9.2%	-9.5%-points
UK	1.9%	1.7%	1.3%	1.4%	-10.0%	-11.4%-points
Germany	1.9%	2.5%	1.5%	0.6%	-5.4%	-6.0%-points

Source: International Monetary Fund, World Economic Outlook (Update), January 2021

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

	2016	2017	2018	2019	2020	YoY change
GDP	2.2%	2.6%	1.3%	0.6%	-5.0%	-5.6%-points

Source: Destatis, January 2021

Development of sector / core markets

At its annual press conference (January 13, 2021), the industry association Bitkom forecast a decline of -0.6% (prior year: +1.9%) to € 169.8 billion for the German **ICT market** in 2020. At the beginning of 2020, and thus prior to the coronavirus pandemic, the association had still anticipated revenue growth of +1.5%. Despite the decline, the German ICT sector has thus come through the coronavirus crisis comparatively well so far.

The decline in the overall ICT market resulted in particular from falling **information technology** sales. According to Bitkom's 2020 forecast, sales in this largest submarket fell by -0.7% (prior year: +4.0%) to € 94.6 billion – after growth of +2.7% had been expected at the beginning of the year. The individual segments developed very differently: +3.2% for IT hardware (prior year: +3.2%), -1.0% for software (prior year: +7.3%), and -3.2% for IT services (prior year: +2.4%). The consistently positive development of IT hardware – despite the pandemic – also resulted from United Internet's strongly growing core business, cloud computing, as IT infrastructure is increasingly rented instead of purchased. The Infrastructure-as-a-Service subsegment (i.e., business with rented servers, network and storage capacities) grew by 39.5% to € 2.1 billion in 2020.

The **telecommunications** submarket had a stabilizing effect on the overall ICT market. For this second core market of United Internet, the industry association expects only a moderate decline of -0.1% (prior year: +0.1%) to € 66.7 billion – after growth of +1.0% was expected at the beginning of the year. The individual segments of the telecommunications market also developed quite differently: +0.3% for user devices (prior year: +0.1%), +0.1% for telecommunication services (prior year: -0.1%), and -2.4% for infrastructure (prior year: +1.5%).

The smallest sub-market, **consumer electronics** (of no significance for United Internet) continued its decline with a further strong decrease in sales of -3.0% (prior year: -5.6%) to € 8.5 billion. According to Bitkom, even the pandemic-related boom in individual product segments (e.g., game consoles, wearables and headsets) was unable to halt this downward slide.

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

VATM

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 1.0 million, or 2.8%, to 36.2 million in 2020, 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 "22nd TC Market Analysis for Germany 2020" (October 2020). 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 25.6 million and by 0.4 million to 1.9 million. The number of cable connections rose by 0.3 million to 8.7 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 2020 were slightly up (+0.6%) on the previous year (€ 32.8 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 25.0% to 168.1 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 6.4 percentage points, from 40.3% in the previous year to 46.7% in 2020.

Key market figures: fixed-line in Germany

	2020	2019	Change
Fixed-line revenues (in € billion)	33.0	32.8	+ 0.6%

Source: Dialog Consult / VATM, TC Market Analysis for Germany 2020, October 2020

Mobile internet market in Germany

According to estimates of Dialog Consult/VATM in their joint report "22nd TC Market Analysis for Germany 2020", the number of active SIM cards in the German mobile communications market increased by 8.6 million, or 6.1%, to 148.7 million in 2020. This growth is attributable to so-called M2M SIM cards (machine-to-machine SIM cards), which are used, for example, for the automated exchange of information between machines, vending machines, vehicles, etc. and/or with a central control station, which increased by 9.5 million to 39.1 million. By contrast, the number of personal SIMs decreased by 0.9 million to 109.6 million.

At the same time, mobile revenues rose by +1.6% to € 25.9 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 45.4% to 3.0 GB. At the same time, the number of SIM cards suitable for use in the faster 4G/5G networks rose by 12.9 million to 75.4 million, while 2G/3G SIM cards fell by 13.8 million to 34.2 million.

Key market figures: mobile communications in Germany

	2020	2019	Change
Mobile revenues (in € billion)	25.9	25.5	+ 1.6%

Source: Dialog Consult / VATM, TC Market Analysis for Germany 2020, October 2020

Global cloud computing market

There was also further dynamic growth in the cloud computing market in 2020. In an update of its study "Forecast Analysis: Public Cloud Services, Worldwide, 2018-2024, 3Q20 Update" (September 2020), Gartner Inc. forecast global growth for public cloud services of +6.1% in 2020, from USD 242.69 billion to USD 257.54 billion.

The market benefited from a "digitization drive" among companies and public authorities as a result of the coronavirus pandemic and the associated lockdowns. On the other hand, cost-cutting measures introduced by companies and public authorities (delays in tenders and order placement) in some areas as a result of the global pandemic-related recession had the effect of restricting growth. As a result, the aforementioned market growth of +6.1% was significantly lower than in the previous year (+22.0%).

It should be noted that cloud computing is no short-term trend, but represents a fundamental shift in the provision and use of IT services. The aforementioned figures indicate the dynamic potential of this market. IT users get better services for less money with cloud computing. Small and mid-size companies in particular can gain access to IT applications which only major corporations could afford in the past.

Key market figures: cloud computing worldwide

in $ billion	2020	2019	Change
Global sales of public cloud services	257.54	242.69	+ 6.1%
thereof Application Infrastructure Services (PaaS)	43.82	37.51	+ 16.8%
thereof Application Services (SaaS)	101.48	102.06	-0.6%
thereof System Infrastructure Services (IaaS)	51.42	44.46	+ 15.7%
thereof Management and Security Services	14.88	12.84	+ 15.9%
thereof Business Process Services (BPaaS)	44.74	45.20	-1.0%
thereof Cloud Desktop as a Service (DaaS)	1.20	0.62	+ 93.5%

Source: Gartner, September 2020

German online advertising market

In its study "German Entertainment and Media Outlook 2020 – 2024" (November 2020), the auditing and consultancy company PricewaterhouseCoopers forecasts a decline in revenues of the German online advertising market of -4.7% to a total of € 8.09 billion in 2020.

PricewaterhouseCoopers believes that this sharp decline is due to lower prices – as a result of the coronavirus pandemic – and the short-term suspension and cancelation of advertising campaigns due to fears of liquidity bottlenecks. PricewaterhouseCoopers thus also sees confirmation of the general trend that, in times of recession, reducing advertising budgets is often the first cost-cutting measure to be taken. Sectors such as tourism and clothing, which have been particularly hard hit by the pandemic, reduced their budgets more sharply than others. In addition, online advertising campaigns can be canceled, suspended, or postponed more flexibly than traditional advertising.

The decline was primarily attributable to desktop advertising, which fell by -8.3% to € 4.22 billion. Mobile advertising, on the other hand, declined by "just" -0.5% to € 3.87 billion.

In terms of advertising formats, display advertising (-10.0%) and affiliates/classifieds (-8.8%) in particular suffered the sharpest declines of the overall market.

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

in € billion	2020	2019	Change
Online advertising revenues	8.09	8.49	-4.7%
thereof search marketing	3.40	3.45	-1.4%
thereof display advertising	2.42	2.69	-10.0%
thereof affiliate / classifieds	0.73	0.80	-8.8%
thereof video advertising	1.54	1.55	-0.6%

Source: PricewaterhouseCoopers, German Entertainment and Media Outlook 2010 – 2024, November 2020

Legal conditions / significant events

Legal conditions

The legal parameters for United Internet's business activities remained largely unchanged from the previous year in 2020 and thus had no significant influence on the development of the United Internet Group.

Significant events

Coronavirus pandemic

As a result of the coronavirus pandemic, the International Monetary Fund (IMF) already drastically downgraded its growth forecasts for the global economy in 2020 by -6.3 percentage points to -3.0% after the first quarter of 2020. The IMF was thus already anticipating the worst recession since the Great Depression of the 1930s. Ultimately, the IMF forecast a decline of -3.5% for the global economy, -7.2% for the eurozone economy, and -5.4% for the German economy.

Despite its stable and largely non-cyclical business model, United Internet's business activities in the fiscal year 2020 were also affected by the economic impact of the coronavirus pandemic – albeit to a much lesser extent than other sectors and companies. United Internet's Consumer Access and Consumer Applications segments were negatively impacted by the pandemic, while the Business Access segment recorded slightly positive effects. For the Group as a whole, this resulted in negative sales effects of € -25.1 million and negative earnings effects of € -27.2 million. United Internet did not experience any increase in payment defaults as a result of the pandemic.

- Consumer Access

  Whereas the temporary change in customer behavior caused by the coronavirus pandemic (especially in the field of telephony (voice), due in part to work-from-home regulations and shelter-in-place restrictions) had a positive impact on sales of the Consumer Access segment in the first quarter of 2020, this was outweighed by burdens on sales (especially from reduced international roaming revenue) due to strict temporary travel restrictions for customers in this segment in the following quarters. All in all, there was a resulting negative sales effect of € -24.1 million. At the same time, the aforementioned temporary change in customer usage patterns (particularly in the field of telephony and international roaming) had a negative impact on segment earnings of € -25.2 million (compared to 2020 planning). There were no negative effects in the form of increased payment defaults.

- Business Access

  By contrast, positive effects from increased telephony (voice) business as a result of the coronavirus pandemic, led to an additional € +3.8 million in sales and € +1.6 million in EBITDA in the Business Access segment.

- Consumer Applications

  In the Consumer Applications segment, online advertising business in the second quarter in particular, and to some degree also in the third quarter, of 2020 was affected by a decline in the online advertising market due to the marked restraint of many advertisers during the coronavirus pandemic. The loss of marketing business caused by the pandemic impacted sales by a total of € -4.8 million and earnings by € -3.6 million.

Negotiations for a national roaming agreement

In addition to operating activities, the fiscal year 2020 was dominated by preparations for the construction of the Company's own mobile communications network and the ongoing negotiations for a national roaming agreement needed for the transition period during which 1&1 Drillisch gradually establishes the network. In an ad-hoc announcement on February 15, 2021, 1&1 Drillisch reported that it had accepted Telefónica Germany's offer – improved following a review by the EU Commission – for national roaming and the related MBA MVNO advance services. The conclusion of an agreement, which Telefónica's offer expects by approx. mid-May 2021, would constitute an essential prerequisite for the planned rollout of a high-performance 5G mobile communications network.

Bundesnetzagentur, TAL

The prices offered in the national roaming agreement are to apply retroactively from July 2020, also for the existing MBA MVNO agreement. Telefónica had invoiced consistently high advance service prices for the MBA MVNO agreement since July 2020, whereas advance service prices before July 2020 had previously always fallen. This had a negative impact on earnings of the fiscal year 2020.

Telefónica's national roaming offer is now based again on the pricing mechanisms of the first five years of the MBA MVNO agreement. In particular, the offer again includes annually decreasing data prices, which are lower than the prices currently charged under the MBA MVNO agreement. Based on the period July 1 to December 31, 2020, the conclusion of the agreement would have a positive earnings effect for 1&1 Drillisch of approx. € 34.4 million, which would be recognized as income relating to other periods in the fiscal year 2021.

Status of price adjustment process

In its financial reporting, 1&1 Drillisch announced that certain advance service prices are the subject of several arbitration proceedings initiated by 1&1 Drillisch, in the course of which 1&1 Drillisch expects binding decisions on the type and amount of permanent price adjustments in the form of retroactively lower advance service prices. In the arbitration proceedings to review a one-time price increase of around € 64 million implemented by Telefónica in December 2018 with reference to the 2015 spectrum auction, the arbitrator submitted the final expert opinion on December 17, 2020. The arbitrator concludes that this price increase is unjustified in full for the period under review (2016 to 2020). Accordingly, it does not lead to any payment obligation on the part of 1&1 Drillisch. Otherwise, there are no more pending arbitration proceedings initiated by Telefónica.

Conversely, in its price adjustment proceedings 2, 5, and 6, 1&1 Drillisch demands significant reductions in the advance service prices of the MBA MVNO contract from Telefónica with retroactive effect.

New combined VDSL/FTTH agreement with Deutsche Telekom

On February 15, 2021, United Internet announced that its subsidiary 1&1 Drillisch AG planned to expand its fiber-optic offering and would in future receive VDSL and FTTH advance services (fiber to the home/FTTH) from its affiliate 1&1 Versatel. For this purpose, 1&1 Drillisch has entered into an agreement with 1&1 Versatel on 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 has entered into an agreement with Deutsche Telekom on the use of Deutsche Telekom's FTTH and VDSL connections for households. These enable 1&1 Versatel to provide FTTH/VDSL complete packages for 1&1 Drillisch, as 1&1 Versatel's nationwide transport network is largely connected to the local broadband networks of Deutsche Telekom.

In addition to the existing access to FTTH connections of well-known city carriers, 1&1 Versatel thus gets 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 the coming years.

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).

Given the advantages of the new combined VDSL/FTTH agreement, the existing purely VDSL advance service agreement between 1&1 Drillisch and Deutsche Telekom will be prematurely terminated by mutual agreement of the parties. As the premature termination of the agreement and the swift conclusion of the new agreement had already been sufficiently specified as at the reporting date, the 1&1 Drillisch subgroup wrote off deferred expenses (amounting to € 129.9 million) in the fiscal year 2020 due to a revised estimate of the remaining term of the agreement. The one-off special item has no cash effect and will be clearly exceeded by the positive effects from the expanded cooperation with Deutsche Telekom in the long-run.

The new FTTH/VDSL agreement with Deutsche Telekom is subject to approval by the Federal Network Agency ("Bundesnetzagentur") as the competent regulatory authority.

There were no other significant events in fiscal 2020 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. 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 with the unadjusted financial 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 the coronavirus pandemic) in the fiscal years 2019 and 2020 were not adjusted but are disclosed 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 2020

United Internet AG maintained its growth trajectory in the fiscal year 2020 and reached its forecast of September (EBITDA) and November 2020 (sales).

Forecast development

United Internet published its guidance for the fiscal year 2020 in its Annual Financial Statements 2019 and specified or adjusted them during 2020 as follows:

	Actual 2019	Forecast 2020 (March 2020[1])	Specification (August 2020[2])	Adjustment (September 2020[3])	Specification (November 2020[4])
Sales	€ 5.194 billion	Prior-year level	approx. + 4%	approx. + 4%	approx. + 3%
EBITDA	€ 1.266 billion	Prior-year level	Prior-year level	€ 1.180 billion	€ 1.180 billion

(1) Against the backdrop of uncertain macroeconomic conditions due to the continued spread of the coronavirus, United Internet AG expected sales and EBITDA for the fiscal year 2020 to be approximately on a par with the previous year
(2) Against the backdrop of business development in 2020 up to this date, United Internet AG updated its full-year sales guidance
(3) Against the backdrop of a significant price increase for 1&1 Drillisch's use of Telefónica's network capacities as of July 2020, United Internet AG downgraded its full-year EBITDA guidance as a precautionary measure
(4) Against the backdrop of a reduced willingness among existing customers of 1&1 Drillisch to change tariffs and the resulting lower sales of smartphones and tablets, United Internet AG updated its full-year sales guidance

Actual development

In the fiscal year 2020, **consolidated sales** rose by 3.3%, from € 5.194 billion in the previous year to € 5.367 billion and were thus slightly above the last forecast (approx. + 3%), or € 173 million and thus 3.3% above the original forecast (March guidance).

Without consideration of a one-off, non-cash special item of € 129.9 million from the write-off of still available VDSL contingents, operational **consolidated EBITDA** for the fiscal year 2020 amounted to € 1.179 billion (acc. to IFRS 16) and was thus within the anticipated target range of the last forecast (approx. € 1.180 billion), or € 87 million and thus 6.9% below the original forecast (March guidance).

Summary: actual and forecast development of business in 2020

	Actual 2019	Forecast 2020 (November 2020)	Actual 2020
Sales	€ 5.194 billion	approx. + 3%	+ 3.3%
EBITDA (operating)	€ 1.244 billion	€ 1.180 billion	€ 1.179 billion

see page 48

Further information on the above mentioned special item 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".

see page 34

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 2020. The total number of **fee-based contracts** in the Consumer Access segment rose by 500,000 contracts to 14.83 million in 2020. Broadband connections decreased slightly by 30,000 to 4.31 million, while mobile internet contracts increased by 530,000 to 10.52 million.

Development of Consumer Access contracts in the fiscal year 2020

in million	Dec. 31, 2020	Dec. 31, 2019	Change
Consumer Access, total contracts	14.83	14.33	+ 0.50
thereof Mobile Internet	10.52	9.99	+ 0.53
thereof broadband connections	4.31	4.34	-0.03

Development of Consumer Access contracts in the fourth quarter of 2020

in million	Dec. 31, 2020	Sept. 30, 2020	Change
Consumer Access, total contracts	14.83	14.68	+ 0.15
thereof Mobile Internet	10.52	10.36	+ 0.16
thereof broadband connections	4.31	4.32	-0.01

Sales of the Consumer Access segment rose by 3.1% in 2020, from € 3,647.5 million in the previous year to € 3,759.0 million. Whereas the temporary change in customer behavior caused by the coronavirus pandemic (especially in the field of telephony, due in part to work-from-home regulations and shelter-in-place restrictions) still had a positive impact on sales in the first quarter of 2020, this was outweighed in the second and third quarters by burdens on sales (especially from reduced international roaming revenue) due to severely restricted travel possibilities for customers in this segment. All in all, there was a resulting negative effect on sales of € -24.1 million. Adjusted for this effect, **like-for-like sales** rose by 3.7%.

Despite the fall in international roaming revenue, high-margin **service revenues** – which represent the core business of this segment – rose by 2.6% from € 2,943.0 million to € 3,020.0 million. Low-margin **hardware sales** (customers pay no or only a low one-off price when signing contracts and the device is refinanced via higher tariff prices over the contract term) increased by 4.9% from € 704.5 million to € 739.0 million – even though the third and fourth quarters were well below target due to fewer tariff changes among existing customers.

In fiscal year 2020, segment earnings were burdened by a **one-off, non-cash write-off** of € 129.9 million for existing VDSL contingents. Details are provided in chapter 2 "Economic report" under "Legal conditions / significant events".

see page 48

see page 48

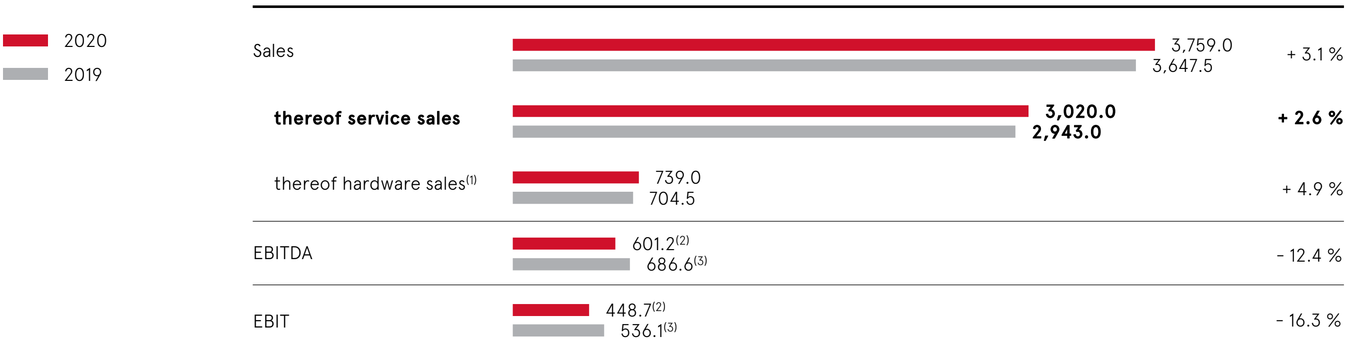
Even without consideration of this special item, **segment EBITDA** of € 601.2 million fell short of the prior-year figure (€ 686.6 million). This was mainly due to a price increase introduced by Telefónica on July 1, 2020 for the use of its network capacity. Details are provided in chapter 2 "Economic report" under "Legal conditions / significant events".

In addition to this price rise, which will be reduced retroactively by € 34.4 million on conclusion of the national roaming agreement (out-of-period recognition in fiscal 2021), earnings were burdened by negative effects from regulatory decisions of the EU on SMS tariffs (since May 15, 2019) and of Germany's Federal Network Agency regarding subscriber line charges (since July 1, 2019) with a total impact of € -13.7 million. Moreover, the initial costs for the construction of the Company's own 5G mobile communications network rose to € -13.9 million (prior year: € -5.7 million). By contrast, one-off costs for integration projects declined to € -1.1 million (prior year: € -3.2 million). On top of this, the temporary change in customer behavior caused by the coronavirus pandemic in the fiscal year 2020 (especially for telephony and international roaming due in part to work-from-home regulations, shelter-in-place restrictions, and greatly reduced travel) also burdened segment earnings by € -25.2 million (compared to 2020 planning). Adjusted for the one-off, non-cash write-off and the aforementioned effects, **like-for-like EBITDA** amounted to € 689.5 million (prior year: € 695.5 million).

Due to the above mentioned burdens on earnings, **segment EBIT** of € 448.7 million (without consideration of the special item) was also down on the prior-year figure (€ 536.1 million).

The number of **employees** in this segment rose by 0.9% to 3,191 in 2020 (prior year: 3,163).

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



(1) Hardware sales incl. small amount of other sales
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -1.1 million); excluding write-off of VDSL contingents that are still available (EBITDA and EBIT effect: € -129.9 million)
(3) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -3.2 million)

Quarterly development; change over prior-year quarter

in € million	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q4 2019	Change
Sales	933.7	933.5	925.6	966.2	938.3	+ 3.0%
thereof service sales	**747.8**	**749.1**	**760.8**	**762.3**	**742.7**	**+ 2.6%**
thereof hardware sales(1)	185.9	184.4	164.8	203.9	195.6	+ 4.2%
EBITDA	164.8(2)	166.5(3)	127.3(4)	142.6(5)	178.0(6)	-19.9%
EBIT	128.2(2)	129.7(3)	87.8(4)	103.0(5)	139.4(6)	-26.1%

(1) Hardware sales incl. small amount of other sales
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -0.3 million)
(3) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -0.1 million)
(4) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -0.3 million)
(5) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -0.4 million); excluding write-off of VDSL contingents that are still available (EBITDA and EBIT effect: € -129.9 million)
(6) Including one-off expenses for integration projects (EBITDA and EBIT effect: € +0.6 million from reversal of provisions)

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

in € million	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)	2020
Sales	2,414.0	2,781.6	3,600.8	3,647.5	3,759.0
thereof service sales	**2,317.9**	**2,631.0**	**2,854.4**	**2,943.0**	**3,020.0**
thereof hardware sales(1)	96.1	150.6	746.4	704.5	739.0
EBITDA	395.2	541.2(2)	719.3(3)	686.6(4)	601.2(5)
EBITDA margin	16.4%	19.5%	20.0%	18.8%	16.0%
EBIT	384.5	471.4(2)	560.6(3)	536.1(4)	448.7(5)
EBIT margin	15.9%	16.9%	15.6%	14.7%	11.9%

(1) Hardware sales incl. small amount of other sales
(2) Without extraordinary income from revaluation of Drillisch shares (EBITDA and EBIT effect: € +303.0 million) and without restructuring charges in offline sales (EBITDA and EBIT effect: € -28.3 million)
(3) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -25.1 million)
(4) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -3.2 million)
(5) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -1.1 million); excluding write-off of VDSL contingents that are still available (EBITDA and EBIT effect: € -129.9 million)

Business Access segment

Despite the expiry in the previous year of services which 1&1 Versatel had previously provided for the broadband customers of 1&1 Drillisch, acquired in 2017, sales and earnings in the Business Access segment were improved in the fiscal year 2020.

Segment sales in the fiscal year 2020 rose by 3.5% from € 476.6 million to € 493.3 million. There was an increase in **segment EBITDA** of 1.8% from € 147.2 million to € 149.8 million. These figures include positive effects from increased telephony (voice) business as a result of the coronavirus pandemic, which led to an additional € +3.8 million in sales and € +1.6 million in EBITDA.

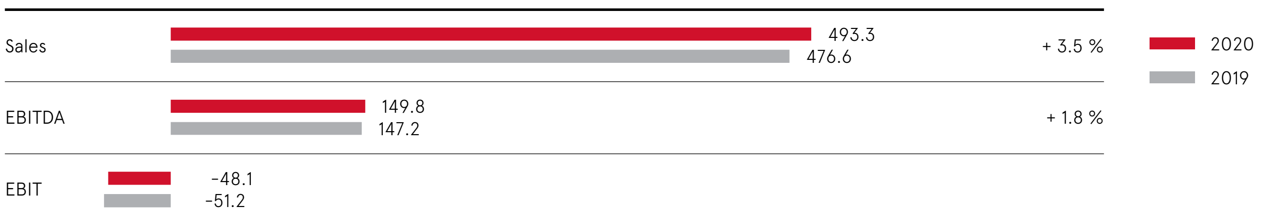
Without consideration of the aforementioned services provided in the previous year, **like-for-like sales** rose by 6.5% and **like-for-like EBITDA** by 5.3% or – additionally adjusted for the above mentioned positive pandemic effect – by 5.7% (sales) and 4.2% (EBITDA).

In addition to services for 1&1 Drillisch that expired at the end of 2019, sales and earnings contributions in the fourth quarter of 2020 from project business (one-off payments), which have now been almost completely scaled back (compared with the strong prior-year quarter), as well as one-off effects on earnings (structural costs, technical relocations, network conversions and upgrades) prevented an even better development of sales and EBITDA in the fiscal year 2020.

Despite high writedowns for network infrastructure, **segment EBIT** improved to € -48.1 million, compared to € -51.2 million in the previous year.

The number of **employees** in this segment rose by 0.3% to 1,188 in 2020 (prior year: 1,184).

Key sales and earnings figures in the Business Access segment



Quarterly development; change over prior-year quarter

in € million	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q4 2019	Change
Sales	118.7	122.8	125.1	126.7	124.1	+ 2.1%
EBITDA	35.2	39.7	39.4	35.5	42.2	-15.9%
EBIT	-14.5	-10.7	-9.4	-13.5	-8.2	

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

in € million	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)	2020
Sales	513.7	447.9	465.9	476.6	493.3
EBITDA	124.0	81.5	72.6	147.2	149.8
EBITDA margin	24.1%	18.2%	15.6%	30.9%	30.4%
EBIT	-1.0	-40.2	-58.1	-51.2	-48.1
EBIT margin	-	-	-	-	-

Consumer Applications segment

In the Consumer Applications segment, the number of fee-based pay accounts (contracts) rose by 110,000 to 2.37 million in the fiscal year 2020. Ad-financed free accounts increased by 1.81 million to 39.40 million. The total number of **Consumer Applications accounts** therefore increased by 1.92 million to 41.77 million.

Development of Consumer Applications accounts in the fiscal year 2020

in million	Dec. 31, 2020	Dec. 31, 2019	Change
Consumer Applications, total accounts	41.77	39.85	+ 1.92
thereof with Premium Mail subscription	1.63	1.54	+ 0.09
thereof with Value-Added subscription	0.74	0.72	+ 0.02
thereof free accounts	39.40	37.59	+ 1.81

Development of Consumer Applications accounts in the fourth quarter of 2020

in million	Dec. 31, 2020	Sept. 30, 2020	Change
Consumer Applications, total accounts	41.77	41.17	+ 0.60
thereof with Premium Mail subscription	1.63	1.61	+ 0.02
thereof with Value-Added subscription	0.74	0.74	0.00
thereof free accounts	39.40	38.82	+ 0.58

In 2020, operations in the Consumer Applications segment continued to focus on the repositioning and reconstruction of the GMX and WEB.DE portals, as well as the simultaneous establishment of data-driven business models. In addition to the further increase in customer accounts, this transformation is already being reflected in initial successes in the segment's key financial figures – although these were overshadowed, especially in the second quarter and to some extent in the third quarter of 2020, by a decline in the online advertising market due to the marked restraint of many advertisers during the coronavirus pandemic. The loss of marketing business caused by the pandemic impacted sales by € -4.8 million and earnings by € -3.6 million in total during fiscal year 2020.

All in all, **sales of the Consumer Applications segment** improved by 1.9% from € 247.2 million (€ 255.0 million reported prior-year figure) to € 251.8 million. It should be noted that for this key figure, third-party marketing revenues were changed from gross to net presentation at the beginning of 2020. This change was necessitated by the altered contractual terms of newly concluded agreements with third-party marketing partners. A comparison of segment revenue on a net basis and after adjustment of the above mentioned pandemic-related negative sales effect (€ -4.8 million) reveals an increase in **total like-for-like sales** of 3.8%.

Sales in the segment's core business of pay accounts and the marketing of ad space on its own portals improved by 2.1% from € 242.2 million to € 247.3 million. Adjusted for the pandemic-related sales effect, **like-for-like sales in the segment's core business** rose by 4.1%.

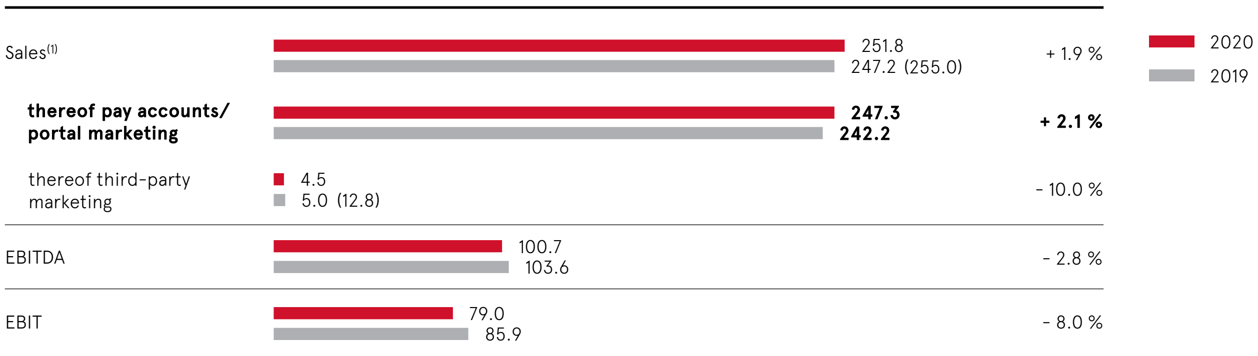
Sales in the field of third-party marketing amounted to € 4.5 million net – compared to a net amount of € 5.0 million in the previous year.

Segment EBITDA of € 100.7 million was not affected by the change to net disclosure but was slightly below the prior-year figure (€ 103.6 million) due to the above mentioned pandemic-related negative effects on earnings (€ -3.6 million). Adjusted for this effect, **like-for-like EBITDA** improved by 0.7% in the fiscal year 2020, whereby the second half of 2020 was affected by changes in the mix of advertising formats and environments requested by advertisers.

Due in particular to increased depreciation and amortization, as well as the negative impact of the coronavirus pandemic, **segment EBIT** of € 79.0 million was also down on the previous year (€ 85.9 million).

The number of **employees** in this segment fell slightly by 0.2% to 1,005 in 2020 (prior year: 1,007).

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



(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;

Quarterly development; change over prior-year quarter

in € million	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q4 2019	Change
Sales(1)	60.8	58.9	61.2	70.9	69.1 (70.6)	+ 2.6%
thereof pay accounts/portal marketing	**59.7**	**57.8**	**60.1**	**69.7**	**67.9**	**+ 2.7%**
thereof third-party marketing	1.1	1.1	1.1	1.2	1.2 (2.7)	0.0%
EBITDA	23.3	23.7	22.5	31.2	33.1	-5.7%
EBIT	18.4	18.6	17.4	24.6	27.7	-11.2%

(1) Sales in the quarters of the previous year after changing from gross to net presentation of third-party marketing revenues in 2020; the gross amount disclosed in 2019 is shown in brackets

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

in € million	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)	2020
Sales(1)	283.6	284.2	274.2	247.2 (255.0)	251.8
thereof pay accounts/portal marketing	**269.3**	**264.6**	**250.6**	**242.2**	**247.3**
thereof third-party marketing	14.3	19.6	23.6	5.0 (12.8)	4.5
EBITDA	127.6	124.0	112.8	103.6	100.7
EBITDA margin	45.0%	43.6%	41.1%	41.9%	40.0%
EBIT	115.0	112.1	100.8	85.9	79.0
EBIT margin	40.6%	39.4%	36.8%	34.7%	31.4%

(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; 2016 - 2018 reported unchanged on a gross statement

Business Applications segment

Due in part to time-limited discounted offers for new customers during the coronavirus crisis, the number of **fee-based Business Applications contracts** was increased by 300,000 contracts in the fiscal year 2020. This growth resulted from 160,000 new contracts in Germany and 140,000 abroad. As a result, the total number of contracts rose to 8.45 million.

Development of Business Applications contracts in the fiscal year 2020

in million	Dec. 31, 2020	Dec. 31, 2019	Change
Business Applications, total contracts	8.45	8.15	+ 0.30
thereof in Germany	4.06	3.90	+ 0.16
thereof abroad	4.39	4.25	+ 0.14

Development of Business Applications contracts in the fourth quarter of 2020

in million	Dec. 31, 2020	Sept. 30, 2020	Change
Business Applications, total contracts	8.45	8.38	+ 0.07
thereof in Germany	4.06	4.01	+ 0.05
thereof abroad	4.39	4.37	+ 0.02

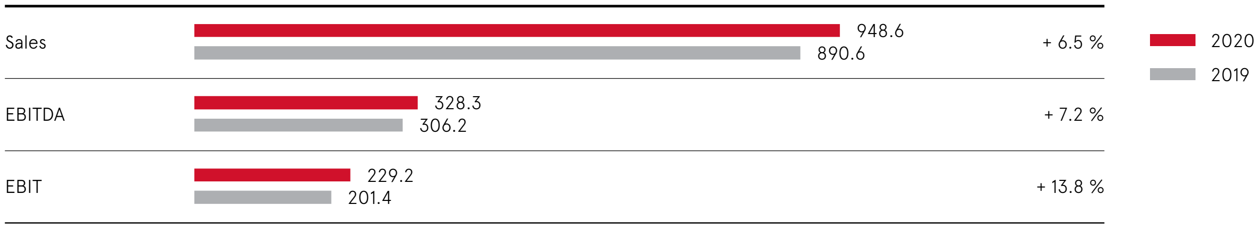
Sales of the Business Applications segment rose by 6.5% from € 890.6 million in the previous year to € 948.6 million in the fiscal year 2020. This increase in revenue was attributable in part to the lower-margin and volatile domain parking business of the Sedo brand, which grew more strongly than in the weak previous year and accounted for 3.1 percentage points of this growth.

Segment EBITDA improved by 7.2% from € 306.2 million to € 328.3 million. Segment EBITDA contains marketing expenses of € 90.2 million (prior year: € 97.0 million, of which € 19.2 million for rebranding), which amounted to € 27.0 million in the fourth quarter of 2020 (prior year: € 26.2 million; Q3 2020: € 15.1 million).

Due to lower depreciation and amortization charges, as well as the lack of rebranding measures, **segment EBIT** rose by 13.8% from € 201.4 million (excluding trademark writeups of Strato in the previous year amounting to € 19.4 million) to € 229.2 million.

The number of **employees** in this segment rose by 6.3% to 3,631 in 2020 (prior year: 3,416).

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



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

Quarterly development; change over prior-year quarter

in € million	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q4 2019	Change
Sales	237.0	234.6	235.7	241.3	224.9	+ 7.3%
EBITDA	76.9	90.9	86.8	73.7	69.4	+ 6.2%
EBIT	51.6	65.8	61.6	50.2	44.6 (1)	+ 12.6%

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

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

in € million	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)	2020
Sales	638.9	762.1	841.8	890.6	948.6
EBITDA	202.5	247.3	290.4	306.2	328.3
EBITDA margin	31.7%	32.4%	34.5%	34.4%	34.6%
EBIT	159.2	175.4	202.1	201.4 (1)	229.2
EBIT margin	24.9%	23.0%	24.0%	22.6%	24.2%

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

Group investments

United Internet continued to optimize its investment portfolio in the fiscal year 2020.

In the course of these optimization measures, shares in ePages GmbH were sold. In addition, United Internet committed in principle (subject to various conditions) to contribute its shares in the listed company Tele Columbus AG to a bidding company controlled by Morgan Stanley Infrastructure Partners and to support the implementation of the Fiber Champion strategy of Tele Columbus.

Significant changes in investments

Sale of shares in ePages
In the third quarter of 2020, United Internet sold its shares in ePages GmbH (share of voting rights as of December 31, 2019: 25.01%) as the company no longer played a role in the strategic investment portfolio. The sale resulted in income of € 0.5 million.

In addition to its (fully consolidated) core operating companies, United Internet also held investments in the following companies as of December 31, 2020.

Minority holdings in listed companies

In February 2016, United Internet announced its investment in **Tele Columbus AG**. As of December 31, 2020, the share of voting rights amounted to 29.90% (prior year: 29.90%). The company's market capitalization as of December 31, 2020 was around € 409 million in total (prior year: € 357 million).

As an 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. With this strategy, Tele Columbus plans to play a major role in driving the expansion of Germany's fiber optic infrastructure. At present, 2.4 million households are connected to the broadband network of Tele Columbus; by 2030, around 2.0 million of these households are to be supplied with gigabit bandwidths via optical fiber.

To this end, Tele Columbus AG has gained Morgan Stanley Infrastructure Partners as an infrastructure investor with a long-term perspective. UNA 422. Equity Management GmbH, a bidding company which will trade in future as Kublai GmbH and behind which is Morgan Stanley Infrastructure Partners, announced a voluntary public takeover offer of € 3.25 per Tele Columbus share on December 21, 2020.

If the takeover offer is successful, United Internet will contribute its stake in Tele Columbus of around 29.90% to the bidding company. In return, United Internet will receive a shareholding in the bidding company. In addition, the bidding company has committed to subscribe for new shares worth up to € 475 million in the event of a rights issue to be adopted by Tele Columbus. On conclusion of the takeover offer, United Internet will participate in the capital increase with an amount in the range of € 142 million to € 190 million. Following successful completion of the transaction, United Internet can increase its stake in the bidding company at its own discretion so that it has an indirect long-term shareholding in Tele Columbus of between 29.9% and 40%, provided that Kublai GmbH holds a 100% stake in Tele Columbus AG.

Moreover, the bidding company announced that it was prepared to provide further equity of up to € 75 million in the future for the implementation of the Fiber Champion strategy. United Internet will also participate on a pro rata basis.

Part of Tele Columbus's Fiber Champion strategy is also to open up its broadband network for cooperation partners. In the wake of this move, 1&1 Drillisch AG – a member of the United Internet Group – signed a preliminary agreement with Tele Columbus to use the latter's cable/fiber optic network as a pre-service for its broadband products. The preliminary agreement is subject to the successful conclusion of the takeover offer.

United Internet's participation in the bidding company is subject to conclusion of the takeover offer, which in turn depends on various conditions, including approval by the relevant supervisory authorities. Management anticipates a successful takeover and approval by the supervisory authorities.

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, 2020, United Internet's share of voting rights amounted to 25.39%. In its fiscal year 2020, Open-Xchange improved sales slightly. However, due to internal restructuring, EBITDA remained slightly negative. The new management team assembled in 2020 will use the fiscal year 2021 for a strategic realignment of the company.

In April 2014, United Internet acquired a stake in **uberall GmbH** (main activity: online listings). In addition, uberall and 1&1 IONOS SE agreed a long-term cooperation contract for the use of uberall solutions. As of December 31, 2020, the share of voting rights held by United Internet amounted to 27.56%. uberall significantly increased sales in its fiscal year 2020. There was also a correspondingly significant 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 1&1 IONOS SE signed a long-term cooperation agreement for 1&1 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, 2020, the share of voting rights amounted to 30.70%. rankingCoach also achieved a strong increase in sales in its fiscal year 2020. There was also an improvement in the company's EBITDA – although it 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, 2020, United Internet's share of voting rights amounted to 20.00%. AWIN once again closed its fiscal year 2020 with strong sales growth and a further improved and strongly positive EBITDA result.

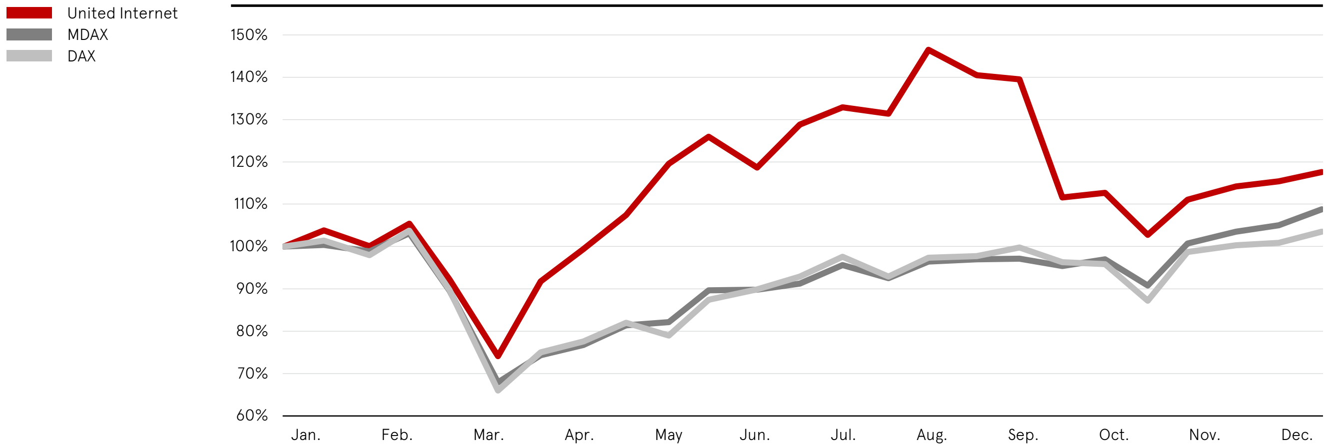
Share and dividend

Share

DAX, MDAX

The United Internet share increased in value during fiscal 2020: the share price rose by 17.6% to € 34.43 as of December 31, 2020 (December 31, 2019: € 29.28). The share thus performed much better than its comparative indices, which also rose year on year (DAX +3.5%; MDAX +8.8%).

Share performance 2020, indexed



Despite the cancelation of 11 million treasury shares, there was a corresponding increase in the **market capitalization** of United Internet AG from around € 6.00 billion in the previous year to around € 6.68 billion as of December 31, 2020.

In the fiscal year 2020, average daily trading via the XETRA electronic computer trading system amounted to around 414,000 shares (prior year: 523,000) with an average value of € 13.4 million (prior year: € 16.4 million).

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

	2016	2017	2018	2019	2020
Year-end	37.10	57.34	38.20	29.28	34.43
Performance	-27.1%	+ 54.6%	-33.4%	-23.4%	+ 17.6%
Year-high	49.89	59.17	59.80	40.42	43.88
Year-low	34.42	37.01	34.14	24.21	22.01
Average daily turnover	16,301,156	19,666,155	19,261,114	16,415,087	13,355,218
Average daily turnover (units)	407,372	418,771	404,956	522,809	414,786
Shares at year-end (units)	205 million	205 million	205 million	205 million	194 million
Market value at year-end	7.61 billion	11.75 billion	7.83 billion	6.00 billion	6.68 billion
EPS(1)	0.86	3.06	0.94	2.13	1.55
Adjusted EPS(2)	2.11	2.02	1.96	1.88	1.76

(1) EPS from continued operations

(2) EPS from continued operations and without special items: 2015 without effects from sale of Goldbach shares and part of stake in virtual minds (EPS effect: € +0.07); 2016 without negative one-off effect from impairment (EPS effect: € -1.25); 2017 without net positive one-off effects from valuation topics, transaction and restructuring costs, writedowns on brands, writedowns on financial assets / Rocket impairment charges, financing costs and one-off tax effects (EPS effect: € +1.04); 2018 without negative effect from Tele Columbus impairment charges (EPS effect: € -1.02); 2019 without positive effects from sale of virtual minds shares (EPS effect: € +0.11), from reversal of impairments Tele Columbus (EPS effect: € +0.09) and trademark writeups Strato (EPS effect: € +0.05); 2020 without negative effect from write-off VDSL contingents (EPS effect: € -0.37) and positive effect from reversal of impairments Tele Columbus (EPS effect: € +0.16)

TecDAX

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

Shareholder	Shareholding
Ralph Dommermuth – Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft (41.24%) – RD Holding GmbH & Co. KG (1.03%)	42.27%
United Internet (treasury stock)	3.49%
Zerena	5.45%
Flossbach von Storch	5.01%
Allianz Global Investors	4.99%
Free float	38.79%

As of December 31, 2020; figures based on the last respective notification of voting rights; Flossbach von Storch: based on voting rights notification before capital reduction March 2020

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 20, 2020, the proposal of the Management Board and Supervisory Board to pay a **dividend** of € 0.50 per share (prior year: € 0.05) for the fiscal year 2019, was approved with a majority of 99.99% of votes cast. As a consequence, a total of € 93.6 million (prior year: € 10.0 million) was distributed on May 26, 2020. The **payout ratio** was therefore 23.6% of the adjusted consolidated net income after minority interests for 2019 (€ 396.4 million) and thus – in view of the investments due to be made in the Company's own mobile communications network – within the lower range targeted by its dividend policy.

For the fiscal year 2020, 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 24, 2021 (and thus after the preparation deadline for this Management Report). The Annual Shareholders' Meeting of United Internet AG on May 27, 2021 will then vote on whether to adopt the joint proposal of the Management Board and Supervisory Board.

On the basis of around 187.2 million shares with dividend entitlement (as of December 31, 2020), the total dividend payment for fiscal year 2020 would amount to € 93.6 million. The dividend payout ratio would therefore amount to 28.4% of adjusted consolidated net income after minority interests for 2020

(€ 329.2 million) and thus lie – in view of the investments due to be made in the Company's own mobile communications network – within the medium range targeted by its dividend policy. Based on the closing price of the United Internet share on December 31, 2020, the dividend yield would be 1.5%.

Multi-period overview: dividend development

	For 2016	For 2017	For 2018	For 2019	For 2020(1)
Dividend per share (in €)	0.80	0.85	0.05	0.50	0.50
Dividend payment (in € million)	161.3	169.9	10.0	93.9	93.6
Payout ratio	90.0%	26.2%	5.3%	22.2%	32.2%
Adjusted payout ratio(2)	37.2%	42.1%	2.5%	23.6%	28.4%
Dividend yield(3)	2.2%	1.5%	0.1%	1.7%	1.5%

(1) Subject to approval of Supervisory Board and Annual Shareholders' Meeting 2021
(2) Without special items: writedowns on financial assets / Rocket impairment charges (2016); net positive one-off effects from non-cash-effective valuation topics, transaction and restructuring costs, writedowns on brands, writedowns on financial assets / Rocket impairment charges, financing costs, one-off tax effects, and discontinued operations (2017); impairment charges on Tele Columbus shares (2018); sale of virtual minds shares, reversal of impairment charges on Tele Columbus shares and trademark writeups on Strato (2019); write-off VDSL contingents and reversal of impairments Tele Columbus (2020)
(3) As of: December 31

Annual Shareholders' Meeting 2020

The (virtual) Annual Shareholders' Meeting of United Internet AG was held in Frankfurt am Main on May 20, 2020. A total of 81.21% of capital stock (or 84.15% 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

On March 12, 2020, the Management Board of United Internet AG resolved, with the approval of the Supervisory Board and on the basis of the authorization granted by the Annual Shareholders' Meeting of May 18, 2017 regarding the purchase and use of treasury shares, 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 pro rata amount of capital stock of the issued shares remains unchanged at € 1 per share. The **cancelation of treasury shares** serves to increase the shareholding of the United Internet shareholders on a percentage basis. Subsequent to the implementation of the capital decrease, the Company's capital stock has thus returned to the level prior to the capital increase in the course of the Versatel takeover in 2014. After cancelling these 11,000,000 shares, United Internet still held 6,338,513 treasury shares – compared to 17,338,513 as of December 31, 2019.

On April 1, 2020, the Management Board of United Internet AG resolved, with the approval of the Supervisory Board, to launch a **new share buyback program**. In the course of this share buyback program, up to 5,000,000 shares of the Company (corresponding to approx. 2.58% of the capital stock of € 194,000,000) were to be bought back via the stock exchange. The Company was thus also utilizing the authorization issued by the Annual Shareholders' Meeting of May 18, 2017. The volume of the share buyback program amounted to up to € 150 million in total. The program commenced on April 3, 2020 and was to expire no later than on August 31, 2020. On April 30, 2020, the Company's Management Board resolved to suspend this share buyback program with effect as of the end of that day's trading (April 30, 2020). United Internet AG reserved the right to resume or cancel the share buyback program at any time. In the course of the share buyback program, the Company purchased 430,624 treasury shares for a total of € 12.2 million and thus held a total of 6,769,137 treasury shares (approx. 3.49% of the capital stock) as of April 30, 2020 (the day on which the program was suspended) as well as on the balance sheet date December 31, 2020 – compared to 17,338,513 **treasury shares** on December 31, 2019 (this corresponded to approx. 8.46% of capital stock at the time).

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 2020. 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. 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.

Over 20 national and international investment banks are in contact with the Company's Investor Relations department and publish regular studies and comments on the Company's progress and share performance. The latest analyst recommendations can be found on the website www.united-internet.de in the Investor Relations section under Analyst Coverage.

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/en/investor-relations/financial-calendar.html.

www.united-internet.de

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 2020. 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 2020, the number of employees increased year on year by 2.8% to 9,638 (prior year: 9,374). Headcount in Germany rose by 2.2% to 7,929 as of December 31, 2020 (prior year: 7,761). The number of employees at the Group's non-German subsidiaries grew by 6.0% to 1,709 (prior year: 1,613).

Multi-period overview: headcount development by location[1]

	2016	2017	2018	2019	2020	Change
Employees, total	7,897	9,414	9,093	9,374	9,638	+ 2.8%
thereof in Germany	6,322	7,890	7,567	7,761	7,929	+ 2.2%
thereof abroad	1,575	1,524	1,526	1,613	1,709	+ 6.0%

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

From the segment perspective, there were 3,191 employees in the Consumer Access segment (prior year: 3,163), 1,188 in the Business Access segment (prior year: 1,184), 1,005 in the Consumer Applications segment (prior year: 1,007), and 3,631 in the Business Applications segment (prior year: 3,416). A further 623 people were employed at the Group's headquarters (Corporate/HQ) (prior year: 604). The gradual increase in Corporate/HQ staff resulted in particular from the transfer of employees from the segments who already worked in corporate functions in the past, as well as from the pooling of apprentices in a specially created company.

Multi-period overview: headcount development by segment (1)

	2016	2017	2018	2019	2020	Change
Employees, total	7,897	9,414	9,093	9,374	9,638	+ 2.8%
thereof Consumer Access	2,401	3,457	3,150	3,163	3,191	+ 0.9%
thereof Business Access	1,077	1,069	1,095	1,184	1,188	+ 0.3%
thereof Consumer Applications	978	961	947	1,007	1,005	-0.2%
thereof Business Applications	3,243	3,586	3,355	3,416	3,631	+ 6.3%
thereof Corporate/HQ	198	341	546	604	623	+ 3.1%

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

Personnel expenses rose by 7.1% to € 592.3 million in the fiscal year 2020 (prior year: € 552.8 million). The **personnel expense ratio** thus amounted to 11.0% (prior year: 10.6%).

Multi-period overview: development of personnel expenses

in € million	2016	2017	2018	2019	2020	Change
Personnel expenses	433.8	489.0	538.8	552.8	592.3	+ 7.1%
Personnel expense ratio	11.4%	11.6%	10.5%	10.6%	11.0%	

Sales per employee, based on annual average headcount, amounted to approx. € 565k in fiscal year 2020 (prior year: approx. € 563k).

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)

	2016	2017	2018	2019	2020
Women	34%	31%	32%	32%	32%
Men	66%	69%	68%	68%	68%

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

The average age of the United Internet Group's employees at the end of fiscal year 2020 was around 39 (prior year: 38).

Multi-period overview: employee age profile[1]

	2016	2017	2018	2019	2020
< 30	28%	24%	26%	23%	23%
30 – 39	41%	36%	38%	34%	33%
40 – 49	23%	27%	25%	27%	27%
≥ 50	8%	13%	11%	16%	17%

(1) Active employees as of 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]

	2016	2017	2018	2019	2020
Employees, total	7,897	9,414	9,093	9,374	9,638
thereof Germany	6,322	7,890	7,567	7,761	7,929
thereof France	3	3	3	3	3
thereof UK	209	232	216	233	251
thereof Austria	6	5	37	43	44
thereof Philippines	386	366	351	360	395
thereof Poland	258	251	270	309	299
thereof Romania	194	174	176	195	217
thereof Spain	322	319	331	330	340
thereof USA	197	174	142	140	160

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

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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 2020 of United Internet AG, which will be published in early April 2021 (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.

As of December 31, 2020, the Group's bank liabilities amounted to € 1,466.1 million (prior year: € 1,738.4 million) and mainly comprise promissory note loans and syndicated loans.

Promissory note loans

At the end of the reporting period on December 31, 2020, total liabilities from promissory note loans with maximum terms until March 2025 amounted to € 547.5 million (prior year: € 835.5 million). In the fiscal year 2020, the Company exercised its right to prematurely redeem a variable-rate tranche of promissory note loans totaling € 50 million on the interest payment date of March 27, 2020. This tranche was originally due for repayment on March 27, 2023. In addition, a further promissory note loan due in December 2020 amounting to € 238 million was redeemed on schedule.

Syndicated loan facilities & syndicated loans

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, 2020, € 550 million of the revolving syndicated loan facility had been drawn (prior year: € 700 million). As a result, funds of € 260 million (prior year: € 110 million) were still available to be drawn from the credit facility.

At the end of the reporting period on December 31, 2020, a syndicated loan totaling € 200 million redeemable on maturity with a term ending in August 2021 was also outstanding (prior year: € 200 million). Together with the above mentioned drawings from the revolving syndicated loan facility, total liabilities from syndicated loan facilities and syndicated loans outstanding as of the reporting period amounted to € 750 million.

Furthermore, a bilateral credit facility of € 280 million (prior year: € 200 million) is available to the Company. The facility has been granted until further notice. Drawings of € 165 million (prior year: € 0) had been made from the credit facility as at the end of the reporting period.

As of December 31, 2020, United Internet therefore had free credit lines totaling € 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.

see page 220

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 2020. There were also only **minor negative currency effects** at Group and segment level (Business Access segment) amounting to € -4.1 million for sales and € -1.3 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 2020, the total number of **fee-based customer contracts** in the United Internet Group was raised by 910,000 to 25.65 million contracts. At the same time, ad-financed free accounts rose by 1.81 million to 39.40 million.

Consolidated sales grew organically by 3.3% in the fiscal year 2020, from € 5,194.1 million in the previous year to € 5,367.2 million. Growth was impeded by the effects of the coronavirus pandemic. These effects had a particularly negative impact on the Consumer Access and Consumer Applications segments. There were opposing positive effects in the Business Access segment. Adjusted for these pandemic effects of € -25.1 million in total (compared to planning), **like-for-like sales** rose by 3.8%.

All four business segments contributed to this revenue growth, whereby hardware sales to existing customers in the Consumer Access segment were below target in the third and fourth quarters of 2020 (due to fewer tariff changes). The sale of devices is generally a low-margin business as customers pay no or only a low one-off price when they sign a contract or change tariffs and the device costs are refinanced via higher tariff prices. This business fluctuates seasonally and depends heavily on the attractiveness of new devices and manufacturers' model cycles.

Despite slightly negative currency effects of € 4.1 million, **sales outside Germany** improved by 5.9% from € 433.0 million in the previous year to € 458.5 million in the fiscal year 2020.

The increase in **cost of sales** was mainly due to the one-off, non-cash write-off of VDSL contingents. In addition, there was increased use of hardware, additional burdens on earnings from regulatory decisions, as well as extra costs for wholesale mobile communication purchases due to the coronavirus pandemic and the price increase for using Telefónica's network capacity. In view of these factors, there was a disproportionately strong increase in cost of sales from € 3,427.0 million (66.0% of sales) in the previous year to € 3,769.3 million (70.2% of sales).

There was a corresponding decline in the **gross margin** from 34.0% to 29.8%. As a result, **gross profit** decreased from € 1,767.1 million to € 1,597.9 million. Adjusted for the above mentioned write-off of VDSL contingents (€ 129.9 million), the gross margin amounted to 32.2% and gross profit to € 1,727.8 million.

Sales and marketing expenses increased in line with sales, from € 741.8 million (14.3% of sales) in the previous year to € 767.9 million (14.3% of sales). This figure includes (as of July 2020) sponsoring expenses for the partnership with Borussia Dortmund (1&1 is exclusive Bundesliga main and jersey sponsor of BVB).

Despite the expansion of business (+3.3% sales growth), **administrative expenses** of € 206.0 million (3.8% of sales) were almost unchanged from the previous year (€ 205.9 million; 4.0% of sales).

Multi-period overview: Development of key cost items

in € million	2016 (IAS 18)	2017 (IAS 18)	2018[1] (IFRS 15)	2019[1] (IFRS 16)	2020
Cost of sales	2,461.8	2,691.1	3,350.1	3,427.0	3,769.3
Cost of sales ratio	64.6%	64.0%	65.7%	66.0%	70.2%
Gross margin	35.4%	36.0%	34.3%	34.0%	29.8%
Selling expenses	521.2	638.3	678.2	741.8	767.9
Selling expenses ratio	13.7%	15.2%	13.3%	14.3%	14.3%
Administrative expenses	182.9	185.1	218.9	205.9	206.0
Administrative expenses ratio	4.8%	4.4%	4.3%	4.0%	3.8%

(1) 2018 and 2019 adjusted as part of the financial statements 2019

Other operating expenses rose from € 17.0 million to € 30.9 million, while **other operating income** decreased from € 102.9 million in the previous year (including income from the sale of virtual minds shares totaling € 21.5 million) to € 74.5 million. **Impairment losses on receivables and contract assets** amounted to € -92.9 million (prior year: € -94.2 million).

Key earnings figures were influenced by various **special items** in the fiscal years 2019 and 2020, which in total had a net negative effect in the fiscal year 2020 and a positive effect in the fiscal year 2019.

Special items 2020

- The special item **"write-off of VDSL contingents 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.

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

see page 48

- The special item **"Impairment reversals Tele Columbus 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.

Special items 2019

- The special item **"Sale of virtual minds shares 2019"** results from extraordinary income from the sale of shares in virtual minds and had a **positive** effect on EBITDA, EBIT, EBT, net income, and EPS in the fiscal year 2019.

- The special item "**Trademark writeups STRATO 2019"** results from trademark writeups on the "STRATO" brand and had a **positive** effect on EBIT, EBT, net income, and EPS in the fiscal year 2019.

- The special item **"Impairment reversals Tele Columbus 2019"** 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 2019, 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 2020	Fiscal year 2019
EBITDA	1,048.9	1,265.7
Write-off VDSL contingents 2020	129.9	
Sale of virtual minds shares 2019		-21.5
EBITDA before special items (operating)	**1,178.8**	**1,244.2**
EBIT	574.9	811.1
Write-off VDSL contingents 2020	129.9	
Sale of virtual minds shares 2019		-21.5
Trademark writeups Strato 2019		-19.4
EBIT before special items (operating)	**704.8**	**770.2**
EBT	556.2	779.7
Write-off VDSL contingents 2020	129.9	
Impairment reversals Tele Columbus 2020	-29.2	
Sale of virtual minds shares 2019		-21.5
Trademark writeups Strato 2019		-19.4
Impairment reversals Tele Columbus 2019		-18.5
EBT before special items (operating)	**656.9**	**720.3**
Net income	368.8	539.0
Write-off VDSL contingents 2020	91.5	
Impairment reversals Tele Columbus 2020	-29.2	
Sale of virtual minds shares 2019		-21.1
Trademark writeups Strato 2019		-13.5
Impairment reversals Tele Columbus 2019		-18.5
Net income before special items (operating)	**431.1**	**485.9**
Net income "Shareholders United Internet"	290.5	423.9
Write-off VDSL contingents 2020	68.9	
Impairment reversals Tele Columbus 2020	-29.2	
Sale of virtual minds shares 2019		-21.1
Trademark writeups Strato 2019		-9.0
Impairment reversals Tele Columbus 2019		-18.5
Net income "Shareholders United Internet" before special items (operating)	**330.2**	**375.3**
EPS	1.55	2.13
Write-off VDSL contingents 2020	0.37	
Impairment reversals Tele Columbus 2020	-0.16	
Sale of virtual minds shares 2019		-0.11
Trademark writeups Strato 2019		-0.05
Impairment reversals Tele Columbus 2019		-0.09
EPS before special items (operating)	**1.76**	**1.88**

Without consideration of the above mentioned opposing special items, the key performance measures EBITDA, EBIT, EBT, net income, and EPS for the fiscal year 2020 developed as follows:

There was a significant year-on-year decrease in **consolidated operating EBITDA** of 5.3% to € 1,178.8 million in the fiscal year 2020 (prior year: € 1,244.2 million).

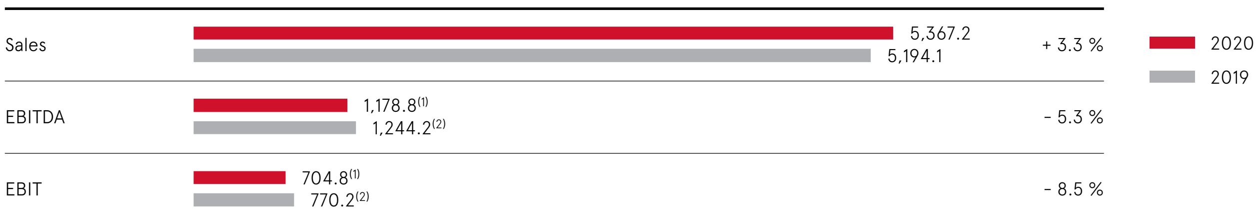
This decline was mainly due to the price increase introduced by Telefónica Germany on July 1, 2020 for the use of Telefónica's network capacity. Details are provided in chapter 2 "Economic report" under "Legal conditions / significant events".

see page 48

In addition to this price rise, which will be reduced retroactively by € 34.4 million on conclusion of the national roaming agreement (out-of-period recognition in fiscal 2021), earnings were burdened by negative effects from regulatory decisions of the EU on SMS tariffs (since May 15, 2019) and of Germany's Federal Network Agency regarding subscriber line charges (since July 1, 2019) with a total impact of € -13.7 million. Moreover, the initial costs for the construction of the Company's own 5G mobile communications network rose to € -13.9 million (prior year: € -5.7 million). By contrast, the one-off costs for integration projects declined to € -1.1 million (prior year: € -3.2 million). On top of this, the coronavirus pandemic also burdened earnings by a total of € -27.2 million in the fiscal year 2020 (compared to planning). The negative impact on both the Consumer Access and Consumer Applications segments was offset in part by slightly positive effects in the Business Access segment. Adjusted for the aforementioned negative effects, **like-for-like EBITDA** of € 1,269.1 million was 1.3% above the prior-year figure (€ 1,253.1 million).

As a result of the above mentioned burdens on earnings, **consolidated operating EBIT** of € 704.8 million was also below the prior-year figure (€ 770.2 million). Adjusted for these effects, like-for-like EBIT increased by 2.1%.

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



(1) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -1.1 million); excluding write-off of VDSL contingents that are still available (EBITDA and EBIT effect: € -129.9 million)
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -3.2 million); excluding extraordinary income from the sale of virtual minds shares (EBITDA and EBIT effect: € +21.5 million); excluding trademark writeups Strato (EBIT effect: € +19.4 million)

Quarterly development; change over prior-year quarter

in € million	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q4 2019	Change
Sales	1,329.4	1,328.5	1,326.8	1,382.5	1,339.1	+ 3.2%
EBITDA	300.8[1]	319.7[2]	275.9[3]	282.4[4]	321.7[5]	-12.2%
EBIT	184.2[1]	201.2[2]	156.3[3]	163.1[4]	204.1[5]	-20.1%

(1) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -0.3 million)
(2) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -0.1million)
(3) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -0.3 million)
(4) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -1.1 million); excluding write-off of VDSL contingents that are still available (EBITDA and EBIT effect: € -129.9 million)
(5) Including one-off expenses for integration projects (EBITDA and EBIT effect: € +0.6 million); excluding trademark writeups Strato (EBIT effect: € +19.4 million)

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

in € million	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)	2020
Sales	3,808.1	4,206.3	5,102.9	5,194.1	5,367.2
EBITDA	835.4	979.6(1)	1,201.3(2)	1,244.2(3)	1,178.8(4)
EBITDA margin	21.9%	23.3%	23.5%	24.0%	22.0%
EBIT	642.7	704.0(1)	811.0(2)	770.2(3)	704.8(4)
EBIT margin	16.9%	16.7%	15.9%	14.8%	13.1%

(2) Without 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) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -25.1 million)
(3) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -3.2 million); excluding extraordinary income from the sale of virtual minds shares (EBITDA and EBIT effect: € +21.5 million); excluding trademark writeups Strato (EBIT effect: € +19.4 million)
(4) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -1.1 million); excluding write-off of VDSL contingents that are still available (EBITDA and EBIT effect: € -129.9 million)

Due to the above mentioned burdens on earnings, **operating earnings before taxes (EBT)** and **operating consolidated net income** of € 656.9 million (prior year: € 720.3 million) and € 431.1 million (prior year: € 485.9 million), respectively, fell short of the corresponding prior-year figures.

The **operating consolidated net income attributable to shareholders of United Internet AG** also fell from € 375.3 million to € 330.2 million.

There was also a corresponding decrease in **operating earnings per share (EPS)** from € 1.88 in the previous year to € 1.76.

Group's financial position

Based on net income of € 368.8 million (prior year: € 539.0 million), **operative cash flow** rose from € 935.0 million to € 954.1 million in the fiscal year 2020.

Cash flow from operating activities in 2020 increased from € 828.9 million in the previous year to € 925.7 million. This strong increase was mainly due to cash outflows after the balance sheet date for wholesale services received.

Cash flow from investing activities in the reporting period resulted in net outflows of € 361.1 million (prior year: net inflows of € 87.2 million). This was mainly due to disbursements of € 447.0 million for capital expenditures, € 165.0 million of which for the first five-year extension phase of the existing MBA MVNO agreement with Telefónica which began on July 1, 2020, with an opposing effect from payments received for the disposal of financial assets (especially the sale of shares (9.82%) in Afilias Inc.) amounting to € 77.5 million. Cash flow from investing activities in the previous year was dominated by disbursements of € 252.8 million for capital expenditures and – with an opposing effect – proceeds from the sale of associated companies (mainly from the sale of shares in virtual minds) amounting to € 35.6 million, as well as proceeds from the sale of financial assets (especially the sale of Rocket Internet shares) amounting to € 303.7 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 strong increase in capital expenditures (especially the payment of € 165.0 million for the extension phase of the MBA MVNO agreement), **free cash flow** fell from € 607.0 million in the previous year (excluding tax payments for fiscal year 2017 and previous years of € 22.1 million) to € 483.8 million. Since the initial application of the accounting standard IFRS 16 in the fiscal year 2019, the redemption share of lease liabilities is disclosed in cash flow from financing activities. After deducting the cash flow item "Redemption of lease liabilities", free cash flow fell from € 496.0 million in the previous year (without the above mentioned tax payment) to € 376.6 million in the fiscal year 2020.

Cash flow from financing activities in the fiscal year 2020 was dominated by the purchase of treasury shares totaling € 12.2 million (prior year: € 373.6 million), net loan repayments of € 272.3 million (prior year: € 200.8 million), the redemption of frequency liabilities totaling € 61.3 million (prior year: € 61.3 million), the redemption of lease liabilities of € 107.2 million (prior year: € 111.0 million), and the dividend payment of € 93.6 million (prior year: € 10.0 million).

Cash and cash equivalents amounted to € 131.3 million as of December 31, 2020 – due to closing-date effects – compared to € 117.6 million on the same date in the previous year.

Development of key cash flow figures

in € million	2020	2019	Change
Operative cash flow	954.1	935.0	+ 19.1
Cash flow from operating activities	925.7	828.9	+ 96.8
Cash flow from investing activities	-361.1	87.2	-448.3
Free cash flow(1)	376.6(2)	496.0(3)	-119.4
Cash flow from financing activities	-549.1	-857.6	+ 308.5
Cash and cash equivalents on December 31	131.3	117.6	+ 13.7

(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) 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)
(3) 2019 without consideration of tax payments from fiscal year 2017 and previous years (€ 22.1 million); incl. the repayment portion of lease liabilities (€ 111.0 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	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)	2020
Operative cash flow	644.2	656.4	889.5	935.0	954.1
Cash flow from operating activities	587.0(2)	655.7(3)	482.3	828.9	925.7
Cash flow from investing activities	-422.7	-897.7	-350.9	87.2	-361.1
Free cash flow(1)	423.0(2)	424.4(3)	254.6(4)	496.0(5)	376.6(6)
Cash flow from financing activities	-43.2	312.2	-312.6	-857.6	-549.1
Cash and cash equivalents on December 31	101.7	238.5	58.1	117.6	131.3

(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) 2016 without consideration of an income tax payment originally planned for the fourth quarter of 2015 (€ 100.0 million)
(3) 2017 without consideration of a capital gains tax refund originally planned for the fourth quarter of 2016 (€ 70.3 million)
(4) 2018 without tax payment from fiscal year 2016 (€ 34.7 million)
(5) 2019 without consideration of tax payments from fiscal year 2017 and previous years (€ -22.1 million); incl. the repayment portion of lease liabilities (€ 111.0 million), which have been reported under cash flow from financing activities since the fiscal year 2019 (IFRS 16)
(6) 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)

Group’s asset position

The **balance sheet total** increased from € 9.129 billion as of December 31, 2019 to € 9.231 billion on December 31, 2020.

Development of current assets

in € million	Dec. 31, 2020	Dec. 31, 2019	Change
Cash and cash equivalents	131.3	117.6	+ 13.7
Trade accounts receivable	344.8	346.0	-1.2
Contract assets	577.6	507.8	+ 69.8
Inventories	85.4	79.3	+ 6.1
Prepaid expenses	214.4	237.0	-22.6
Other financial assets	82.3	48.1	+ 34.2
Income tax claims	64.8	21.5	+ 43.3
Other non-financial assets	12.4	13.8	-1.4
Total current assets	**1,512.9**	**1,371.2**	**+ 141.7**

Current assets rose from € 1,371.2 million on December 31, 2019 to € 1,512.9 million on December 31, 2020. **Cash and cash equivalents** disclosed under current assets increased from € 117.6 million to €131.3 million. Due to customer growth, the item **contract assets** rose from € 507.8 million to € 577.6 million and includes current claims against customers due to accelerated revenue recognition from the application of IFRS 15. By contrast, current **prepaid expenses** fell from € 237.0 million to € 214.4 million, as a result of closing-date effects and the write-off of available VDSL contingents, and now mainly comprise the short-term portion of expenses relating to contract acquisition and contract fulfillment according to IFRS 15. Due to the reclassification of derivatives from non-current to current financial assets, **other financial assets** increased from € 48.1 million to € 82.3 million. **Income tax claims** rose from € 21.5 million to € 64.8 million as a result of tax prepayments made and subsequent effects from tax audits. **Trade accounts receivable, inventories** and **other non-financial assets** were virtually unchanged.

Development of non-current assets

in € million	Dec. 31, 2020	Dec. 31, 2019	Change
Shares in associated companies	89.6	196.0	-106.5
Other financial assets	9.9	90.4	-80.5
Property, plant and equipment	1,271.6	1,160.6	+ 111.0
Intangible assets	2,197.8	2,167.4	+ 30.4
Goodwill	3,609.4	3,616.5	-7.1
Trade accounts receivable	54.0	57.7	-3.7
Contract assets	196.5	174.3	+ 22.3
Prepaid expenses	144.8	284.3	-139.5
Deferred tax assets	20.4	10.4	+ 10.0
Total non-current assets	**7,594.0**	**7,757.6**	**-163.6**
Assets held for sale	124.0	0.0	+ 124.0

see page 57

Non-current assets fell from € 7,757.6 million as of December 31, 2019 to € 7,594.0 million on December 31, 2020. Due mainly to the reclassification of Tele Columbus shares pursuant to IFRS 5 as “assets held for sale”, **shares in associated companies** decreased from € 196.0 million to € 89.6 million. Details are provided in chapter 2.2 “Business development” under “Group investments”. Due mainly to the sale of Afilias shares and the reclassification of derivatives to current financial assets, non-current **other financial assets** fell from € 90.4 million to € 9.9 million. The increase in **property,**

plant, and equipment from € 1,160.6 million to € 1,271.6 million was mainly the result of additions from new long-term leases and network infrastructure. Due in particular to the one-off payment in connection with the extension of the MBA MVNO agreement, **intangible assets** increased from € 2,167.4 million to € 2,197.8 million. The item **contract assets** rose in line with customer growth from € 174.3 million to € 196.5 million and includes non-current claims against customers due to accelerated revenue recognition from the application of IFRS 15. Mainly as a result of the write-off of available VDSL contingents, non-current **prepaid expenses** decreased from € 284.3 million to € 144.8 million and now mainly include the long-term portion of expenses relating to contract acquisition and contract fulfillment, as well as prepayments in connection with long-term purchasing agreements. **Goodwill** and **trade accounts receivable** were largely unchanged.

Development of current liabilities

in € million	Dec. 31, 2020	Dec. 31, 2019	Change
Trade accounts payable	532.8	475.5	+ 57.3
Liabilities due to banks	370.4	243.7	+ 126.7
Income tax liabilities	114.6	91.7	+ 22.9
Contract liabilities	152.1	149.9	+ 2.2
Other accrued liabilities	9.3	18.4	-9.1
Other financial liabilities	278.6	239.4	+ 39.2
Other non-financial liabilities	46.7	50.3	-3.6
Total current liabilities	**1,504.6**	**1,269.0**	**+ 235.6**

Current liabilities rose from € 1,269.0 million as of December 31, 2019 to € 1,504.6 million on December 31, 2020. Due to closing-date effects, current **trade accounts payable** increased from € 475.5 million to € 532.8 million. There was an increase in current **bank liabilities** from € 243.7 million to € 370.4 million following a reclassification of non-current liabilities (in accordance with their maturity). Effects from tax audits of previous years resulted in an increase in **income tax liabilities** from € 91.7 million to € 114.6 million. Due in particular to marketing activities, current **other financial liabilities** rose from € 239.4 million to € 278.6 million. The item current **contract liabilities**, which mainly includes payments received from customer contracts for which the performance has not yet been completely rendered, as well as the items current **other accrued liabilities**, and current **other non-financial liabilities** were all largely unchanged.

Development of non-current liabilities

in € million	Dec. 31, 2020	Dec. 31, 2019	Change
Liabilities due to banks	1,095.7	1,494.6	-399.0
Deferred tax liabilities	331.6	351.8	-20.2
Trade accounts payable	6.0	6.1	-0.1
Contract liabilities	33.6	34.9	-1.3
Other accrued liabilities	69.3	67.6	+ 1.7
Other financial liabilities	1,278.7	1,289.9	-11.2
Total non-current liabilities	**2,815.0**	**3,245.0**	**-430.0**

Non-current liabilities declined from € 3,245.0 million as of December 31, 2019 to € 2,815.0 million on December 31, 2020. This was mainly due to long-term **bank liabilities**, which were reduced significantly from € 1,494.6 million to € 1,095.7 million following the repayment of loans and reclassifications to current liabilities. **Deferred tax liabilities** decreased from € 351.8 million to € 331.6 million. Please refer to note 15 "Income taxes" for further details. Non-current **other financial liabilities** also fell slightly from € 1,289.9 million to € 1,278.7 million. 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), and non-current **other accrued liabilities** were all largely unchanged.

Development of equity

in € million	Dec. 31, 2020	Dec. 31, 2019	Change
Capital stock	194.0	205.0	-11.0
Capital reserves	2,322.8	2,643.9	-321.2
Accumulated profit	2,240.5	1,993.9	+ 246.6
Treasury shares	-212.7	-548.4	+ 335.7
Revaluation reserves	-4.4	25.2	-29.5
Currency translation adjustment	-21.1	-9.6	-11.5
Equity attributable to shareholders of the parent company	**4,519.1**	**4,310.0**	**+ 209.1**
Non-controlling interests	392.1	304.8	+ 87.3
Total equity	**4,911.2**	**4,614.7**	**+ 296.5**

The Group's **equity capital** rose from € 4,614.7 million as of December 31, 2019 to € 4,911.2 million on December 31, 2020. The **equity ratio** increased accordingly from 50.6% to 53.2%.

Capital reserves decreased from € 2,643.9 million to € 2,322.8 million. The decline is mainly attributable to the cancelation of treasury shares. By contrast, the Group's **accumulated profit** rose from € 1,993.9 million to € 2,240.5 million and contains the past profits of the consolidated companies, insofar as they were not distributed, less payments for share-based compensation.

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 therefore returned to the level prior to the capital increase for the Versatel acquisition in 2014. Following the cancelation of these 11,000,000 shares, United Internet still holds 6,338,513 treasury shares – compared to 17,338,513 as of December 31, 2019. With the approval of the Supervisory Board, the Management Board of United Internet AG resolved on April 1, 2020 to launch a **new share buyback program**. In the course of this share buyback program up to 5,000,000 shares of the Company (corresponding to approx. 2.58% of the capital stock of € 194,000,000) were to be bought back via the stock exchange. The Company thus also utilized the authorization issued by the Annual Shareholders' Meeting of May 18, 2017. The volume of the share buyback program amounted to € 150 million in total. The program was launched on April 3, 2020 and was to last until August 31, 2020 at the latest. On April 30, 2020, the Management Board of United Internet AG resolved to suspend this share buyback program with effect as of the end of the trading day (April 30, 2020). United Internet AG reserved the right to resume or cancel the share buyback program at any time. In the course of this share buyback program, the Company bought back 430,624 treasury shares for a total of € 12.2 million and thus held a total of 6,769,137 **treasury shares** (approx. 3.49% of capital stock) as of April 30, 2020, the date on which the program was suspended, and also at the end of the reporting period on December 31, 2020.

Despite the dividend payment of € 93.6 million and the contractually agreed payment of € 165.0 million to Telefónica Germany in the third quarter of 2020 for the first five-year extension phase of the MBA MVNO agreement beginning on July 1, 2020, the Group's **net bank liabilities** (i.e., the balance of bank liabilities and cash and cash equivalents) were reduced from € 1,620.8 million as of December 31, 2019 to € 1,334.8 million on December 31, 2020.

Multi-period overview: development of relative indebtedness

	Dec. 31, 2016 (IAS 18)	Dec. 31, 2017 (IAS 18)	Dec. 31, 2018 (IFRS 15)	Dec. 31, 2019 (IFRS 16)	Dec. 31, 2020
Net bank liabilities(1) / EBITDA	1.98	1.37	1.57	1.28	1.27
Net bank liabilities(1) / free cash flow(2)	3.88	4.04	7.39	3.27	3.54

(1) Net bank liabilities = balance of bank liabilities and cash and cash equivalents
(2) Free cash flow without consideration of an income tax payment originally due in the fourth quarter of 2015 of around € 100.0 million (2016), 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 and 2020 incl. the repayment portion of lease liabilities of € 111.0 million and € 107.2 million respectively, 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.

see page 278

Multi-period overview: development of key balance sheet items

in € million	Dec. 31, 2016 (IAS 18)	Dec. 31, 2017 (IAS 18)	Dec. 31, 2018 (IFRS 15)	Dec. 31, 2019 (IFRS 16)	Dec. 31, 2020
Total assets	4,073.7	7,605.2	8,173.8	9,128.8	9,230.8
Cash and cash equivalents	101.7	238.5	58.1	117.6	131.3
Shares in associated companies	755.5	418.0(1)	206.9(1)	196.0	89.6
Other financial assets	287.7	333.7(2)	348.1(2)	90.4(2)	9.9(2)
Property, plant and equipment	655.0	747.4(3)	818.0	1,160.6(3)	1,271.6
Intangible assets	369.5	1,408.4(3)	1,244.6	2,167.4(4)	2,197.8
Goodwill	1,087.7	3,564.1(5)	3,612.6(5)	3,616.5	3,609.4
Liabilities due to banks	1,760.7	1,955.8(6)	1,939.1	1,738.4	1,466.1
Capital stock	205.0	205.0	205.0	205.0	194.0(7)
Equity	1,197.8	4,048.7(8)	4,521.5(8)	4,614.7	4,911.2
Equity ratio	29.4%	53.2%	55.3%	50.6%	53.2%

(1) Decrease due to takeover and consolidation of ProfitBricks and Drillisch (2017); decrease due to Tele Columbus impairment charges (2018)
(2) Increase due to subsequent valuation of shares in listed companies (2017); 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 Strato, ProfitBricks and Drillisch takeovers (2017); increase due to initial application of IFRS 16 (2019)
(4) Increase due to initial recognition of acquired 5G frequencies (2019)
(5) Increase due to Strato, ProfitBricks and Drillisch takeovers (2017); increase due to World4You takeover (2018)
(6) Increase due to Strato takeover and increased stakes in Drillisch and Tele Columbus (2017)
(7) Decrease due to withdrawal of treasury shares (2020)
(8) Increase due to consolidation effects in connection with the investment of Warburg Pincus in the Business Applications segment and takeover of Strato (2017); transitional effects from initial application of IFRS 15 (2018)

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

Against the backdrop of the coronavirus pandemic, the economies of all target countries of the United Internet Group, as well as the global economy as a whole, suffered a sharp decline in economic output in fiscal 2020.

United Internet's most important market, Germany, suffered a decline in gross domestic product of -5.4% according to the Federal Statistical Office – following a plus of +0.6% in the previous year. The German ICT market also lagged behind the previous year at -0.6%.

Despite its stable and largely non-cyclical business model, United Internet's business activities in the fiscal year 2020 were also affected by the economic impact of the coronavirus pandemic – albeit to a much lesser extent than other sectors and companies.

Nevertheless, United Internet was able to achieve the targets it set itself and made further progress with organic growth in customer contracts of 910,000 to 25.65 million and sales growth of 3.3% (despite negative pandemic effects) to € 5.367 billion. Earnings were impacted by negative special items from the one-off, non-cash write-off of remaining VDSL contingents. Adjusted for this special item and special items in the previous year, operating EBITDA was 5.3 percent down on the previous year at € 1.179 billion. Additionally adjusted for the retroactive price reduction in wholesale mobile communication services (on conclusion of the national roaming agreement to be recognized out-of-period in fiscal 2021), the impact on earnings of the coronavirus pandemic and regulatory effects, initial costs for the Group's own 5G network, and integration costs, like-for-like EBITDA increased year-on-year by 1.3%.

This positive performance – especially in view of the economic recession and negative sector trends – 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 2020, 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 financial position of United Internet AG remained strong in fiscal 2020. Despite the one-off payment of € 165 million for the extension phase of the MBA MVNO agreement in the fiscal year 2020, free cash flow remained high at € 483.8 million or € 376.6 million after leasing (like-for-like prior-year figure: € 607.0 million or € 496.0 million after leasing). 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. Against this backdrop, the Company plans to finance the development of its own mobile communications network largely from current revenue.

As of the reporting date for the Annual Financial Statements 2020, 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 2020, **sales** of the parent company amounted to € 0.6 million (prior year: € 0.3 million) and result mainly from services rendered to the Group's subsidiaries.

Other operating income amounted to € 12.3 million (prior year: € 1.0 million) and mainly results from income relating to other periods of € 9.9 million (prior year: € 0.02 million) due to sales tax effects from audits of previous years, writeups of securities amounting to € 1.4 million (prior year: € 0), cost allocations within the Group of € 1.0 million (prior year: € 0.2 million), and the reversal of accruals amounting to € 0.1 million (prior year: € 0.6 million).

Adjusted for effects from employee stock ownership programs, **personnel expenses** amounted to € 1.0 million (prior year: € 0.5 million).

Other operating expenses amounted to € 19.8 million (prior year: € 12.7 million) and mostly comprise expenses relating to other periods of € 10.1 million from audits of previous years, internal charges for services rendered to Group companies of € 5.2 million, as well as legal, auditing and consulting fees of € 1.4 million.

Income from profit transfer agreements of € 87.2 million (prior year: € 122.3 million) resulted from the profit transfers of 1&1 Mail & Media Applications SE amounting to € 68.1 million (prior year: € 70.5 million), United Internet Investments Holding AG & Co. KG amounting to € 15.9 million (prior year: € 48.9 million), United Internet Corporate Services GmbH amounting to € 3.0 million (prior year: € 2.7 million), and United Internet Service SE amounting to € 0.2 million (prior year: € 0.2 million).

Income from investments amounted to € 6.7 million (prior year: € 6.5 million) and mainly comprise the dividend of 1&1 Drillisch AG.

Expenses for loss assumptions of € 0.1 million (prior year: € 37.4 million) mainly relate to the compensation expense of United Internet Corporate Holding SE and United Internet Management Holding SE.

The parent company's **result before taxes** amounted to € 167.9 million (prior year: € 177.6 million).

Income taxes of € 57.2 million (prior year: € 58.9 million) comprise current taxes for 2020 of € 48.8 million (of which € 24.4 million corporation tax and the solidarity surcharge, and € 24.4 million trade tax), as well as € 9.4 million from previous years. In addition, deferred taxes liabilities of € 1.2 million were formed. Tax accruals of € 2.2 million had an opposing effect.

Net income in the separate financial statements of United Internet AG for the fiscal year 2020 amounted to € 110.6 million (prior year: € 118.7 million).

Assets and financial position of United Internet AG

The parent company's **balance sheet total** fell from € 5,944.6 million as of December 31, 2019 to € 5,618.2 million on December 31, 2020.

Non-current assets of the parent company amounting to € 5,331.0 million (prior year: € 5,670.9 million) were dominated by **financial assets**. At € 3,763.4 million, **shares in affiliated companies** were unchanged from the previous year. **Loans to affiliated companies** declined to € 1,567.6 million (prior year: € 1,907.6 million). The decrease results in particular from the redemption of loans within the Group.

Current assets of the parent company amounting to € 287.2 million (prior year: € 273.6 million) comprise receivables due from affiliated companies and other assets. The **receivables due from affiliated companies** rose to € 234.9 million (prior year: € 216.2 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 € 36.3 million (prior year: € 14.8 million) consist mainly of receivables due from the tax office relating to audits of previous years.

Shareholders' equity of the parent company amounted to € 3,357.3 million as of December 31, 2020 (prior year: € 3,352.5 million). The slight increase in equity during the reporting period is mainly due to net income of € 110.6 million, with an opposing effect from the dividend payout of € 93.6 million and the buyback of treasury shares of € 12.2 million, which are subtracted from equity. The equity ratio rose from 56.4% in the previous year to 59.8% as of December 31, 2020.

The parent company's **accruals** of € 97.6 million (prior year: € 54.7 million) mainly comprise **accrued taxes** amounting to € 87.4 million (prior year: € 51.8 million) as well as **other accrued liabilities** for employee stock ownership plans, legal, auditing and consulting fees, bonuses, and other items totaling € 10.2 million (prior year: € 2.9 million).

The **liabilities of the parent company** are shaped in particular by liabilities to banks and liabilities due to affiliated companies. **Liabilities to banks** decreased to € 1,467.9 million in the fiscal year 2020 (prior year: € 1,740.7 million). Bank liabilities mainly comprise two promissory note loans totaling € 547.5 million, syndicated loans totaling € 750 million, and drawings from a bilateral credit facility of € 165 million. **Liabilities to affiliated companies** fell to € 672.6 million (prior year: € 783.9 million) and mainly comprise liabilities from balances within the United Internet Group's cash pooling system (€ 670.8 million), from service arrangements (€ 1.2 million), and from profit transfer agreements (€ 0.1 million). **Other liabilities** of € 12.0 million (prior year: € 3.6 million) are mainly sales tax liabilities.

Cash flow of the parent company's financial statements is dominated by cash flows from the profit transfer agreements, as well as the dividends of investments. There was an opposing effect under financial activities from the treasury shares purchased in the fiscal year 2020 and from the dividend payment.

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 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.

The Company's Sustainability Report 2020 will be published in early April 2021 (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.

www.united-internet.de

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

Acquisition of we22

The United Internet subsidiary 1&1 IONOS acquired the Cologne-based company we22 AG on February 1, 2021. we22 develops software for the creation, maintenance and hosting of websites. The German Federal Cartel Office has already approved the takeover of we22 AG.

we22 was founded in 1999 by Robert Schovenberg and Cornel Schnietz as Content Management AG. Today, we22 employs more than 140 people at its sites in Cologne, Berlin and Erfurt. The company became known for its white-label website builder CM4all, which has been used to create and operate more than 5 million websites to date. With over 25 language versions, CM4all has been 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 to small businesses in Germany.

we22's products and services are also to be made available to IONOS customers in the future. Moreover, CM4all will continue to be offered as a white-label solution for other internet providers and business customers.

The management of we22, alongside the founders and Steffen Heym, will continue to steer the development of the company as a wholly-owned subsidiary of 1&1 IONOS.

Telefónica offer for national roaming and MBA MVNO services for 1&1 Drillisch; review by EU Commission completed

Drillisch Online GmbH, a wholly-owned subsidiary of 1&1 Drillisch AG and indirect subsidiary of United Internet AG, and Telefónica Germany GmbH & Co. OHG ("Telefónica") have been holding negotiations for some time regarding the conclusion of a national roaming agreement based on the voluntary commitments of Telefónica as part of the European Commission's clearance of its merger with E-Plus. The European Commission is responsible for monitoring Telefónica's compliance with these voluntary commitments.

In October 2020, Telefónica then submitted its final offer (in its opinion) to 1&1 Drillisch regarding the terms and prices for national roaming. The prices were to be applied retroactively as of July 2020, also for the existing MBA MVNO agreement. Whereas Telefónica had invoiced consistently high advance service prices for the MBA MVNO agreement since July 2020, the Telefónica offer was based on the pricing mechanisms of the first five years of the MBA MVNO agreement. In particular, the offer again included annually decreasing data prices, which were lower than the fixed prices charged at the time by Telefónica.

On conclusion of its review, the EU Commission announced its assessment on February 5, 2021 that the Telefónica offer submitted in October 2020 did not comply with the voluntary commitments as part of the EU's clearance and that Telefónica would have to submit an improved offer.

As a result, Telefónica submitted an improved offer to 1&1 Drillisch on the same day. 1&1 Drillisch had until February 19, 2021 to accept the improved offer.

Improved offer from Telefónica for national roaming accepted

On February 15, 2021, the Management Board and Supervisory Board of 1&1 Drillisch decided to accept Telefónica's offer – improved following review by the EU Commission – for national roaming and the related MBA MVNO advance services. The terms and conditions offered by Telefónica that will apply retroactively from July 2020 are based once again on the pricing mechanisms of the first five years of the MBA MVNO agreement. In particular, annually decreasing data prices are to be included again, which are lower than the fixed prices currently charged by Telefónica.

The conclusion of an agreement, which Telefónica's offer expects by approx. mid-May 2021, would have a positive earnings effect for 1&1 Drillisch, and thus also for United Internet, of € 34.4 million in the fiscal year 2020, which would be booked as income relating to other periods in the fiscal year 2021. In addition, this would constitute an essential prerequisite for 1&1 Drillisch's planned rollout of a high-performance 5G network.

New combined VDSL/FTTH agreement with Deutsche Telekom

On February 15, 2021, United Internet announced that its subsidiary 1&1 Drillisch AG planned to expand its fiber-optic offering and would in future receive VDSL and FTTH advance services (fiber to the home/FTTH) from its affiliate 1&1 Versatel. For this purpose, 1&1 Drillisch has entered into an agreement with 1&1 Versatel on 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 has entered into an agreement with Deutsche Telekom on the use of Deutsche Telekom's FTTH and VDSL connections for households. These enable 1&1 Versatel to provide FTTH/VDSL complete packages for 1&1 Drillisch, as 1&1 Versatel's nationwide transport network is largely connected to the local broadband networks of Deutsche Telekom.

In addition to the existing access to FTTH connections of well-known city carriers, 1&1 Versatel thus gets 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 the coming years.

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).

Given the advantages of the new combined VDSL/FTTH agreement, the existing purely VDSL advance service agreement between 1&1 Drillisch and Deutsche Telekom will be prematurely terminated by mutual agreement of the parties. As the premature termination of the agreement and the swift conclusion of the new agreement had already been sufficiently specified as at the reporting date, the 1&1 Drillisch subgroup wrote off deferred expenses (amounting to € 129.9 million) in the fiscal year 2020 due to a revised estimate of the remaining term of the agreement. The one-off write-off has no cash effect and will be clearly exceeded by the positive effects from the expanded cooperation with Deutsche Telekom in the long-run.

The new FTTH/VDSL agreement with Deutsche Telekom is subject to approval by the Federal Network Agency ("Bundesnetzagentur") as the competent regulatory authority.

There were no other significant events subsequent to the end of the reporting period on December 31, 2020 which had a material effect on the financial position and performance or the accounting and reporting of the parent company or the Group.

see page 110

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

4. RISK, OPPORTUNITY AND FORECAST REPORT

The risk and opportunity policy of the United Internet Group is based on the objective of maintaining and sustainably enhancing the Company's values by utilizing opportunities while at the same time recognizing and managing risks from an early stage in their development. A risk and opportunity management system which is "lived" ensures that United Internet AG 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 AG's risk management system are defined by the Management Board and Supervisory Board, 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. 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 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.

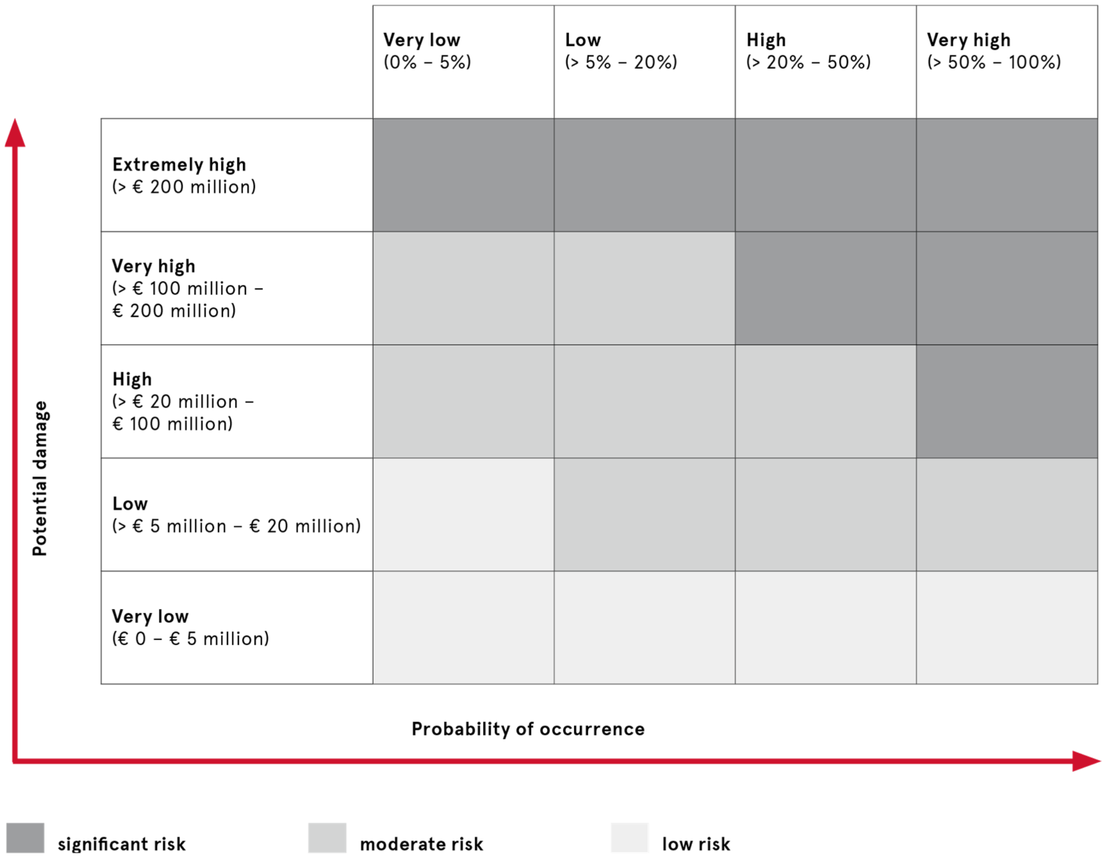
The current status of the main risks is communicated to the Management Board and Supervisory Board four times per year. Identified important risks with an immediate impact or significant changes in the risk situation trigger an ad-hoc reporting obligation. The respective risk is then communicated immediately 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 United Internet

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 expected or that acquired shareholdings will not develop as expected (impairment losses, 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 also the development of new and constantly improved products and services in order to enhance sales and earnings, attract new customers, and expand existing customer relationships. There is always a risk, however, that new developments might be launched too late on the market or not be accepted by the target group as expected.

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

As part of its efforts to diversify the business model or expand its value chain, United Internet occasionally enters new markets, or upstream and downstream markets. On January 24, 2019, the management board of 1&1 Drillisch 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 Drillisch 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.

In addition to the resulting opportunities, such an entrepreneurial decision also entails risks. These may include, for example, the risk areas "technical plant operation", "procurement market", "litigation", "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".

Cooperation and outsourcing

United Internet works 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 also 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 developing 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 the further development of talent 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 2020 of United Internet AG, which will be published in early April 2021 (at https://www.united-internet.de/en/investor-relations/publications/reports.html).

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Market

Sales market and competition
United Internet's markets 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. An increase in the price of purchased products and services also represents a risk for the targeted margins. Planned positive effects from contractually fixed price adjustment rounds can also 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 and – where it makes economic sense – by expanding its own value chain.

Financial market
The activities of United Internet AG 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**
  United Internet's currency risk mainly results from its 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 Company 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 2020".

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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 deal with such risks more quickly, the existing monitoring and alarm system, together with the necessary processes and documentation, is continuously optimized.

There is also the risk of hacker attacks with the aim of stealing or deleting customer data, or using services fraudulently. In the fiscal year 2020, 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 malicious program variants amounted to around 117.4 million new malware variants in the period June 1, 2019 to May 31, 2020.

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, the planned provision of services may 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 (for example, security vulnerabilities in new software code).

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

Technical plant operation
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, for example 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.

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.

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.

Federal Network Agency, Federal Cartel Office

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. With its complete takeover of Versatel in 2014, United Internet now also has its own landline network. This network infrastructure gives United Internet the possibility to gradually expand its vertical integration and to procure fewer broadband wholesale services. In addition, since the takeover of Drillisch (now 1&1 Drillisch) in 2017, United Internet has been the only MBA MVNO in Germany with long-term rights to a share of up to 30% of the used network capacity of Telefónica Germany. This gives United Internet extensive access to one of Germany's largest mobile networks and to all available mobile communications technologies, such as 5G.

Litigation
The United Internet Group is currently involved in various legal disputes and arbitration proceedings arising from its normal business activities. The outcome is by definition uncertain and thus represents a risk. Insofar as the size of the obligation can be reliably estimated, accruals are formed for such risks from litigation, where permissible.

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 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 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 mainly 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 may suffer damage, for example, from hardware or automated domain orders which are ordered under false names and not paid for. The fraudulent use of SIM cards may also incur damage due to large-scale call forwarding or roaming calls, for example.

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 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, for example, 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 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, 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.

see page 250

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 "Litigation", "Business development & innovations" and "Information security". All in all, the risk classifications of the risk fields of United Internet AG as at December 31, 2020 were all unchanged from December 31, 2019.

The continuous expansion of its risk management system enables United Internet 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. The main reason is the global impact of the coronavirus pandemic (Sars-CoV-2). Should the virus continue to spread over a longer period, this may also have a negative impact on demand, as well as on the usage and payment behavior of consumers and business owners, the purchase of pre-services (e.g., smartphones, routers, servers or network technology), or the health and fitness of employees, and thus ultimately on the performance of the United Internet Group. A precise risk assessment with regard to the duration and further effects of the coronavirus crisis is not possible at present, as the assessments of health experts and political measures are frequently changing (due also to new mutations of the virus).

In the assessment of the overall risk situation, the opportunities which exist for United Internet were not taken into consideration. There were no risks which directly jeopardized the continued existence of the United Internet Group in the fiscal year 2020, 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	High	Low	Moderate	→
Business development & innovations	Consumer Access	Low	Extremely high	Significant	→
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 Applications	Low	Low	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	Low	Extremely high	Significant	→
Capacity bottlenecks	Business Applications	High	Very low	Low	→
Projects	Consumer Access	Low	High	Moderate	→
Technical plant operation	Business Applications	Low	High	Moderate	→
Risks in the field of "Compliance"					
Data privacy	Consumer Applications Business Applications	Low	Very high	Moderate	→
Misconduct & irregularities	Business Applications	Very low	Very low	Low	→
Legislation & regulation	Consumer Access	Low	Very high	Moderate	→
Litigation	Consumer Access	Low	Extremely high	Significant	→
Tax risks	Business Applications	High	Very low	Low	→
Risks in the field of "Finance"					
Financing	Business Applications	Low	Very low	Low	→
Fraud & credit default	Consumer Access	Very high	Low	Moderate	→
Liquidity	Business Applications	Low	Very low	Low	→
Risks in the field of "Acts of God"					
Acts of God	Consumer Access	High	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 around 50,900 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 2019, only 4.1% (prior year: 3.2%) of all broadband connections in Germany are fiber-optic connections. Germany thus lags well behind in 33rd place (prior year: 32nd place) among the 38 OECD countries surveyed, and is also well below the OECD average of 28.0% (prior year: 25.6%).

Access to Telefónica mobile network

Following the merger with Drillisch (2017), United Internet – indirectly via 1&1 Drillisch – 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.

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

On June 12, 2019, 1&1 Drillisch successfully completed its participation in the 5G spectrum auction 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 over 10.5 million mobile and over 4.3 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 (including Germany, Austria, Switzerland, the UK, France, Spain, Italy, Poland, and the Netherlands), as well as in North America (USA, Canada, and Mexico). Further countries and product roll-outs 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 Drillisch), and World4You (2018). The most important strategic investments include the investments in Open-Xchange (2013), uberall (2014), Tele Columbus (2016), rankingCoach (2017), and AWIN (2017; via the contribution of affilinet).

4.3 Forecast report

Expectations for the economy

In its global economic outlook published in January 2021, the International Monetary Fund (IMF) updated its forecasts for the development of the global economies in 2021 and 2022. The IMF now expects the **global economy** to recover in the current and following year. In its global economic outlook, the Fund forecasts global growth of 5.5% and 4.2% for the years 2021 and 2022 – following a decline of -3.5% in 2020.

The IMF is thus more optimistic than in its outlook of October 2020. The Fund cited the positive impact of the ongoing vaccination campaigns and the additional economic stimulus measures recently adopted in the USA and Japan as reasons for this. In addition, the estimated global economic decline of -3.5% in 2020 was not as severe as feared in the last forecast in October 2020, when -4.4% was anticipated.

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 +5.1% in 2021 and +2.5% in 2022 (after -3.4% in 2020); in **Canada**, economic growth of +3.6% and +4.1% is anticipated in 2021 and 2022 (after -5.5% in 2020); and the economy in **Mexico** is also expected to grow again, by +4.3% in 2021 and +2.5% in 2022 (after -8.5% in 2020).

The IMF anticipates growth of +4.2% and +3.6% in the **eurozone** for 2021 and 2022 (after -7.2% in 2020).

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 +5.5% in 2021 and +4.1% in 2022 for **France** (after -9.0% in 2020); growth in **Spain** is expected to reach +5.9% and +4.7% in 2021 and 2022 (after -11.1% in 2020); growth of +3.0% and +3.6% is forecast for **Italy** in 2021 and 2022 (after -9.2% in 2020); and for the **UK**, the IMF anticipates growth in 2021 and 2022 of +4.5% and +5.0% (after -10.0% in 2020).

For United Internet's most important market, **Germany**, the IMF forecasts economic growth of +3.5% in 2021 and +3.1% in 2022 (after -5.4% in 2020). With expected growth of +3.5% for 2021, the Fund is above the German government's own forecast of +3.0% growth in price-adjusted GDP, as published in its Annual Economic Report 2021 on January 26, 2021.

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

	2022e	2021e	2020
World	4.2%	5.5%	-3.5%
USA	2.5%	5.1%	-3.4%
Canada	4.1%	3.6%	-5.5%
Mexico	2.5%	4.3%	-8.5%
Eurozone	3.6%	4.2%	-7.2%
France	4.1%	5.5%	-9.0%
Spain	4.7%	5.9%	-11.1%
Italy	3.6%	3.0%	-9.2%
UK	5.0%	4.5%	-10.0%
Germany	3.1%	3.5%	-5.4%

Source: International Monetary Fund, World Economic Outlook (Update), January 2021

Sector/market expectations

Following the "corona shock", the industry association Bitkom believes that the **German ICT market** as a whole will return to growth of +2.7% in 2021 (prior year: -0.6%) to € 174.4 billion.

The **IT market** is expected to gain in relevance again in 2021 and strengthen its importance as the largest segment of the industry. According to Bitkom calculations, sales will increase by +4.2% (prior year: -0.7%) to € 98.6 billion. IT hardware sales are likely to grow the fastest – in particular computers, servers and periphery – at +8.6% (prior year: +3.2%) to € 31.6 billion. Software sales are expected to return to growth with an increase of +4.1% (prior year: -1.0%) to € 27.0 billion. And the IT services business – which also includes IT consulting – is also expected to turn positive again with growth of +1.1% (prior year: -3.2%) to € 40.0 billion.

Sales of **consumer electronics** continue to fall. According to a Bitkom forecast, sales will decline for the fourth year in succession in 2021, albeit at a slower rate than in the past few years. This smallest ICT sub-market is likely to shrink by -2.4% (prior year: -3.0%) to € 8.3 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 forecasts moderate growth for the German telecommunications market as a whole. Following two years of consolidation, sales are expected to grow by +1.0% (prior year: -0.1%) to € 67.4 billion in 2021.

Slight growth of +0.3% (prior year: +0.1%) to € 48.7 billion is anticipated for telecommunication services. Sales of TC devices are set to grow by +2.8% (prior year: +0.3%) to € 11.6 billion. The telecommunication infrastructure business is forecast to grow the strongest at +3.2% (prior year: -2.4%) to € 7.1 billion. The industry association expects network operators to invest heavily in the future of their fixed-line (expansion of fiber-optics) and mobile communications (expansion of new 5G mobile communications standard) networks.

Market forecast: telecommunications market in Germany

in € billion	2021e	2020	Change
Sales	67.4	66.7	+ 1.0%

Source: Bitkom, Annual press conference, January 2021

Global cloud computing market

In an update of its study "Forecast Analysis: Public Cloud Services, Worldwide, 2018-2024, 3Q20 Update" (September 2020), Gartner forecasts global growth for public cloud services of +18.4% from USD 257.54 billion to USD 304.99 billion in 2021, following the pandemic-related slowdown of growth in 2020 (+6.1%).

Market forecast: global cloud computing

in $ billion	2021e	2020	Change
Global sales of public cloud services	304.99	257.54	+ 18.4%
thereof Application Infrastructure Services (PaaS)	55.49	43.82	+ 26.6%
thereof Application Services (SaaS)	117.77	101.48	+ 16.1%
thereof System Infrastructure Services (IaaS)	65.26	51.42	+ 26.9%
thereof Management and Security Services	17.00	14.88	+ 14.2%
thereof Business Process Services (BPaaS)	47.52	44.74	+ 6.2%
thereof Cloud Desktop as a Service (DaaS)	1.95	1.20	+ 62.5%

Source: Gartner, September 2020

Online advertising market in Germany

After the pandemic-related strong decline in online advertising of -4.7% in 2020, PricewaterhouseCoopers expects the market to recover in 2021 with total market growth (mobile advertising and desktop advertising) of +7.5% to € 8.70 billion.

The strongest growth is expected for video advertising and display advertising with increases of +16.9% and +8.7%, respectively.

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

in € billion	2021e	2020	Change
Online advertising revenues	8.70	8.09	+ 7.5%
thereof search marketing	3.51	3.40	+ 3.2%
thereof display advertising	2.63	2.42	+ 8.7%
thereof affiliate / classifieds	0.76	0.73	+ 4.1%
thereof video advertising	1.80	1.54	+ 16.9%

Source: PricewaterhouseCoopers, German Entertainment and Media Outlook 2020 – 2024, November 2020

Expectations for the Company in 2021

Forecast for the fiscal year 2021

For the fiscal year 2021, United Internet expects **sales growth** to approx. € 5.5 billion (2020: € 5.367 billion). Without consideration of the out-of-period income of approx. € 34 million in connection with the planned conclusion of a national roaming agreement, **EBITDA** is expected to increase to approx. € 1.22 billion (2020: € 1.179 billion).

Planning is based on comparable usage behaviour due to the coronavirus pandemic as in the fiscal year 2020 and consequently a comparable burden on sales and earnings.

Planning includes **high investments in future topics**. For example, 1&1 Drillisch **plans initial costs for the 5G network rollout** of approx. € 30 million (2020: around € 14 million) and IONOS an additional approx. € 40 million for a **product and sales drive**. Following the integration of STRATO, World4You and ProfitBricks in the past few years and its successful rebranding, IONOS aims to focus on expanding its cloud business and driving further internationalization. In the current year, IONOS expects to reach sales of approx. € 1 billion for the first time. The IPO is scheduled to be held within the next two years.

The above mentioned forecasts are subject to uncertainty, as an exact assessment of the duration and further impact of the coronavirus pandemic is not currently possible. For further information, please refer to the Risk Report of this Management Report.

see page 93

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 2021 (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 the Consumer Access and Business Applications segments, the segments will focus on the following topics.

- In the Consumer Access segment, the main focus in 2021 will be on marketing mobile internet products and winning high-quality customer relationships. The Company also plans to leverage the strong positioning of its broadband products to generate further growth.

- In the Business Access segment, the Company's own fiber-optic network is to be expanded in 2021 with the connection of further locations. Activities for business and wholesale customers will also be expanded.

- In fiscal year 2021, 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.

- In the Business Applications segment, the focus will continue to be on expanding business with existing customers and gaining new high-quality customer relationships in 2021. 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 2021".

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

HGB

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, for example, 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, 2020 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. As of the balance sheet date, United Internet holds 6,769,137 treasury shares representing 3.49% 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 held 82,000,000 shares of United Internet AG (42.27% of capital stock) as of December 31, 2020. Moreover, Mr. Martin Mildner (member of the Management Board since October 1, 2020) held 2 shares of the Company (0.00% of capital stock).

On the date of his departure, Mr. Frank Krause (member of the Management Board until September 30, 2020) held 5,482 shares of the Company (0.00% of capital stock).

As of December 31, 2020, 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, 2020, the Company's CEO, Mr. Ralph Dommermuth, residing in Germany, held 82,000,000 shares or 42.27% 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 and a syndicated loan of € 200 million until August 2021. 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 € 547.5 million are outstanding as of the reporting date. 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 long-term 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 2020, 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 2020:

Management Board members on December 31, 2020

- 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)

Departed in the fiscal year 2020

- Frank Krause, Chief Financial Officer
  (Management Board member from July 1, 2015 to September 30, 2020)

Supervisory Board

Working procedures of the Supervisory Board

The Supervisory Board elected by the Annual Shareholders' Meeting consisted of three members until July 23, 2020. As of July 24, 2020, the Supervisory Board consists of six members in accordance with the resolutions of the Annual Shareholders' Meeting of May 20, 2020. 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 next self-assessment is planned for spring/summer 2021.

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.

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.

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 2020:

Supervisory Board members on December 31, 2020

- Kurt Dobitsch, chair
  (since 1998)
- Michael Scheeren, deputy chair
  (from May 2002 to May 2020 and since July 2020)
- Dr. Claudia Borgas-Herold
  (since May 2020)
- Dr. Manuel Cubero del Castillo-Olivares
  (since May 2020)
- Philipp von Bismarck
  (since July 2020)
- Prof. Dr. Yasmin Mei-Yee Weiß
  (since July 2020)

Departed in the fiscal year 2020

- Kai Uwe Ricke
  (from February 2008 to May 2020)

The Supervisory Board believes that all six members of the current Supervisory Board, Dr. Borgas-Herold and Prof. Dr. Weiß as well as Mr. Dobitsch, Mr. Scheeren, Mr. von Bismarck and Dr. Cubero del Castillo-Olivares, are also independent within the meaning of Recommendation C.7 of the German Corporate Governance Code. This assessment is not contradicted by the fact that Messrs. Scheeren and Dobitsch have been members of the Supervisory Board for more than twelve years. According to

Recommendation C.7 of the German Corporate Governance Code, long-term membership of the Supervisory Board is merely an indicator of a possible lack of independence. When assessing the independence of Supervisory Board members, it is necessary to take an overall view of the circumstances in each individual case, detached from the formal typifying indicators of the German Corporate Governance Code. There are no indications that Messrs. Scheeren and Dobitsch are subject to a conflict of loyalties or roles. No significant or temporary conflicts of interest have come to light in the Supervisory Board's work in recent years. Messrs. Scheeren and Dobitsch continue to show a strong interest in effective corporate governance and sustainable corporate success.

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 2020.
- 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.

www.united-internet.de

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 2020. 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 principles of remuneration for the Management Board and Supervisory Board are presented in the "Remuneration Report" in chapter 8 of this Management Report. The disclosure of remuneration for members of the Management Board and Supervisory Board, according to person and its fixed and

see page 137 and page 250

variable components, is to be found in the Remuneration Report and note 42 of the Notes to the Consolidated Financial Statements.

Stock option plans

see page 137 and page 228

The principles of the stock-based compensation plan of United Internet AG are described in the "Remuneration Report" in chapter 8 of this Management Report. Further details are provided 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 March 16, 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:

www.bundesanzeiger.de

Since its last Declaration of Conformity issued on December 16, 2020, United Internet AG has complied with the recommendations of the German Corporate Governance Code (the "Code") in the version dated December 16, 2019 with the stated exceptions and will continue to comply with the recommendations of the Code in the version dated December 16, 2019, which came into force on publication in the Federal Gazette on March 20, 2020, with the following exceptions:

Formation of committees
(Recommendation D.2 of the Code)
In view of its current size with six members, the Supervisory Board has not formed any committees and fulfills all its duties as a whole. At its meeting in December 2020, the Supervisory Board had resolved to set up an Audit and Risk Committee and instructed the Chairman of the Supervisory Board together with the Management Board to prepare the necessary steps for establishing the Committee by the next meeting of the Supervisory Board. At its meeting in March 2021, the Supervisory Board then resolved on the specific structure and working methods of the Audit and Risk Committee and determined that the Audit and Risk Committee should commence its activities after the Annual Shareholders' Meeting in May 2021. As of this date, therefore, the Company will also comply with recommendation D.2/D.3 of the Code.

Management Board remuneration - Remuneration system
(Recommendations G.1 to G.5 inclusive of the Code)
The recommendations G.1 to G.5 inclusive of the Code refer to a system of remuneration for members of the Management Board as defined by section 87a AktG ("Remuneration system"), which, following the amendment of the German Stock Corporation Act (AktG) by the second Shareholders' Rights Directive (ARUG II), must now be submitted to the Annual Shareholders' Meeting for approval following a resolution of the Supervisory Board. The remuneration system will be presented for approval to the Annual Shareholders' Meeting of United Internet AG for the first time at the Annual Shareholders' Meeting 2021.

The Supervisory Board is currently working on a remuneration system which will be presented to the Annual Shareholders' Meeting 2021 for approval. The remuneration system will only be used as the basis for future Management Board remuneration after it has been presented to the Annual Shareholders' Meeting. As the recommendations in G.1 to G.5 of the Code presuppose the existence of a remuneration system, the Company declares a deviation in this respect. The remuneration system currently being prepared is to take into account the recommendations in G.1 to G.5 of the Code without restrictions.

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.

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. However, the Company intends to include a so-called "claw-back clause" in its remuneration system, and in future also in the service agreements of Management Board members, which will enable it to reclaim variable compensation.

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. However, the Company intends to provide for this in the remuneration system and in future also in the service agreements of Management Board members (and any related termination agreements).

Consideration of the Deputy Chair when setting compensation for Supervisory Board members (Recommendation G.17 of the Code)
When setting compensation for Supervisory Board members, the position of the Deputy Chair of the Supervisory Board has so far not been awarded higher compensation compared to the other regular members. In the future, the compensation system of the Supervisory Board shall be amended to the effect that the Deputy Chair of the Supervisory Board receives higher compensation than a regular member of the Supervisory Board in order to take into account that the Deputy Chair of the Supervisory Board – should the Chair of the Supervisory Board be prevented from attending – has to take on additional duties.

In addition, the remuneration system for the Supervisory Board shall also be expanded with the addition of a function-related element to remunerate the members of the recently implemented Audit and Risk Committee, and their associated additional duties, beyond the existing compensation for their regular activities as members of the Supervisory Board.

The new remuneration system for the Supervisory Board is to be submitted to the Annual Shareholders' Meeting of United Internet AG for approval at the Annual Shareholders' Meeting 2021.

8. REMUNERATION REPORT

Principles of the Management Board remuneration system

The Supervisory Board is responsible for determining the remuneration of Management Board members. The total compensation of individual members of the Management Board is determined by the Supervisory Board based on a performance assessment, taking into account any payments made by Group companies. Criteria for determining the appropriateness of remuneration are based on the responsibilities of the individual Management Board member, their personal performance, the economic situation, the performance and outlook of the Company, as well as a review of the comparability of compensation with peer companies, and the remuneration structure in place in other areas of the Company.

The size of the remuneration components is regularly reviewed, whereby the Supervisory Board also takes account of Management Board remuneration in relation to compensation for senior management and the workforce of United Internet AG as a whole over time.

The remuneration received by the members of the Management Board of United Internet AG is performance-oriented and consists of fixed and variable elements.

The fixed remuneration component is paid monthly as a salary.

The size of the variable remuneration component depends on reaching certain, fixed financial targets agreed at the beginning of the fiscal year. These targets are based mainly on key 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 is capped at 120% of the agreed target. There is no provision for subsequent amendment of the performance targets. A minimum payment of the variable remuneration component is not normally guaranteed. During the first 12 months, the performance-related bonus is guaranteed on the basis of 100% target achievement in one case. Of this, a partial amount of € 15 thousand is paid out each month during the first 12 months.

There is a component providing long-term incentives in the form of a compensation program based on virtual shares (SARs). The exercise hurdle of this program is 120% of the share price. Payment of value growth is capped at 100% of the calculated share price when the virtual options were granted.

Fringe benefits generally include a company car commensurate with the respective position, which is taxable as a benefit in kind.

There are no retirement benefits from the Company to members of the Management Board.

Management Board members do not receive compensation for seats on supervisory boards of subsidiaries.

With regard to severance pay for members of the Management Board, United Internet AG bases its regulations on the recommendations of the Code:

- Payments made to a Management Board member on premature termination of their contract, including fringe benefits, are limited to the value of two years' compensation (severance pay cap) and to the remaining term of the service agreement.
- The severance pay cap is calculated on the basis of total compensation for the past fiscal year and the expected total compensation for the current fiscal year.
- If the employment contract is terminated for a serious cause for which the Management Board member is responsible, no payments are made to the Management Board member.

For the duration of the 12-month prohibition to compete on termination of the service contract, the respective Management Board member receives compensation up to the amount of their fixed remuneration.

The following tables provide details on Management Board remuneration in the reporting years 2019 and 2020.

Value of benefits granted for the reporting period

The following table shows the value of benefits granted for the reporting period. It also shows the minimum and maximum values that can be achieved. For the one-year variable compensation, the target value (i.e., the value in the event of 100% target achievement) granted for the reporting period is stated. In addition, the multi-year variable compensation granted in the reporting period – insofar as compensation was paid – is broken down into different plans and the relevant periods of time are stated. For subscription rights and other share-based payments, the fair value at the time of granting is calculated.

	Ralph Dommermuth CEO since 2000				Frank Krause CFO June 1, 2015 - Sept. 30, 2020				Martin Mildner CFO since Oct. 1, 2020			
Benefits granted (in €k)	2019	2020	2020 (Min.)	2020 (Max.)	2019	2020	2020 (Min.)	2020 (Max.)	2019	2020	2020 (Min.)	2020 (Max.)
Fixed compensation	0	0	0	0	360	270	270	270		163	163	163
Fringe benefits	0	0	0	0	11	8	8	8		2	2	2
Total	**0**	**0**	**0**	**0**	**371**	**278**	**278**	**278**		**165**	**165**	**165**
One-year variable compensation	0	0	0	0	132	105	0	126		88.0[2]	88.0[2]	88
Multi-year variable compensation*	0	0	0	0	0	0	0	0		7,891	0	10,500
Total	**0**	**0**	**0**	**0**	**503**	**383**	**278**	**404**		**8,144**	**253**	**10,753**
Service costs	0	0	0	0	0	0	0	0		0	0	0
Total compensation	**0**	**0**	**0**	**0**	**503**	**383**	**278**	**404**		**8,144**	**253**	**10,753**

(1) SAR tranche 2020
(2) Guaranteed in the first 12 months

Allocation for the reporting period

The following table contains the allocation for the reporting period (disbursement) for fixed compensation and the one-year variable compensation. The table also shows the allocation (disbursement) of multi-year variable compensation exercised in the reporting period. The amounts are broken down into different plans.

	Ralph Dommermuth CEO since 2000		**Frank Krause CFO June 1, 2015 – Sept. 30, 2020**		**Martin Mildner CFO since Oct. 1, 2020**	
Allocation (in €k)	2020	2019	2020	2019	2020	2019
Fixed compensation	0	0	270	360	163	
Fringe benefits	0	0	8	11	2	
Total	**0**	**0**	**278**	**371**	**165**	
One-year variable compensation	0	0	131	132	45.0(2)	
Multi-year variable compensation*	0	0	0	0	0	
Other	0	0	0	0	0	
Total	**0**	**0**	**409**	**503**	**210**	
Service costs	0	0	0	0	0	
Total compensation	**0**	**0**	**409**	**503**	**210**	

(1) SAR tranche 2020
(2) Guaranteed in the first 12 months

In the IFRS Consolidated Financial Statements of the United Internet Group, the following expenses were recognized for share-based payments to Management Board members: Mr. Ralph Dommermuth (€ 0k, prior year: € 0k), Mr. Frank Krause: € 0k (prior year: € 194k), Mr. Martin Mildner: € 659k (prior year: € 0k).

Further details on Management Board remuneration are provided in note 42 of the Notes to the Consolidated Financial Statements.

see page 250

Principles of the Supervisory Board remuneration system

In the fiscal year 2020, some members of the Supervisory Board of United Internet AG also served on the supervisory boards of United Internet AG's most important subsidiaries, i.e., the supervisory boards of 1&1 Drillisch AG, 1&1 Telecommunication SE, 1&1 IONOS Holding SE, as well as 1&1 Mail & Media Applications SE. The Supervisory Board members each receive separate compensation for their work on behalf of the companies mentioned.

In each case, this compensation consists of a fixed element and an attendance fee. The fixed remuneration refers in each case to a full fiscal year. For parts of a fiscal year, compensation is paid on a prorated basis.

The new remuneration system for the Supervisory Board of United Internet AG valid as of the fiscal year 2020 and adopted by the Annual Shareholders' Meeting 2020 consists of a fixed remuneration component for an ordinary member and the Deputy Chairman of the Supervisory Board of € 20,000 each per full fiscal year and for the Chairman of the Supervisory Board of € 30,000 per full fiscal year. In addition, each member of the Supervisory Board receives a payment of € 1,000 for each meeting they attend in person, or via telephone, video conference, or corresponding connection. There are no stock option plans for members of the Supervisory Board.

The new remuneration system for the Supervisory Board of 1&1 Drillisch AG adopted by the Annual Shareholders' Meeting 2018 consists of a fixed remuneration component for an ordinary member of the Supervisory Board of € 45,000 each per full fiscal year and for the Chairman of the Supervisory Board of € 55,000 per full fiscal year. In addition, each member of the Supervisory Board receives a payment of € 1,000 for each meeting they attend in person, or via telephone, video conference, or corresponding connection. There are no stock option plans for members of the Supervisory Board.

In the course of their duties for 1&1 Telecommunication SE, the fixed remuneration component for an ordinary member of the Supervisory Board, for the Deputy Chairman of the Supervisory Board, and for the Chairman of the Supervisory Board is € 10,000 per full fiscal year in each case. In addition, each member of the Supervisory Board receives a payment of € 1,000 for each meeting they attend in person, or via telephone, video conference, or corresponding connection.

In the course of their duties for 1&1 IONOS Holding SE, the fixed remuneration component for an ordinary member and the Deputy Chairman of the Supervisory Board is € 30,000 each per full fiscal year, and for the Chairman of the Supervisory Board € 35,000 per full fiscal year. In addition, each member of the Supervisory Board receives a payment of € 1,000 for each meeting they attend in person, or via telephone, video conference, or corresponding connection.

In the course of their duties for 1&1 Mail & Media Applications SE, the fixed remuneration component for an ordinary member of the Supervisory Board and for the Deputy Chairman is € 15,000 per full fiscal year, and for the Chairman of the Supervisory Board € 25,000 per full fiscal year. In addition, each member of the Supervisory Board receives a payment of € 1,000 for each meeting they attend in person, or via telephone, video conference, or corresponding connection.

see page 250

Specific details on Supervisory Board compensation is provided in section 42 of the Notes to the Consolidated Financial Statements.

Employee stock ownership plans

Virtual stock option program for management (SAR)

For many years now, United Internet AG has operated a stock-based compensation plan which enables its managers to participate in the Company's success and is aimed at enhancing staff loyalty. The plan takes the form of a virtual stock option program.

Virtual stock options, or Stock Appreciation Rights (SARs), refer to the commitment of United Internet AG to pay the beneficiary a cash amount equivalent to the difference between the share price on the date of granting the option 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 to 100% of the calculated share price when the virtual options were granted.

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. United Internet AG retains the right to fulfill its commitment 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. Employees may exercise their option rights after expiry of certain minimum retention periods. The increase in value represents a taxable gain for employees. The SARs have a maturity of no more than six years.

Option rights can be exercised as follows: 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.

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 19, 2021

The Management Board

Ralph Dommermuth

Martin Mildner

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

as of December 31, 2020 in €k

ASSETS	Note	December 31, 2020	December 31, 2019
Current assets			
Cash and cash equivalents	18	131,270	117,573
Trade accounts receivable	19	344,838	346,004
Contract assets	20	577,601	507,829
Inventories	21	85,390	79,268
Prepaid expenses	22	214,382	237,036
Other financial assets	23.1	82,262	48,141
Income tax claims	15	64,822	21,546
Other non-financial assets	23.2	12,351	13,772
		1,512,917	**1,371,168**
Non-current assets			
Shares in associated companies	24	89,567	196,037
Other financial assets	25	9,901	90,413
Property, plant and equipment*	26	1,271,567	1,160,604
Intangible assets	27, 29	2,197,818	2,167,392
Goodwill	28, 29	3,609,437	3,616,515
Trade accounts receivable	19	53,959	57,697
Contract assets	20	196,508	174,251
Prepaid expenses	22	144,795	284,252
Deferred tax assets	15	20,412	10,437
		7,593,965	**7,757,598**
Assets held for sale	24	123,955	0
Total assets		**9,230,836**	**9,128,766**

* Prior year figures adjusted; see Note 45

LIABILITIES	Note	December 31, 2020	December 31, 2019
Current liabilities			
Trade accounts payable	30, 35	532,778	475,535
Liabilities due to banks	31, 35	370,435	243,733
Income tax liabilities	15, 35	114,621	91,680
Contract liabilities	32, 35	152,094	149,930
Other accrued liabilities	33, 35	9,302	18,372
Other financial liabilities	34.1, 35	278,636	239,435
Other non-financial liabilities	34.2, 35	46,747	50,337
		1,504,614	**1,269,022**
Non-current liabilities			
Liabilities due to banks	31, 35	1,095,654	1,494,635
Deferred tax liabilities	15	331,639	351,824
Trade accounts payable	30, 35	6,014	6,092
Contract liabilities	32	33,631	34,893
Other accrued liabilities	33, 35	69,329	67,650
Other financial liabilities*	34.3, 35	1,278,744	1,289,919
		2,815,012	**3,245,013**
Total liabilities		**4,319,626**	**4,514,035**
EQUITY			
Capital stock	37	194,000	205,000
Capital reserves	38	2,322,780	2,643,946
Accumulated profit	38	2,240,473	1,993,860
Treasury shares	39	-212,731	-548,443
Revaluation reserves	38	-4,372	25,173
Currency translation adjustment	38	-21,091	-9,558
Equity attributable to shareholders of the parent company		**4,519,060**	**4,309,977**
Non-controlling interests	40	392,151	304,753
Total equity		**4,911,210**	**4,614,730**
Total liabilities and equity		**9,230,836**	**9,128,766**

NET INCOME

from January 1 to December 31, 2020 in €k

	Note	2020 January - December	2019 January - December
Sales	5	5,367,249	5,194,092
Cost of sales	6, 11, 12	-3,769,319	-3,427,008
Gross profit		**1,597,930**	**1,767,084**
Selling expenses	7, 11, 12	-767,917	-741,754
General and administrative expenses	8, 11, 12	-205,964	-205,899
Other operating expenses	9.1	-30,852	-16,998
Other operating income	9.2	74,532	102,890
Impairment of receivables and contract assets	10	-92,869	-94,238
Operating result		**574,860**	**811,086**
Financial expenses	13	-52,792	-45,014
Financial income	14	15,671	21,852
Result from associated companies	24	18,461	-8,225
Pre-tax result		**556,201**	**779,699**
Income taxes	15	-187,441	-240,742
Net income		**368,760**	**538,956**
thereof attributable to			
non-controlling interests		78,212	115,018
Shareholders of United Internet AG		290,548	423,937

	Note	2020 January - December	2019 January - December
Result per share of shareholders of United Internet AG (in €)			
basic	16	1.55	2.13
diluted	16	1.54	2.13
Weighted average of outstanding shares (in million units)			
basic	16	187.35	199.27
diluted	16	188.37	199.27
Reconciliation to total comprehensive income			
Net income		368,760	538,956
Items that may be reclassified subsequently to profit or loss			
Currency translation adjustment - unrealized	38	-16,182	7,099
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, 41	33,913	26,713
Tax effect	38, 15	-1,698	92
Share in other comprehensive income of associated companies	38, 24	-2,137	-286
Other comprehensive income		**13,895**	**33,617**
Total comprehensive income		**382,655**	**572,574**
thereof attributable to			
non-controlling interests		84,096	117,946
Shareholders of United Internet AG		**298,560**	**454,628**

CASH FLOW

from January 1 to December 31, 2020 in €k

	Note	2020 January - December	2019 January - December
Result from operating activities			
Net income		368,760	538,956
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization of intangible assets and property, plant and equipment	11	315,454	292,665
Depreciation and amortization of assets resulting from company acquisitions	11	158,614	181,436
write-ups on intangible assets	28	0	-19,438
Employee expenses from employee shareholdings	36	14,547	8,510
Result from associated companies	24	-18,461	8,225
Income from the sale of associated companies	9.2, 24	0	-21,512
Other non-cash items from tax adjustments	15	-19,345	-37,645
Other non-cash items	6, 13,14	134,531	-16,165
Operative cash flow		**954,099**	**935,032**
Change in assets and liabilities			
Change in receivables and other assets		2,920	21,346
Change in inventories		-6,122	10,349
Change in contract assets		-92,030	-89,578
Change in income tax claims		-43,276	108,065
Change in deferred expenses		32,219	34,749
Change in trade accounts payable		57,217	-81,041
Change in other accrued liabilities		-7,390	-29,491
Change in income tax liabilities		22,941	-96,258
Change in other liabilities		4,263	18,589
Change in contract liabilities		901	-2,835
Change in assets and liabilities, total		**-28,357**	**-106,104**
Cash flow from operating activities		**925,742**	**828,928**

	Note	**2020** January - December	**2019** January - December
Cash flow from investing activities			
Capital expenditure for intangible assets and property, plant and equipment	27	-447,033	-252,776
Payments from disposals of intangible assets and property, plant and equipment		5,087	8,775
Payments for company acquisitions less cash received	4.1	-396	0
Purchase of shares in associated companies	4.1, 24	-1,264	-5,037
Payments received from the sale of associated companies		500	35,627
Payments for loans granted		0	-3,630
Payments from the sale of financial assets	38	77,477	303,727
Payments received from the repayment of other financial assets		4,557	525
Cash flow from investment activities		**-361,072**	**87,211**
Cash flow from financing activities			
Purchase of treasury stock	39	-12,235	-373,584
Taking out loans	46	15,722	15,453
Repayment of loans	46	-288,000	-216,228
Redemption of spectrum liabilities	42, 46	-61,266	-61,266
Redemption of lease liabilities	44, 45	-107,168	-111,023
Dividend payments	17	-93,615	-10,015
Dividend payments to non-controlling interests		-2,577	-2,557
Payments to minority interests		0	-98,384
Cash flow from financing activities		**-549,140**	**-857,604**
Net increase in cash and cash equivalents		15,530	58,535
Cash and cash equivalents at beginning of fiscal year		117,573	58,066
Currency translation adjustments of cash and cash equivalents		-1,831	973
Cash and cash equivalents at end of fiscal year	**18**	**131,270**	**117,573**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the fiscal year 2020 and 2019 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, 2019	**205,000,000**	**205,000**	**2,703,141**	**1,496,154**	**4,702,990**	**-174,858**
Net income				423,937		
Other comprehensive income						
Total comprehensive income				**423,937**		
Purchase of treasury shares					12,635,523	-373,584
Employee stock ownership program			6,008			
Dividend payments				-10,015		
Profit distributions						
Disposal of financial assets measured at fair value through other comprehensive income				83,784		
Transactions with shareholders			-63,072			
Other transactions			-2,131			
Balance as of December 31, 2019	**205,000,000**	**205,000**	**2,643,946**	**1,993,860**	**17,338,513**	**-548,442**
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**

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
83,023	**-14,314**	**4,298,146**	**223,326**	**4,521,472**
		423,937	115,018	538,956
25,933	4,756	30,689	2,928	33,617
25,933	**4,756**	**454,626**	**117,946**	**572,574**
		-373,584		-373,584
		6,008	2,502	8,510
		-10,015		-10,015
		0	-2,557	-2,557
-83,784		0	0	0
		-63,072	-35,312	-98,384
		-2,131	-1,152	-3,283
25,173	**-9,558**	**4,309,977**	**304,753**	**4,614,730**
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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, 2020.

The Supervisory Board approved the Consolidated Financial Statements for 2019 at its meeting on March 25, 2020. The Consolidated Financial Statements were published in the German Federal Gazette ("Bundesanzeiger") on March 26, 2020.

The Consolidated Financial Statements for 2020 were prepared by the Company's Management Board on March 19, 2021 and subsequently submitted to the Supervisory Board. The Consolidated Financial Statements will be presented to the Supervisory Board for approval on March 24, 2021. 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 25, 2021.

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

see page 185

Revenue is recognized separately for each of the Group's different segments (see also explanations on segment reporting in Note 0).

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.

- **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 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, 2020	Dec. 31, 2019	2020	2019
US dollar	1.228	1.123	1.140	1.119
UK pound	0.900	0.850	0.889	0.877

Property, plant and equipment

Property, plant and equipment is always carried at cost less cumulative scheduled depreciation.

Items of property, plant and equipment are eliminated either on their disposal or when no further economic use is expected from the continued use or sale of the asset. Gains and losses from the disposal of an asset are recognized in the income statement.

The residual values, useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted where necessary.

Property, plant and equipment assets are depreciated over their expected economic useful life using the straight-line method.

The useful life periods can be found in the following summary:

	Useful life in years
Leasehold improvements	up to 10
Buildings	10 or 50
Vehicles	5 to 6
Telecommunication equipment	7 to 10
Distribution networks	20
Other operational and office equipment	3 to 10
Office furniture and fixtures	5 to 13
Servers	3 to 5

For property, plant and equipment acquired in connection with company acquisitions, the applicable remaining useful life is determined primarily on the basis of the aforementioned useful lives and the useful lives elapsed at the time of acquisition.

Impairment tests 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 20
Rights similar to concessions	5
Other rights and licenses	2 to 15
Software	3 to 5
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.

see page 179

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
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.

see pages 180, 200, 201 and 248

Further details on the impairment of trade accounts receivable and contract assets are provided in the following Notes:

- Significant accounting judgments, estimates, and assumptions (Note 3)
- Trade accounts receivable (Note 19)
- Contract assets (Note 20)
- Objectives and methods of financial risk management (Note 43)

Financial liabilities – initial recognition and measurement

On initial recognition, financial liabilities are classified as financial liabilities measured at fair value through profit or loss, or as financial liabilities measured at amortized cost.

All financial liabilities are recognized initially at fair value and, in the case of financial liabilities measured at amortized cost, net of directly attributable transaction costs.

Financial liabilities – subsequent measurement

The subsequent measurement of financial liabilities depends on their classification:

Financial liabilities at fair value through profit or loss
This category also includes derivative financial instruments entered into by the Group. Separated embedded derivatives are also classified as held for trading. Gains or losses on financial liabilities held for trading are recognized through profit or loss.

Financial liabilities at amortized cost
After initial recognition, financial liabilities classified at amortized cost are subsequently measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Amortization using the effective interest method is included as part of finance costs in the income statement.

Financial liabilities – derecognition

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred result in an adjustment to the carrying amount of the liability and are amortized over the remaining life of the liability.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Balance Sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Financial instruments – derivative financial instruments and hedging relationships

The Group occasionally uses derivative financial instruments in order to hedge against interest and exchange rate risks. Derivative financial instruments are recognized at fair value on the date of the agreement and carried at fair value in the subsequent periods. The fair value of interest derivatives is calculated on the basis of present value models using market information (interest rate curves) as well as – where material – the individual credit risk of the Company. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative. Profit or loss resulting from changes in the fair value of derivative financial instruments are recognized immediately in the income statement.

When entering into a hedging relationship to hedge against the risk of cash flow fluctuations, certain derivatives are allocated to underlying transactions which can be attributed to a risk connected with a recognized asset or liability or the risk connected with the intended transaction (cash flow hedge). The hedging instruments in a hedge are also carried at market values. However, changes in value relating to the effective portion are recognized in the cash flow hedge reserve, a separate item under equity ("Cash flow hedge reserve"). Any ineffectiveness is recognized in profit or loss. Effectiveness is measured as at the end of the reporting period using the hypothetical derivative method. The amounts recognized in equity are reclassified to the statement of comprehensive income in the period in which the hedge influences the period result, e.g., when hedged financial income or expenses are recognized or when an expected sale is made.

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, 2020, the following standards were applied for the first time:

Standard		Mandatory for fiscal years beginning on or after	Endorsed by EU Commission
Conceptual Framework	Revised Definitions of Assets and Liabilities as well as New Guidance on Measurement and Derecognition, Recognition and Disclosures	Jan. 1, 2020	yes
IFRS 3	Definition of a Business	Jan. 1, 2020	yes
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform (Phase 1)	Jan. 1, 2020	yes
Amendments to IAS 1 and IAS 8	Definition of Material	Jan. 1, 2020	yes
Amendments to IFRS 16	Covid-19-Related Rent Concessions	June 1, 2020	yes

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

2.4 Accounting standards already published but not yet mandatory

Apart from the IFRSs mentioned above whose application is mandatory, the IASB has 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
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform (Phase 2)	Jan. 1, 2021	yes
IFRS 3	Amendment: Reference to the Conceptual Framework	Jan. 1, 2022	no
IAS 37	Amendment: Onerous Contracts – Cost of Fulfilling a Contract	Jan. 1, 2022	no
IAS 16	Amendment: Property, Plant and Equipment – Proceeds before Intended Use	Jan. 1, 2022	no
IAS 1	Amendment: Classification of Liabilities as Current or Non-current.	Jan. 1, 2022	no
IAS 1	Amendments: Guidelines on Disclosures of Accounting Policies in the Financial Statements	Jan. 1, 2023	no
IAS 8	Amendment: Distinction between Amendment of Accounting Policies and Accounting Estimates	Jan. 1, 2023	no
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements 2018-2020	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.

The impact on **sales** and **EBITDA** is explained in the corresponding sections of the Management Report.

Trade accounts receivable
The recoverability of receivables as a result of the coronavirus pandemic has remained essentially unchanged compared to December 31, 2019.

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).

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

Revenue recognition

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, 2020 amounted to € 275,177k (prior year: € 283,162k).

Measurement of non-listed equity instruments

Measuring the fair value of a non-listed equity instrument not only takes into account past experience of the company in question but also expectations of its probable future development. These expectations are based on numerous assumptions and the measurement of fair value is therefore subject to significant uncertainties. As of the reporting date, there were no non-listed equity instruments (prior year: € 44,622k).

Impairment of non-financial assets

Goodwill and other intangible assets with indefinite useful lives, 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, 2020, the carrying amount of goodwill was € 3,609,437k (prior year: € 3,616,515k).

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)".

see page 210

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 listed associated companies is based on the respective share price. 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. As of December 31, 2020, the carrying value of investments in listed associated companies amounted to € 0k (prior year: € 106,639k). The carrying value of investments in non-listed associated companies as of December 31, 2020 amounted to € 89,567k (prior year: € 89,397k).

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 € 14,547k (prior year: € 8,510k).

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, 2020 amounted to € 114,621k (prior year: € 91,680k) 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, 2020 amounted to € 398,796k (prior year: € 403,701k). The carrying value of contract assets as of December 31, 2020 amounted to € 774,109k (prior year: € 682,079k).

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 € 85,390k (prior year: € 79,268k). Please refer to Note 21.

see page 202

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 € 3,186,327k as of December 31, 2020 (prior year: € 2,936,069k). 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 17 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, 2020 amounted to € 78,631k (prior year: € 86,022k).

4. Business combinations and investments

4.1 Business combinations in the fiscal year

The Group acquired the business operations of ASCI Consulting GmbH, Berlin, for a purchase price of € 400k during the reporting period. The acquisition was made via the subsidiary Cronon GmbH. The acquisition of control was on February 1, 2020. ASCI Consulting has extensive expertise in business intelligence (BI) and performance management. The purchase price was mainly allocated to goodwill.

4.2 Investments in companies

The Group made no significant investments in companies in the reporting period.

Explanations of items in the income statement

see pages 155 and 48

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, earnings before interest, taxes, depreciation and amortization (EBITDA), and the result of ordinary operations (EBIT). 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 2020 was as follows:

January - December 2020 (€m)	Consumer Access segment	Business Access segment	Consumer Applications segment	Business Applications segment	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	245	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	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

Segment reporting of United Internet AG in fiscal year 2019 was as follows:

January - December 2019 (€m)	Consumer Access segment	Business Access segment	Consumer Applications segment	Business Applications segment	Corporate	Reconciliation/ Consolidation	United Internet Group
Segment revenue	3,647.5	476.6	255	890.6	1.4	-77.0	5,194.1
- thereof domestic	3,647.5	476.6	247	455.3	1.4	-66.8	4,761.1
- thereof foreign	0	0	7.9	435.3	0	-10.2	433.0
Segment revenue from transactions with other segments	1.9	56.5	14.5	4.0	0		77.0
Segment revenue from contracts with customers	3,645.6	420.1	240.5	886.6	1.4		5,194.1
- thereof domestic	3,645.6	420.1	232.8	461.3	1.4		4,761.2
- thereof foreign	0	0	7.7	425.3	0		433.0
EBITDA	686.6	147.2	103.6	306.2	22.1		1,265.7
Financial result							-23.2
Result from associated companies							-8.2
EBT							779.7
Income taxes							-240.7
Net income							**539.0**
Assets (non-current)	2,286.7	398.3	296.8	864.9	56.3	---	3,903.0
- thereof domestic	2,286.7	398.3	296.4	480.5	56.3	---	3,518.3
- thereof shares in associated companies	106.6	0	62.8	0	24.6	---	194.0
- thereof other financial assets	1.7	0	8.1	4.1	31.8	---	45.7
- thereof goodwill	2,178	398	225.5	476.4	0	---	3,278.6
- thereof foreign	0	0	0	384.4	0	---	385
- thereof shares in associated companies	0	0	0	2.1	0	---	2.1
- thereof other financial assets	0	0	0	44.7	0	---	44.7
- thereof goodwill	0	0	0	337.5	0	---	337.9
Investments in intangible assets and property, plant and equipment (without goodwill)	1,119.2	225.4	38.4	63.5	22.1	-48.9	1,419.7
Amortization/depreciation	150.5	198.4	17.7	85.4	2.6	---	454.6
- thereof intangible assets, and property, plant and equipment	27.2	178.7	17.7	47	2.6	---	273.2
- thereof assets capitalized during company acquisitions	123.3	19.7	0	38.4	0	---	181.4
Number of employees	3,163	1,184	1,007	3,416	604	---	9,374
- thereof domestic	3,163	1,184	1,003	1,807	604	---	7,761
- thereof foreign	0	0	4	1,609	0	---	1,613

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

In the fiscal year 2020, revenue of the Consumer Access segment from contracts with customers includes hardware sales of € 739,056k (prior year: € 702,582k). Revenue of the Business Access segment from contracts with customers for the fiscal year 2020 includes hardware sales of € 9,123k (prior year: € 10,625k). 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 8.5% (prior year: 8.3%) 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.

see pages 200, 201 and 217

Contract balances developed as follows in the fiscal year 2020:

in €k	Dec. 31, 2020	Dec. 31, 2019
Trade accounts receivable (Note 19)	398,796	403,701
Contract assets (Note 20)	774,109	682,079
Contract liabilities (Note 32)	185,725	184,823

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 2020.

In fiscal year 2020, revenue of € 149,930k (prior year: € 154,290k) 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 € 1,717,784k (prior year: € 1,604,511k) as of December 31, 2020. 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	2021	2022	>2022
Business Applications	3,958	3,010	846	102
Consumer Access	1,290,973	945,336	345,637	0
Business Access	406,641	208,769	90,972	106,900
Consumer Applications	13,277	11,054	2,223	0
Total	**1,714,849**	**1,168,169**	**439,678**	**107,002**

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	2020	2019
Cost of services	2,317,924	2,048,466
Cost of goods	794,244	734,579
Personnel expenses	236,535	225,485
Amortization/depreciation	306,869	307,325
Other	113,747	111,153
Total	**3,769,319**	**3,427,008**

The cost of services includes a non-scheduled write-off of prepaid expenses for an advance service agreement totaling € 129.9 million. In the past, these were released over the originally agreed contract term. Due to the premature termination in connection with the conclusion of a new long-term advance service agreement, a reassessment was made, resulting in the unscheduled write-off. For further information, please refer to Note 22. see page 202

Cost of sales in relation to sales revenue increased to 70.2% compared with the previous year (prior year: 66.0 %), resulting in a decline in gross margin to 29.8% (prior year: 34.0%). Adjusted for the write-off of the above mentioned prepaid expenses of € 129.9 million, cost of sales in relation to sales revenue amounted to 67.8%. The adjusted gross margin amounts to 32.2%.

7. Selling expenses

Selling expenses rose from € 741,754k (14.3% of sales) to € 767,917k (14.3% of sales). They include personnel expenses of € 264,930k (prior year: € 245,718k), depreciation of € 138,646k (prior year: € 136,471k), and other selling expenses of € 364,341k (prior year: € 359,565k). 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 decreased from € 205,899k (4.0% of sales) to € 205,964k (3.8% of sales). They include personnel expenses of € 90,859k (prior year: € 81,644k), depreciation of € 28,553k (prior year: € 30,305k), and other general and administrative expenses of € 86,552k (prior year: € 93,950k). 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	2020	2019
Expenses relating to other periods	13,892	4,337
Expenses from foreign currency translation	12,540	5,842
Losses from the disposal of property, plant and equipment	522	880
Derivatives	0	1,081
Integration project Drillisch AG	0	57
Other	3,898	4,801
Total	**30,852**	**16,998**

Expenses relating to other periods include tax arrears, mainly for sales tax, due to a completed tax audit amounting to € 10,119k. 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 € 3,446k (prior year: net loss of € 2,048k).

9.2 Other operating income

€k	2020	2019
Income from dunning and return debit charges	32,833	33,213
Income from foreign currency translation	15,986	3,794
Income from other periods	13,124	1,596
Income from the disposal of an associated company	490	21,512
Income from the disposal of property, plant and equipment	421	634
Derivatives	195	0
Income from the reversal of accrued liabilities	65	11,604
Income from trademark write-ups	0	19,438
Other	11,418	11,099
Total	**74,532**	**102,890**

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 other periods mainly comprises sales tax refund claims due to a completed tax audit of previous years amounting to € 9,855k.

Income from the disposal of an associated company in the previous year relates to income from the sale of shares in Virtual Minds AG, Freiburg.

see page 210

Income from trademark write-ups in the previous year refers to the write-up of the STRATO brand. Please refer to Note 29 for further information.

10. Impairment charges on receivables and contract assets

Impairment charges on receivables and contract assets comprised the following:

€k	2020	2019
Trade accounts receivable	59,817	65,898
Contract assets	33,052	28,339
Total	**92,869**	**94,237**

11. Depreciation and amortization

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

€k	2020	2019
Cost of sales	306,869	307,325
Selling expenses	138,646	136,471
General and administrative expenses	28,553	30,305
Total	**474,068**	**474,101**

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

€k	2020	2019
Intangible assets		
Customer base/ order backlog	126,777	127,071
Software	6,333	13,934
Trademark	0	1,267
Licenses	12,529	25,059
	145,639	**167,331**
Tangible assets		
Network infrastructure	12,975	14,106
Total	**158,614**	**181,437**

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

€k	2020	2019
1&1 Drillisch	108,133	123,319
STRATO	19,589	25,324
1&1 Versatel	18,601	19,733
Arsys	3,653	3,653
home.pl	3,225	3,330
ProfitBricks	2,904	3,332
World4You	2,498	2,536
Cronon	11	0
Fasthosts	0	209
Total	**158,614**	**181,436**

Amortization from the business combination ProfitBricks refers to 1&1 IONOS SE. ProfitBricks GmbH was merged into 1&1 IONOS SE.

12. Personnel expenses

Personnel expenses are divided among the various divisions as follows:

€k	2020	2019
Cost of sales	236,535	225,485
Selling expenses	264,930	245,718
General and administrative expenses	90,859	81,644
Total	**592,324**	**552,847**

Personnel expenses include wages and salaries of € 507,093k (prior year: € 472,059k), and social security costs of € 85,231k (prior year: € 80,788k).

The number of employees increased by 2.8%, from 9,374 employees in the previous year to 9,638 employees at year-end 2020:

	2020	2019
Germany	7,929	7,761
Outside Germany	1,709	1,613
thereof the Philippines	395	360
thereof Spain	340	330
thereof Poland	299	309
thereof UK	251	233
thereof Romania	217	195
thereof USA	160	140
thereof Austria	44	43
thereof France	3	3
Total	**9,638**	**9,374**

The average number of employees in fiscal year 2020 amounted to 9,504 (prior year: 9,222), of which 7,837 (prior year: 7,626) were employed in Germany and 1,667 abroad (prior year: 1,596).

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 2020, they totaled € 36,054k (prior year: € 29,025k) 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	2020	2019
Loans and overdraft facilities	17,455	24,927
Subsequent valuation of embedded derivatives	15,301	9,849
Interest expense from tax audit	11,913	836
Financing costs from leases	7,866	8,715
Other	257	687
Total financial expenses	**52,792**	**45,014**

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.

Please refer to Note 45 for an explanation of the financial expense from leases.

see page 253

14. Financial income

€k	2020	2019
Subsequent valuation of embedded derivatives	6,695	15,660
Interest income from tax audit	4,851	3,092
Interest Income from leases	964	1,032
Income from dividends	842	992
Income from loans to associated companies	294	217
Other financial income	2,025	859
Total financial income	**15,671**	**21,852**

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 € 842k 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.

see page 243

15. Income taxes

The income tax expense is comprised as follows:

€k	2020	2019
Current income taxes		
- Germany	-196,478	-266,826
- Outside Germany	-10,309	-10,621
Total (current period)	**-206,787**	**-277,447**
Deferred taxes		
- Due to tax loss carryforwards	20,832	17,020
- Tax effect on temporary differences	-1,486	17,860
- Due to tax rate changes	0	1,824
Total deferred taxes	**19,346**	**36,704**
Total tax expense	**-187,441**	**-240,742**

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 2020 amounted to approx. 15.2% (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, income taxes include tax expenses not relating to the period of € 14,715k in connection with the tax audit (prior year: tax expense € 912k).

Deferred tax assets are recognized for tax loss carryforwards and temporary differences if it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets for tax loss carryforwards in certain countries are shown in the table below:

€k	2020	2019
Germany	75,205	63,834
USA – Federal	0	2,043
	75,205	**65,877**

Deferred taxes for loss carryforwards mainly relate to the 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 Drillisch.

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
- Poland: 5 years

Tax loss carryforwards for which no deferred tax assets have been formed, refer to the following countries (excluding Germany):

€k	2020	2019
USA Federal *	23,380	17,768
USA State **	181	244
Poland	0	295
	23,561	**18,307**

* Tax rate 21.0%
** Tax rate 0.2%

A breakdown of income tax types results in the following loss carryforwards for Germany for which no deferred taxes have been formed:

	2020		2019	
€k	Corporation tax	Trade tax	Corporation tax	Trade tax
Germany	30,782	25,201	8,940	9,109

Loss carryforwards in Germany for which no deferred tax assets have been formed mainly refer to loss carryforwards of 1&1 Versatel GmbH and 1&1 Energy GmbH.

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 € 118,520k (prior year: € 128,026k).

In the reporting period, deferred tax assets were recognized on interest carryforwards for the first time due to the positive tax planning and the reduction of interest-bearing liabilities and resulting reduction of the interest burden. The resulting tax relief amounted to € 10,901k in the financial period.

In fiscal year 2020, no loss carryforwards were used (prior year: € 9,477k) for which deferred taxes had been formed in the previous year.

Deferred taxes resulted from the following items:

€k	2020 Deferred tax assets	2020 Deferred tax liabilities	2019 Deferred tax assets	2019 Deferred tax liabilities
Trade accounts receivable	1,251	9,704	1,512	9,328
Inventories	142	88	140	168
Contract assets - current	9,384	162,500	7,217	135,107
Contract assets - non current	5,034	61,442	3,938	51,729
Other financial assets – current	464	40	657	27
Other financial assets – non-current	1,192	2,365	1,182	2,432
Other assets	1,284	1,348	548	1,417
Prepaid expenses	172,155	82,717	158,721	86,860
Property, plant and equipment	1,492	14,543	2,182	19,490
Right-of-use from leases	0	140,836	0	116,982
Intangible assets	51,506	319,810	52,001	329,733
Other accrued liabilities	38,067	4,159	25,617	363
Contract liabilities	22,026	50,716	23,306	51,945
Other liabilities	416	1,115	1,889	6,719
Lease liabilities - current	27,861	0	23,395	17
Lease liabilities - non current	115,440	4	93,031	1
Gross value	**447,714**	**851,389**	**395,338**	**812,318**
Tax loss carryforwards	86,709		65,877	
Adjustments for consolidation	9,757	4,018	10,401	685
Offsetting	-523,768	-523,768	-461,178	-461,178
Consolidated balance sheet	**20,412**	**331,639**	**10,437**	**351,824**

The net balance of deferred tax liabilities of € 341,387k in the previous year changed to a net balance of deferred tax liabilities of € 311,227k. As a result, the total change in the net balance of deferred taxes amounted to € 30,160k (prior year: € 37,645k). This change was mainly due to the following factors:

- Increase in deferred tax liabilities on contract assets not recognized in the tax balance sheet (€ 37.1 million).
- Increase in deferred tax assets from leases of € 26.9 million
- Increase in deferred tax assets on accrued hardware subsidies, and assumed activation fees in the tax balance sheet (€ 13.4 million).
- Decrease of € 9.9 million in deferred tax liabilities from intangible assets in connection with the amortization of assets from company acquisitions.
- Increase in deferred tax assets from loss carryforwards of € 20 million

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

€k	2020	2019
Deferred tax income + / Deferred tax expense -	19,346	36,704
Deferred tax effects recognized in equity	10,814	941
Change in the net balance of deferred taxes	**30,160**	**37,645**

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:

%	2020	2019
Anticipated tax rate	**31.1**	**31.1**
Actual and deferred taxes for previous years	2.8	-0.1
Non-tax-deductible writedowns on financial assets	0.5	-0.2
Non-tax-deductible writedowns on intangible assets	0.4	-0.2
Tax-reduced profit from disposals and income from investments	-0.4	-1.4
Tax effects in connection with internal Group dividends and disposals	0.1	0.2
Differences due to tax rate changes	-1.4	-1.7
Employee stock ownership programs	0.0	-0.1
First-time capitalization of interest carryforwards that can be used in the future	-2.0	0.0
Tax losses and non-deductible interest of the fiscal year for which no deferred taxes were recognized	2.1	1.8
Non-taxable at-equity results	-1.0	1.3
Trade tax additions	0.7	0.5
Non-tax-deductible interest from back tax payments	0.5	0.0
Balance of other tax-free income and non-deductible expenses	0.4	-0.2
Effective tax rate	**33.7**	**30.9**

The item actual and deferred taxes mainly refers to actual tax expenses from the tax audit and relates to previous years.

Non-taxable at-equity results mainly relate to the prorated results of associated companies.

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 € 64,822k (prior year: € 21,546k) 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 € 114,621k (prior year: € 91,680k) as of the balance sheet date.

16. Earnings per share

Capital stock as of December 31, 2020 was divided into 194,000,000 registered no-par shares (prior year: 205,000,000 shares) each with a theoretical share in the capital stock of € 1. On December 31, 2020, United Internet held 6,769,137 treasury shares (prior year: 17,338,513). 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 187,347,843 for fiscal year 2020 (prior year: 199,273,597).

As of the reporting date, there was a dilutive effect from employee stock ownership programs of subsidiaries of 1 cent 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 € 33.57 (prior year: € 31.80), this would result in the issuance of 1,025,323 shares (prior year: none) without consideration.

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

€k	2020	2019
Profit attributable to the shareholders of United Internet AG	**290,548**	**423,937**
Earnings per share (in €)		
- undiluted	1.55	2.13
- diluted	1.54	2.13
Weighted average of outstanding shares (in million units)		
- undiluted	187.35	199.27
- diluted	188.37	199.27

17. Dividend per share

The virtual Annual Shareholders' Meeting of United Internet AG on May 20, 2020 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 May 22, 2020.

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 2020, 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 2020.

The Management Board and Supervisory Board will discuss this dividend proposal at the Supervisory Board meeting on March 24, 2021.

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 6,769,137 treasury shares (prior year: 6,338,513). 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 € 131,270k (prior year: € 117,573k). 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	2020	2019
Trade accounts receivable	473,283	484,181
Less		
Bad debt allowances	-74,487	-80,480
Trade accounts receivable, net	**398,796**	**403,701**
thereof trade accounts receivable - current	344,838	346,004
thereof trade accounts receivable - non-current	53,959	57,697

As of December 31, 2020 bad debt allowances for trade accounts receivable amounted to € 74,487k (prior year: € 80,480k). The development of bad debt allowances can be seen below:

€k	2020	2019
As of January 1	80,480	69,945
Utilization	-56,446	-52,174
Additions charged to the income statement	56,211	65,893
Reversals	-5,401	-3,287
Exchange rate differences	-357	103
As of December 31	**74,487**	**80,480**

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	2020	2019
Trade accounts receivable, net		
< 5 days	351,697	347,844
6 – 15 days	9,499	10,929
16 – 30 days	7,259	7,774
31 – 180 days	17,214	23,322
181 – 365 days	8,694	10,790
> 365 days	4,435	3,042
	398,796	**403,701**

20. Contract assets

€k	2020	2019
Contract assets	832,002	727,508
Less		
Bad debt allowances	57,893	45,429
Contract assets, net	**774,109**	**682,079**
thereof contract assets - current	577,601	507,829
thereof contract assets - non-current	196,508	174,251

The development of bad debt allowances was as follows:

€k	2020	2019
As of January 1	45,429	33,083
Utilization	-20,588	-15,993
Additions charged to the income statement	33,052	28,339
As of December 31	**57,893**	**45,429**

21. Inventories

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

€k	2020	2019
Merchandise		
Mobile telephony / mobile internet	75,151	72,327
DSL hardware	6,277	8,408
SIM cards	4,680	3,322
IP-TV	3,084	922
Other	437	308
Domain stock held for sale	3,211	3,300
	92,839	**88,589**
Less		
Bad debt allowances	-9,724	-11,423
Payments on account	2,274	2,102
Inventories, net	**85,390**	**79,268**

Goods recognized as material expense from inventories in cost of sales amounted to € 794,244k in the reporting period (prior year: € 734,579k). Of this total, an amount of € 2,205k (prior year: € 4,616k) refers to impairment of inventories.

Allowances include € 6,525k (prior year: € 8,114k) for mobile telephony/mobile internet and IP-TV, and € 3,199k (prior year: € 3,266k) for domain stock.

22. Prepaid expenses

Current prepaid expenses of € 214,382k (prior year: € 237,036k) consist mainly of contract initiation costs of € 93,594k (prior year: € 92,106k), contract fulfillment costs of € 55,441k (prior year: € 60,747k), and prepayments for wholesale fees of € 12,472k (prior year: € 45,957k), which were deferred and charged to the income statement on the basis of the underlying contractual period.

Non-current prepaid expenses of € 144,795k (prior year: € 284,252k) consist mainly of contract initiation costs of € 85,767k (prior year: € 83,480k), contract fulfillment costs of € 40,375k (prior year: € 46,829k). In contrast to the previous year, there were no prepayments as part of long-term purchasing contracts with pre-service providers of (prior year: € 136,444k). Non-current prepaid expenses were reduced by an unscheduled reversal of prepaid advance payments for an advance service agreement amounting to € 129,871k. These were reversed in the past over the originally agreed term of the agreement. Due to the premature termination in connection with the conclusion of a new long-term advance service agreement, a reassessment was made with regard to the term of the agreement, which led to the unscheduled reversal. For further information, please refer to Note 6.

At the end of the reporting period, the final balances of capitalized contract initiation costs amounted to € 179,361k (prior year: € 175,586k) and of capitalized contract fulfillment costs to € 95,816k (prior year: € 107,576k). In the fiscal year 2020, amortization of capitalized contract initiation costs amounted to € 84,872k (prior year: € 83,699k). Amortization of capitalized contract fulfillment costs amounted to € 69,557k in the fiscal year 2020 (prior year: € 85,283k).

The final balances of prepayments for wholesale fees amounted to € 12,472k as of the reporting date (prior year: € 182,401k). A total of € 40,038k was expensed in fiscal year 2020 (prior year: € 37,853k).

23. Other current assets

23.1 Other current financial assets

€k	2020	2019
Derivatives	30,832	0
Receivables from pre-service providers	16,420	13,428
Creditors with debit balances	12,021	13,075
Payments on account	8,688	6,065
Deposits	820	837
Other	13,481	14,736
Other financial assets, net	**82,262**	**48,141**

The derivatives mainly relate to the embedded derivatives agreed as part of Warburg Pincus' investment in the Business Applications segment. As of the balance sheet date, these derivatives were reclassified from non-current to current assets due to their underlying maturity. For further information, please refer to Note 34.

The increase in receivables from pre-service providers mainly relates to advertising cost subsidies.

The creditors with debit balances mainly relate to financial recovery claims from suppliers.

23.2 Other current non-financial assets

€k	2020	2019
Receivables from tax office	7,941	9,947
Return claims hardware	4,410	3,825
Other non-financial assets, net	**12,351**	**13,772**

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

The Group holds interests in several associated companies. The main investment remaining in 2020 is AWIN AG, Berlin, which the Group holds via its subsidiary 1&1 Mail & Media Applications SE, Montabaur.

AWIN AG, Berlin, is a global affiliate marketing network which offers services in the field of e-commerce and online marketing. AWIN is the world's largest affiliate marketer, linking network advertisers and publishers around the world.

The following table contains summarized financial information on 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**

AWIN sold a subsidiary during the reporting period. 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, 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 / impairment reversal effects	0
Closing date-related reconciliation effects	0
Carrying amount on Dec. 31, 2020	**65,436**
Dividend received in 2020	**0**

The prior-year figures also include shares in Tele Columbus AG, Berlin, which are disclosed separately in the reporting period as non-current assets held for sale. As of December 31, 2020, United Internet has a shareholding in Tele Columbus AG of 29.90%.

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.

UNA 422. Equity Management GmbH, a bidding company which will trade in future as Kublai GmbH and 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.

If the takeover offer is successful, United Internet will contribute or sell its stake in Tele Columbus of around 29.90% to the bidding company. In return, United Internet will receive a shareholding in the bidding company. Following successful completion of the transaction, United Internet can increase its stake in the bidding company at its own discretion so that it has an indirect shareholding in Tele Columbus of between 29.9% and 40%.

The sale of shares in Tele Columbus and United Internet's participation in the bidding company are subject to conclusion of the takeover offer. Management anticipates a successful takeover and approval by the supervisory authorities.

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. The acceptance period of Kublai GmbH begins on February 1, 2021 and is expected to end on March 15, 2021. Following this, Tele Columbus shareholders who did not accept the offer during the acceptance period can still accept the offer within two weeks of publishing the result (extended acceptance period). Due to the existing agreement between United Internet and Morgan Stanley, United Internet reclassified the shares in Tele Columbus AG as of December 31, 2020 pursuant to IFRS 5 as assets held for sale.

At the time of reclassification, the assets were measured at fair value. Tele Columbus was already impaired in the past. In the reporting period, 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 are recognized in the result from associated companies. The carrying amount of shares in Tele Columbus as at the balance sheet date increased by € 17.3 million, from € 106.6 million to € 123.9 million. In the previous year, shares in Tele Columbus were disclosed under non-current assets of the Corporate segment.

The following table contains summarized financial information on the main associated companies on the basis of a 100% shareholding as of December 31, 2019:

Summarized financial information on the main associated companies:	Tele Columbus AG €k	AWIN AG €k
Current assets	112,366	374,777
Non-current assets	2,608,011	361,849
Current liabilities	171,093	330,861
Non-current liabilities	1,618,927	91,900
Shareholders' equity	930,357	313,865
Sales	369,695	193,998
Other comprehensive income	-1,021	4,897
Net profit/loss	-50,882	6,744
Total comprehensive income	**-51,903**	**11,640**

Tele Columbus AG 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 shareholding in Tele Columbus AG corresponds to the proportion of voting rights. As in the previous year, it is valued using the equity method. As of the reporting date, the Group's total stake in Tele Columbus amounted to 29.9% (prior year: 29.9%).

As financial information on Tele Columbus AG as of December 31, 2019 had not yet been published at the time of preparing the Consolidated Financial Statements of the previous year, the summarized financial information was estimated on the basis of the company's quarterly statements as of September 30, 2019, taking account of adjustments which the United Internet Group believed to be necessary at this time.

A reconciliation of the main associated companies with the carrying amounts in the Consolidated Financial Statements as of December 31, 2019 – with an estimation of investment results for the fourth quarter – is presented below:

€k	Tele Columbus AG	AWIN AG
United Internet Group's share in the net asset values	278,177	62,773
Impairment / reversal effects	-165,614	0
Closing date-related reconciliation effects	-5,923	0
Carrying amount on Dec. 31, 2019	**106,639**	**62,773**
Fair value of shares as of Dec. 31, 2019	**106,639**	**62,773**
Dividend received in 2019	**0**	**0**

As of December 31, 2020, other associated companies disclosed an aggregated carrying amount of € 24,131k (prior year: € 26,624k) and an aggregated loss of € 3,477k (prior year: € 5,107k). 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

The development 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 in the Afilias Group were sold at the end of the reporting period. 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.

As of the balance sheet date, derivatives were reclassified from non-current to current assets due to their remaining term.

€k	Jan. 1, 2019	Additions	Change in revaluation reserve	Change affecting income/ Impairment	Reclassifications	Disposal	Dec. 31, 2019
Afilias shares	42,796		1,826				44,622
Rocket shares	276,866		26,860		-83,784	-219,943	0
Derivatives	15,790			15,660			31,450
Other	12,594	3,631	-1,359			-525	14,341
	348,046	**3,631**	**27,328**	**15,660**	**-83,784**	**-220,468**	**90,414**

In the previous year, United Internet sold its shares in Rocket Internet SE in several steps (share of voting rights as of December 31, 2018: 9.0%). United Internet Investments Holding AG & Co. KG had already sold 2,500,000 shares at a price of € 25 per share in July 2019. In the fourth quarter of 2019, the public share buyback offer of Rocket Internet amounting to 15,076,729 shares was accepted for all remaining 11,219,841 Rocket Internet shares held by the Company against payment of the offer price of € 21.50 per share. Due to the oversubscription of its buyback offer, Rocket Internet was only able to consider the acceptance declaration of United Internet Investments Holding for a total of 8,764,483 shares. The 2,455,358 Rocket Internet shares still held after the completion of the share buyback offer were acquired by Mr. Oliver Samwer at the end of 2019 as agreed at the offer price.

26. Property, plant and equipment

€k	2020	2019
Acquisition costs		
- Telecommunication equipment	886,000	782,964
- Right of use	718,594	552,352
- Operational and office equipment	551,142	505,888
- Network infrastructure	228,254	212,540
- Payments on account	63,250	50,281
- Land and buildings	20,176	19,289
	2,467,416	**2,123,314**
Less		
Accumulated depreciation	-1,195,849	-962,710
Property, plant and equipment, net	**1,271,567**	**1,160,604**

* Prior-year figures adjusted; see Note 45

Further details and an alternative presentation of the development of property, plant and equipment in the fiscal years 2020 and 2019 can be found in the exhibit to the Notes to the Consolidated Financial Statements (Development of Non-current Assets).

see page 266

The carrying value of property, plant and equipment held as lessee as part of lease arrangements amounts to € 461.7 million as of December 31, 2020 (prior year: € 350.0 million).

As of the reporting date, there are purchase obligations for property, plant and equipment totaling € 138.9 million (prior year: € 113.3 million).

27. Intangible assets (without goodwill)

€k	2020	2019
Acquisition costs		
- Customer base	1,235,607	1,238,652
- Spectrum licenses	1,070,187	1,070,187
- Software / licenses	252,913	276,740
- Trademarks	210,457	213,497
- Rights similar to concessions	165,000	0
- Internally generated intangible assets	42,008	23,936
- Payments on account	17,438	7,046
- Right of use	9,282	0
- Other intangible assets	73,777	73,205
	3,076,669	**2,903,263**
Less		
Accumulated depreciation	-878,851	-735,871
Intangible assets, net	**2,197,818**	**2,167,392**

Further details and an alternative presentation of the development of intangible assets in the fiscal years 2020 and 2019 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, 2020	Dec. 31, 2019
1&1 Drillisch	411,919	492,351
Strato	109,882	128,285
1&1 Versatel	101,740	107,366
World4You	19,631	21,479
home.pl	14,256	18,301
Arsys	7,004	11,550
Other	0	13,827
	664,432	**793,159**

The residual amortization period for the customer base from the acquisition of the Drillisch Group (now 1&1 Drillisch) 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.

The carrying amounts of intangible assets with indefinite useful lives (trademarks) totaled € 207,988k (prior year: € 211,029k). 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.

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, 2020 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 2020 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 2020. 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, 2020	Dec. 31, 2019
1&1 Versatel	62,000	62,000
1&1 Drillisch	56,300	56,300
Mail.com	22,270	24,347
Strato	20,070	20,070
WEB.DE	17,173	17,173
home.pl	10,619	11,359
Arsys	7,553	7,553
united-domains	4,198	4,198
Fasthosts	3,848	4,071
World4You	3,494	3,494
Cronon	463	463
	207,988	**211,028**

The useful life of trademarks is determined as being indefinite, as there are no indications that the flow of benefits will end in future.

Internally generated intangible assets relate to capitalized costs from software.

The rights similar to concessions result from a one-off payment 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.

As of the balance sheet date, there were purchase commitments for intangible assets amounting to € 0.8 million (prior year: € 165.3 million).

28. Goodwill

Further details and an alternative presentation of the development of goodwill in the fiscal years 2020 and 2019 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.

In the previous year, the goodwill of 1&1 IONOS Cloud GmbH was allocated in full to the cash-generating unit 1&1 Hosting. Due to the merger of 1&1 IONOS Cloud GmbH (formerly ProfitBricks GmbH) and 1&1 IONOS SE as of January 1, 2019, the former separate cash-generating unit 1&1 IONOS Cloud GmbH was regarded as being part of the cash-generating unit 1&1 Hosting as of December 31, 2019. The impairment test is thus conducted on the level of the cash-generating unit 1&1 Hosting. Prior to the merger of goodwill of both cash-generating units, an impairment test was conducted on the goodwill of both units without any indication of an impairment need.

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, 2020	Dec. 31, 2019
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	307	336
	225,824	**225,853**
Business Applications		
Strato	401,570	401,570
home.pl	117,979	121,760
Arsys	100,495	100,495
Fasthosts	60,524	64,044
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	0
	806,892	**813,941**
Carrying amount according to balance sheet	**3,609,437**	**3,616,515**

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 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 1&1 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 1&1 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, 2020

For the Consumer Access, 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.

Following the acquisition of licenses during the 5G spectrum auction, an additional cash-generating unit 5G was established for the Consumer Access segment in the previous year. As the market price derived on the balance sheet date of the previous year using market capitalization no longer related solely to the cash-generating unit Consumer Access, it was no longer used for the impairment test as Level 1 of the cash-generating unit.

The cash flow forecasts are based on the Company's budgets for the fiscal year 2021. Due to the limited effects of the coronavirus pandemic in 2020, no significant impact on the cash flow forecast was taken into consideration. These budget calculations were extrapolated by management for a period of up to 19 years (prior year: up to 21 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% for the Consumer Access segment (prior year: 0.1%) and an annual increase in cash flow of 0% for the Business Access segment (prior year: 0.1%). Management assumes an annual increase in cash flow of 0% for the Consumer Applications segment (prior year: 0.1%) and an annual increase in cash flow for the Business Applications segment of between 0% and 0.8% (prior year: between 0.1% and 0.9%). 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 are 4.3 % (prior year: 3.8 %) for the Consumer Access segment and 2.7 % (prior year: 3.4%) for the Business Access segment. The discount rate for the Consumer Applications segment is 5.2

% (prior year: 4.6 %), and the discount rate used for the Business Applications segment is in a range between 5.1% and 6.7 % (prior year: between 4.9 % and 6.4 %).

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:

	Reporting year	Total proportion of goodwill	Long-term growth rate	Discount rate after taxes
Consumer Access				
1&1 Consumer Access	2020	60.20%	0.00%	4.30%
	2019	60.20%	0.10%	3.80%
1&1 Telecom	2020	n/a	n/a	n/a
	2019	n/a	n/a	n/a
Business Access				
1&1 Versatel	2020	11.00%	0.00%	2.70%
	2019	11.00%	0.10%	3.40%
Consumer Applications				
1&1 Mail & Media	2020	6.20%	0.00%	5.20%
	2019	6.20%	0.10%	4.60%
Business Applications				
Strato	2020	11.10%	0.01%	5.20%
	2019	11.10%	0.12%	5.00%
home.pl	2020	3.40%	0.48%	6.20%
	2019	3.40%	0.52%	5.80%
Arsys	2020	2.80%	0.77%	6.70%
	2019	2.80%	0.89%	6.40%
Fasthosts	2020	1.80%	0.29%	5.80%
	2019	1.80%	0.34%	5.50%
World4You	2020	1.40%	0.19%	5.60%
	2019	1.40%	0.30%	5.30%
united-domains	2020	1.00%	0.00%	5.20%
	2019	1.00%	0.10%	5.00%
InterNetX	2020	0.10%	0.00%	5.20%
	2019	0.10%	0.10%	4.90%
Domain marketing	2020	0.10%	0.00%	5.10%
	2019	0.10%	0.10%	4.90%
1&1 Hosting	2020	0.80%	0.16%	5.50%
	2019	0.80%	0.26%	5.20%

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 Consumer Access and Business Access segments are based on average annual sales growth rates of 1.0% (prior year: 1.9%). 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 1.4% and 8.4% (prior year: between 1.8% and 4.9%).

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%).

see page 208

In the Business Applications segment, trademarks recognized amount to € 50,245k (prior year: € 51,209k), in the Consumer Applications segment they amount to € 39,443k (prior year: € 41,520k), in the Business Access segment to € 62,000k (prior year: € 62,000k), and in the Consumer Access segment to € 56,300k (prior year: € 56,300k) (see Note 27).

In the course of business combinations, the trademarks were valued at their fair values less disposal cost using appropriate measurement methods (generally the so-called "royalty relief" method; in the cash-generating unit mail.com using the residual value method) and tested again for impairment on the reporting date. The trademark-relevant cash flows were multiplied with the trademark-relevant royalty rates. These amount to 0.75 % (prior year: 0.75 %) for the Consumer Access segment; range from 0.25% to 0.5% (prior year: 0.25% to 0.5%) for the Business Access segment; amount to 2.5% (prior year: 2.5%) for the Consumer Applications segment; and range from 0.5 % and 2.5 % (prior year: 0.5% to 2.5%) for the Business Applications segment. The forecast of trademark-relevant cash flows was based on the same assumptions regarding market development and discount rates as used for the calculation of fair values.

In the previous year, a strategic realignment from a single-brand strategy to a dual-brand strategy was implemented. As a result of this strategic realignment, an impairment reversal need of € 19,438k was recognized for the STRATO trademark in the previous year. The fair value of the STRATO trademark at the end of the reporting period amounts to € 34,700k (prior year: € 20,533k).

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 percentage point and a decline in the long-term growth rate in perpetuity of 0.1 to 0.25 percentage points 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 Drillisch 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 spectrum is not usable until the Group has its own network and was therefore subjected to an impairment test on the level of the cash-generating unit "5G" in the newly created "5G" segment during the fiscal year 2020, as well as in the previous year.

The recoverable amount of the cash-generating unit "5G" is determined by calculating fair value less cost of disposal with the aid of cash flow forecasts. The hierarchy of fair value less disposal costs 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 2021 to 2040. As the spectrum runs until 2040, the test was conducted for the period 2021 to 2040. Disposal costs of around 3% (prior year: 3%) were assumed for calculating fair value less costs of disposal. The discount rate after tax used for the cash flow forecast in the reporting period was 2.6% (prior year: 3.8%). There was no impairment need in the reporting period. This also reflects the Management Board's qualitative expectations (there are no internal or external indications of impairment) due to the high degree of strategic importance.

30. Trade accounts payable

Trade accounts payable amount to € 538,792k (prior year: € 481,627k), of which liabilities with terms of more than one year total € 6,014k (prior year: € 6,092k).

31. Liabilities due to banks

a) Liabilities due to banks

€k	2020	2019
Bank loans	1,466,089	1,738,368
Less		
Current portion of liabilities due to banks	-370,435	-243,733
Non-current portion of liabilities due to banks	**1,095,654**	**1,494,635**
Short-term loans/overdrafts	370,435	243,733
Current portion of liabilities due to banks	**370,435**	**243,733**
Total	**1,466,089**	**1,738,368**

As in the previous year, bank liabilities of € 1,466 million as of December 31, 2020 mainly comprise promissory note loans and syndicated loans.

Promissory note loans
At the end of the reporting period, total liabilities from promissory note loans with terms until March 2025 amounted to € 547.5 million (prior year: € 835.5 million). Liabilities from promissory note loans totaling € 238.0 million were repaid in full as of the balance sheet date. In addition, a variable-interest promissory note loan amounting to € 50.0 million was repaid prematurely in March 2020.

The outstanding 7 tranches from the promissory note loans 2014 and 2017 are mainly fixed-interest. Depending on the term, the fixed interest rates vary between 0.897% and 2.150% p.a..

The promissory note loans are redeemable on maturity and 100% repayable.

Syndicated loans & syndicated loan facilities
As of the balance sheet date, a syndicated loan totaling € 200.0 million redeemable on maturity in August 2021 was outstanding.

The outstanding syndicated loan has a variable interest rate. The effective interest rate for interest periods of 3 and 6 months is tied to the respective EURIBOR rate plus a margin p.a.. This margin depends on the ratio of net liabilities to EBITDA (leverage) of the United Internet Group. At the end of the reporting period, the applicable interest rate was 0.60% p.a. (prior year: 0.60%). Redemption payments are possible at any time. By exercising a contractually agreed extension option in 2020, the term of the revolving syndicated loan was extended by one year, from the original date of January 2025 to January 2026.

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, 2020, € 550 million of the revolving syndicated loan facility had been drawn (prior year: € 700 million). As a result, funds of € 260 million (prior year: € 110 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 € 280 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 € 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 € 375 million (prior year: € 310 million).

Credit lines granted (without the revolving syndicated loan facility)

€k	2020	2019
Credit lines granted	280,000	200,000
Credit lines utilized	165,000	0
Available credit lines	115,000	200,000
Average interest rate	0.25	0.43

No collateral was provided for any of the liabilities due to banks.

see page 236

With the exception of the interest-bearing tranches of the promissory note loan, the fair values of bank liabilities mainly correspond to their carrying amounts. For further information on the promissory note loan, please refer to Note 41.

A euro cash pooling agreement (zero balancing) has been in place between United Internet AG and certain subsidiaries since July 2002. Under the agreement, credit and debit balances of the participating Group subsidiaries are pooled and netted via several cascades in a central bank account of United Internet AG and available each banking day.

In addition, the Group extended cash pooling in 2020 to include the US dollar (USD), in addition to the British pound sterling (GBP). All pooling participants are in the field of Business Applications. Liquidity is focused on a central bank account of 1&1 IONOS SE.

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	2020	2019
Guaranty lines granted	105,000	105,000
Guaranty lines utilized	33,635	49,934
Available guaranty lines	71,365	55,066
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	2020	2019
Contract liabilities	**185,725**	**184,823**
thereof current	152,094	149,930
thereof non-current	33,631	34,893

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 2020 was as follows:

€k	Termination fees	Litigation risks	Restoration obligation	Other	Total
As of January 1	**45,317**	**8,640**	**23,275**	**8,790**	**86,022**
Utilization	8,872	543	1,196	7,472	18,083
Reversals	0	2,765	182	1,544	4,491
Addition	9,723	2,094	1,682	1,709	15,208
Effects of accrued interest	0	100	-125	0	-25
As of December 31, 2020	**46,168**	**7,526**	**23,454**	**1,483**	**78,631**

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	2020	2019
Other current financial liabilities		
- Leasing liabilities	97,761	82,988
- Spectrum liabilities	61,266	61,266
- Salary liabilities	38,741	34,043
- Marketing and selling expenses / commissions	21,781	22,635
- Conditional purchase price liabilities	25,014	0
- Creditors with debit balances	11,057	8,516
- Service / maintenance / restoration obligations	5,580	9,095
- Legal and consulting fees, auditing fees	4,819	6,069
- Other	12,617	14,823
Total	**278,636**	**239,435**

The current conditional purchase price liabilities refer to variable purchase price components from the acquisition of STRATO AG amounting to € 20,307k (prior year: €14,760k), and from the acquisition of 1&1 IONOS Cloud GmbH (formerly: ProfitBricks GmbH) amounting to € 4,416k (prior year: € 4,416k).

34.2 Other current non-financial liabilities

€k	2020	2019
Other current non-financial liabilities		
- Liabilities to the tax office	37,280	41,541
- Other	9,467	8,796
Total	**46,747**	**50,337**

Liabilities to the tax office mainly refer to sales tax liabilities.

34.3 Other non-current financial liabilities

€k	2020	2019*
Other non-current non-financial liabilities		
- Spectrum liabilities	886,389	947,655
- Leasing liabilities	376,067	310,052
- Conditional purchase price liabilities	7,721	24,523
- Other	8,567	7,689
Total	**1,278,744**	**1,289,919**

* Prior-year figures adjusted: retroactive increase in lease liability (Note 45)

Please refer to Note 45 regarding finance lease commitments.

see page 253

Spectrum liabilities refer to the licenses acquired at auction in the fiscal year 2019. In 2019, the United Internet subsidiary 1&1 Drillisch 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 Drillisch 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 Drillisch 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 refer to the InterNetX put option amounting to € 7,721k (prior year: € 5,347k). The purchase price liability from the acquisition of STRATO and 1&1 IONOS Cloud GmbH (formerly: ProfitBricks GmbH) was transferred to short-term liabilities due to its term as at the reporting date.

35. Maturities of liabilities

The maturities of liabilities are as follows:

				Dec. 31, 2020
€k	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	550,000
- Syndicated loan	200,249	200,249	0	0
- Promissory note loan	550,836	5,182	545,654	0
- Credit line	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**

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

	Dec. 31, 2019			
€k	Total	up to 1 year	1 to 5 years	Over 5 years
Financial liabilities				
Liabilities due to banks				
– Revolving syndicated loan facility	698,506		0	698,506
– Syndicated loan	200,182	223	199,959	0
– Promissory note loan	839,163	242,266	571,897	25,000
– Current account	517	517	0	0
Trade accounts payable	481,627	475,535	6,092	0
Other financial liabilities				
– Finance leases	350,628	82,988	167,847	99,793
– Others	1,136,314	156,446	340,221	639,647
Total financial liabilities	**3,706,936**	**957,974**	**1,286,016**	**1,462,945**
Non-financial liabilities				
Income tax liabilities	91,680	91,680	0	0
Contract liabilities	184,823	149,930	34,893	0
Other accrued liabilities	86,022	18,372	51,944	15,705
Other non-financial liabilities	50,337	50,337	0	0
Total non-financial liabilities	**412,862**	**310,319**	**86,838**	**15,705**
Liabilities	**4,119,798**	**1,268,293**	**1,372,854**	**1,478,650**

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 six different employee stock ownership plans in the reporting period 2020. 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 2018 and is aimed at the group of executives and employees in key positions in the Consumer Access segment. In the fiscal year 2020, the fourth plan was replaced by the fifth plan for executives and employees in key positions in the Consumer Access segment. The sixth 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 EUR 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: € 33,613k). The cumulative expense as of December 31, 2020 totaled € 34,181k (prior year: € 33,302k). Expenses of € 7,287k (prior year: € 311k) therefore relate to future years. The personnel expense for share options issued amounted to € 879k in the reporting period (prior year: € 525k).

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, 2018	**697,500**	**37.74**
issued	0	n/a
expired / forfeited	-20,000	37.49
Outstanding as of December 31, 2019	**677,500**	**0.00**
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**
Exercisable as of December 31, 2020	0	n/a
Exercisable as of December 31, 2019	0	n/a
Weighted average remaining term		
Weighted average remaining term as at 31 December 2020 (in months)	35	
Weighted average remaining term as of December 31, 2019 (in months)	20	

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: € 30.11 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 1&1 IONOS Group (Business Applications segment) with the interests of the company, in order to raise the equity value of the company (1&1 IONOS TopCo SE) and other companies of the 1&1 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:

	Nov. 1, 2019	Jan. 1, 2020	Mar. 1, 2020	Apr. 1, 2020	July 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 %	0 %
Risk-free interest	of 0 %	of 0 %	of 0 %	of 0 %	0 %

	Jan. 1, 2019	April 1, 2019	July 1, 2019	Oct. 1, 2019
Number of MIP units granted	10,000	90,750	21,500	37,500
Strike price	153.60	156.20	182.00	161.50
Fair value at time of issue	54.06	62.60	54.55	81.24
Volatility	approx. 36 %	approx. 38 %	approx. 38 %	approx. 38 %
Maturity at the time of issue	approx. 3 years	approx. 3 years	approx. 2 years	approx. 2 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: 4 years).

The fair value of commitments classified as equity instruments of the current year amounted in total to € 3,326k (prior year: € 10,441k), each as of the grant date.

The total expense of vested and future vested claims from the employee stock ownership plan amounts to € 27,513k (prior year: € 25,711k). The cumulative expense as of December 31, 2020 totaled € 21,748k (prior year: € 12,280k). Expenses for future years therefore account for € 5,765k (prior year: € 13,431k). The personnel expense in the reporting period in connection with issued stock options amounted to € 9,467k (prior year: € 7,424k).

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

	Units	Average strike price (€)
Outstanding as of December 31, 2018	**225,000**	**114.70**
issued	159,750	147.24
expired / forfeited	-5,000	114.70
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**
Exercisable as of December 31, 2020	0	n/a
Exercisable as of December 31, 2019	0	n/a

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 € 6,922k (prior year: € 2,918k). The cumulative expense as of December 31, 2020 totaled € 1,008k (prior year: € 266k) and the personnel income from issued stock options amounted to € 742k in the reporting period (prior year: € -209k). Expenses for future years therefore account for € 5,914k (prior year: € 2,652k).

		Average strike price (€)
Allocation	1.3% value growth share	2,245
Outstanding as of December 31, 2019	**1.3% value growth share**	**2,245**
Allocation	1% value growth	4,003
expired		
Outstanding as of December 31, 2020	**2.3% value growth share**	**3,009**
Exercisable as of December 31, 2020	0	0

36.4 Stock Appreciation Rights Drillisch (SAR Drillisch)

A further plan, Stock Appreciation Rights Drillisch (SAR), introduced in the first half of 2018, is aimed at executives and employees in key positions in the Consumer Access segment and is based on virtual stock options of 1&1 Drillisch AG. In the first half of 2020, the SAR arrangements with participants were terminated and replaced by new SAR arrangements.

Current SAR Drillisch plan

An SAR corresponds to a virtual subscription right for one share of 1&1 Drillisch AG. However, it is not a share right and thus not a (genuine) option to acquire shares of 1&1 Drillisch AG.

According to the current conditions, an SAR Drillisch is the commitment of 1&1 Drillisch 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 Drillisch AG reserves the right to fulfill its commitment from the SAR plan (or the commitment of a subsidiary) to transfer shares of 1&1 Drillisch 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.

Pursuant to IFRS 2.28 (c), three commitments are replacements for the old SAR plan. The additional fair value was determined for the measurement of the replacement plans. This is the difference between the fair value of the equity instruments designated as replacements and the net fair value of the canceled equity instruments at the grant date of the replacement instruments.

The additional expense resulting from the grant of new equity instruments is allocated over the vesting period in accordance with IFRS 2.

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

The total expense from the new employee stock ownership plan amounts to € 9,083k. The previously recognized cumulative expense of the new plan as of December 31, 2020 for the SARs exercised in the reporting period and those not yet exercised as of the balance sheet date amounts to € 1,879k. Expenses for future years account for € 7,204k.

An additional fair value was determined for the measurement of the replacement plans. This results in an amount of € 1,793k from the difference between the fair value of the equity instruments designated as replacements (€ 1,946k) and the net fair value of the canceled equity instruments (€ 152.7k) at the grant date of the replacement instruments. The additional expenses resulting from the grant of new equity instruments were recognized in profit or loss in accordance with IFRS 2.

Replaced SAR Drillisch plan

Under the replaced plan, an SAR Drillisch was the commitment of 1&1 Drillisch AG (or one of its subsidiaries), to pay the option beneficiary a consideration whose amount depends on the share price performance and the operating result (EBIT) of 1&1 Drillisch AG (consolidated). As part of the replaced 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 Drillisch AG. However, it was not a share right and thus not a (genuine) option to acquire shares of 1&1 Drillisch AG.

The entitlement arising from an SAR depended on the development of the share price and EBIT. Furthermore, various exercise conditions had to be observed. The SAR entitlement was calculated by multiplying the number of SARs exercised by an EBIT factor and the difference between the strike price and the starting price. The EBIT factor was derived from the percentage degree to which the EBIT targets of 1&1 Drillisch AG ("Target EBIT") had been achieved. The year preceding the exercise date was decisive. For the EBIT factor, only a degree of achievement of the EBIT targets of 80% (exercise hurdle) to 120% (cap) was taken into account. The starting and strike prices were calculated as the average (arithmetic mean) of the closing prices of the 1&1 Drillisch AG share in Xetra trading (or a functionally comparable successor system) of the Frankfurt Stock Exchange on the last 10 trading days prior to the starting or exercise date. If the percentage share price increase was higher than EBIT growth, there was a further cap of 150% on the share price increase.

The allocated SARs could only be exercised for the first time after 4 years at the earliest. Each year, the participant had an exercise window of one month, beginning on the day after publication of the annual financial statements of 1&1 Drillisch AG. The last exercise window available to the participant was in the year following the end of the term. SARs not exercised by then expired without compensation. The possibility of exercising SARs in the first exercise window was limited to a maximum of 25%, and in the second exercise window to 50%, of the total number of SARs allocated to the participant at these points in time – including earlier exercises.

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

Using an option pricing model based on a Monte Carlo simulation in accordance with IFRS 2, the fair value of the options issued was determined as follows:

Issue date	Jan. 1, 2019		Jan. 1, 2019		Oct. 1, 2019	
Number of SARs	4,500		8,600		64,300	
Starting price	44.1	€	45.0	€	45.0	€
Exercise hurdle (Ebit factor)	80	%	80	%	80	%
Dividend yield	3.70	%	3.70	%	3.70	%
Volatility of the share	37.8	%	32.6	%	32.6	%
Expected term (years)	5		5		5	
CAP (EBIT factor)	120	%	120	%	120	%
Fair value	196	€k	434	€k	3,252	€k

Until it was replaced by the new plan, the total expense from the stock ownership plan replaced in the first half of the year amounted to € 1,735k. In the fiscal year 2020, expenses of € 299k were recognized for this plan.

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
Outstanding as of December 31, 2018	**180,000**
expired / forfeited	-180,000
issued	64,300
issued	4,500
issued	8,600
Outstanding as of December 31, 2019	**77,400**
expired / forfeited	-77,400
issues - replacement	534,800
issues - new grant	1,369,800
issued	270,000
issued	314,000
Outstanding as of December 31, 2020	**2,488,600**

The average weighted strike price for the share options issued as of December 31, 2020 amounts to €19.61.

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 2020, the fair value of commitments classified as equity instruments amounted to € 3,529k (prior year: € 4,015k).

The total expense from the employee stock ownership plan amounts to € 7,544k (prior year: € 4,015k). The cumulative expense as of December 31, 2020 totaled € 1,758k (prior year: € 669k). Expenses for future years therefore account for € 5,786k (prior year: € 3,346k). The personnel expense from issued stock options amounted to € 1,089k in the reporting period (prior year: € 669k).

	Value growth shares	Average strike price (€)
Outstanding as of December 31, 2018		**0**
Allocation	2.7% value growth	1,487
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 growth share**	**1,775**
Exercisable as of December 31, 2020	0	0
Exercisable as of December 31, 2019	0	0

37. Capital stock

Following a capital reduction by means of cancelation of treasury shares, the fully paid-in capital stock as of December 31, 2020 amounted to €194,000,000 (prior year: € 205,000,000) 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, 2020, capital reserves amounted to € 2,322,780k (prior year: € 2,643,946k). The decline is due to the reduction of capital by means of canceling 11,000,000 treasury shares with an effect on capital reserves of € 336,946k.

The accumulated result includes the past results of consolidated companies, insofar as no dividends were paid, less expenses for share-based remuneration.

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, 2020	Dec. 31, 2019
Financial assets at fair value through other comprehensive income		
- Afilias shares	0	27,878
- Other investments	-2,235	-2,135
Share in other comprehensive income of associated companies:	-2,137	-570
Total	**4,372**	**25,172**

The shares in the Afilias Group were sold in the reporting period. The proceeds from disposal amounted to the equivalent of € 77,477k. The profit realized on disposal of € 76,924k 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.

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 2020 and 2019 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 Company purchased a total of 430,624 treasury shares (prior year: 12,635,523) for an amount of € 12,235k (prior year: € 373,584k).

As of the balance sheet date 6,769,137 treasury shares were held (prior year: 17,338,513).

Treasury shares reduce equity and have no dividend entitlement.

40. Non-controlling interests

Non-controlling interests developed as follows:

€k	1&1 Drillisch AG / Consumer Access (24.69%)	1&1 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**	**392,151**

€k	1&1 Drillisch AG / Consumer Access (24.69%)	1&1 IONOS TopCo SE/Business Applications (33.33%)	Total
Jan. 1, 2019	390,102	-166,776	223,325
Pro-rated result	95,462	19,556	115,018
Pro-rated other comprehensive income	95	2,833	2,928
Pro-rated changes	-35,312	0	-35,312
Other changes in equity	-95	1,447	1,352
Dividend	-2,335	-222	-2,557
Dec. 31, 2019	**447,915**	**-143,163**	**304,753**

Pro-rated changes in the fiscal year 2019 relate to United Internet's increased stake in 1&1 Drillisch AG and the acquisition of treasury stock by 1&1 Drillisch AG itself.

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 Drillisch AG (Consumer Access) in € million	2020	2019
Current assets	1,553	1,309
Non-current assets	5,137	5,153
Current liabilities	575	549
Non-current liabilities	1,262	1,272
Shareholders' equity	**4,854**	**4,641**
Sales revenue	3,787	3,675
Pre-tax result	**313**	**522**
Income taxes	-93	-149
Net income	**220**	**374**
Cash flows from operating activities,	451	376
investing activities or	-397	-231
financial activities	-81	-117

1&1 IONOS TopCo SE (Business Applications)

in € million	2020	2019
Current assets	232	176
Non-current assets	1,257	1,319
Current liabilities	233	203
Non-current liabilities	1,583	1,723
Shareholders' equity	**-327**	**-431**
Sales revenue	988	924
Pre-tax result	**117**	**102**
Income taxes	-42	-44
Net income	**75**	**58**
Cash flows from operating activities,	166	169
investing activities or	37	-68
financial activities	-136	-108

41. Additional details on financial instruments

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 per 31.12.2020
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	527,486	527,486				527,486
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
Financial liabilities measured 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**

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 2019:

€k	Measurement category acc. to IFRS 9	Carrying amount on Dec. 31, 2019	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, 2019
Financial assets							
Cash and cash equivalents	ac	117,573	117,573				117,573
Trade accounts receivable							
- Receivables from finance leases	n/a	65,121				65,121	67,465
- Others	ac	338,580	338,580				338,580
Other current financial assets							
- At amortized cost	ac	48,141	48,141				48,141
Other non-current financial assets							
- At amortized cost	ac	12,594	12,594				12,594
- Fair value through other comprehensive income	fvoci	47,006		47,006			47,006
- Fair value through profit or loss	fvtpl	31,450			31,450		31,450
Financial liabilities							
Trade accounts payable	flac	-481,627	-481,627				-481,627
Liabilities due to banks	flac	-1,738,368	-1,738,368				-1,726,288
Other financial liabilities							
- Leasing liability	n/a	-350,628				-350,628	-
- Fair value through profit or loss	fvtpl	-25,604			-25,604		-25,604
- Others	flac	-1,110,710	-1,110,710				-1,110,710
Of which aggregated acc. to measurement categories:							
Financial assets at amortized cost	ac	516,888	516,888				516,888
Financial assets at fair value through other comprehensive income without recycling to profit or loss	fvoci	47,006		47,006			47,006
Financial assets at fair value through profit or loss	fvtpl	31,450			31,450		31,450
Financial liabilities at amortized cost	flac	-3,330,705	-3,330,705				-3,318,625
Financial liabilities measured at fair value through profit or loss	fvtpl	-25,604			-25,604		-25,604

The following net results were stated for the individual categories of financial instruments acc. to IFRS 9 in fiscal year 2019:

Net result acc. to measurement categories 2019 (in €k)

€k	Measurement category IFRS 9	Net profits and losses from subsequent measurement: From interest and dividends	At fair value	Currency translation	Allowance	Net result
Financial assets at amortized cost	ac	1,075	--	-1,453	-65,893	-66,270
Financial assets at fair value						
- through other comprehensive income	fvoci	992	468	--	--	1,460
- through profit or loss	fvtpl		15,660	--	--	15,660
Financial liabilities at amortized cost	flac	-35,183	--	-623	--	-35,806
Financial liabilities measured at fair value						
- through profit or loss	fvtpl		-9,691			-9,691
Total		**-33,116**	**6,437**	**-2,076**	**-65,893**	**-94,647**

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, 2019, 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, 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

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

€k	as of Dec. 31, 2019	Level 1	Level 2	Level 3
Financial assets at fair value through other comprehensive income without recycling to profit or loss	47,006	2,384		44,622
Listed shares	2,384	2,384		
Non-listed equity instruments	44,622			44,622
Financial assets at fair value through profit or loss	31,450			31,450
Derivatives	31,450			31,450
Financial liabilities measured at fair value through profit or loss	-25,604			-24,523
Purchase price liabilities	-25,604		-1,081	-24,523

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, 2020:

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 million	€ -2.7 million
		Volatility	8.7%	+1%	-1%
				€ +0.7 million	€ -0.7 million
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 million	€ +5.9 million
		Volatility	43.8%	+1%	-1%
				€ -0.2 million	€ +0.2 million
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 million	€ +4.9 million
		Volatility	43.8%	+1%	-1%
				€ -0.2 million	€ +0.2 million
Conditional purchase price liability	Modified multiple	EBITDA growth	4%	+1%	-1%
				€ + 0.1 million	€ -0.1 million

Dec. 31, 2019	Measurement method	Main non-observable input factors	Considered in measurement	Sensitivity of input factor on fair value	
Non-listed share	DCF method	Long-term growth rate of cash flows for subsequent years	0.1%	+ 0.25%	-0.25%
				€ + 1.90 million	€ -0.7 million
Foreign currency-based derivatives	Black-Scholes model	Exit date of Warburg Pincus from Business Application segment as of Dec. 31, 2019	2 years	+1 year	-1 year
				€ + 0.62 million	€ -1.27 million
		Volatility	7.1%	€ +1%	€ -1%
				€ + 0.43 million	€ - 0.50 million
Earnings-based derivatives	Monte Carlo simulation	Exit date of Warburg Pincus from Business Application segment as of Dec. 31, 2019	2 years	+1 year	-1 year
				€ - 1.40 million	€ +2.34 million
		Volatility	40.07%	+1%	-1%
				€ - 0.1 million	€ +0.1 million
Conditional purchase price liability	Monte Carlo simulation	Exit date of Warburg Pincus from Business Application segment as of Dec. 31, 2019	2 years	+1 year	-1 year
				€ - 1.16 million	€ +1.94 million
		Volatility	40.07%	+1%	-1%
				€ - 0.1 million	€ +0.1 million
Conditional purchase price liability	Modified multiple	EBITDA growth	5%	+1%	-1%
				€ + 0.1 million	€ -0.1 million
Conditional purchase price liability	Modified multiple	EBITDA growth	5%	+1%	-1%
				€ + 0.1 million	€ -0.1 million

Reconciliation to fair value in Level 3:

€k	Non-listed share	Derivatives	Conditional purchase price obligation
As of January 1, 2019	**42,796**	**22,590**	**-14,982**
Revaluation recognized in other comprehensive income	1,826	0	0
Revaluation recognized in profit or loss	0	8,860	-10,622
As of December 31, 2019	**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**

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.

At the Annual Shareholders' Meeting on May 20, 2020, Dr. Claudia Borgas-Herold and Dr. Manuel Cubero del Castillo-Olivares were elected to the Supervisory Board. On the same day, Mr. Kurt Dobitsch (chair) was confirmed as a member of the Supervisory Board. At the same time, Mr. Kai-Uwe Ricke stepped down from his seat on the Supervisory Board.

On entry of the amendment to the Articles of Association on July 24, 2020, Mr. Phillipp von Bismarck and Prof. Dr. Yasmin Mei-Yee Weiß were elected to the Company's Supervisory Board. Mr. Michael Scheeren (deputy chair) was re-elected to the Supervisory Board on this day.

In fiscal year 2020, the members of the Supervisory Board also held seats on supervisory boards or similar committees of the following companies:

Kurt Dobitsch
- 1&1 IONOS Holding SE, Montabaur
- 1&1 Telecommunication SE, Montabaur (deputy chair) (until September 30, 2020)
- 1&1 Mail & Media Applications SE, Montabaur (until September 30, 2020 deputy chair; as of October 1, 2020 chair)
- 1&1 Drillisch Aktiengesellschaft, Maintal
- Nemetschek SE, Munich (chair)
- Graphisoft S.E., Budapest / Hungary
- Vectorworks Inc., Columbia / USA
- Bechtle AG, Gaildorf
- Singhammer IT Consulting AG, Munich

Kai-Uwe Ricke (until May 20, 2020)
- 1&1 Telecommunication SE, Montabaur
- 1&1 Mail & Media Applications SE, Montabaur (chair) (until September 30, 2020)

- 1&1 Drillisch Aktiengesellschaft, Maintal (deputy chair)
- EuNetworks Group Limited, London, United Kingdom
- Delta Partners Group Limited, Dubai, United Arab Emirates (until July 1, 2020)
- Delta Partners Capital Limited, Dubai, United Arab Emirates
- Delta Partners Growth Fund II GP Limited, Cayman Islands
- Delta Partners Growth Fund II (Carry) General Partner Limited, Cayman Islands
- Virgin Mobile CEE B.V., Amsterdam / Netherlands
- Virgin Mobile Polska Sp. z o.o, Warsaw / Poland (chair of the board of directors) (until July 23, 2020)
- Cash Credit Limited, Cayman Islands

Michael Scheeren
- 1&1 IONOS Holding SE, Montabaur
- 1&1 Telecommunication SE, Montabaur (chair)
- 1&1 Mail & Media Applications SE, Montabaur
- 1&1 Drillisch Aktiengesellschaft, Maintal (chair)
- Tele Columbus AG, Berlin

Phillipp von Bismarck
- No other offices

Prof. Dr. Yasmin Mei-Yee Weiß
- Zeppelin GmbH, Friedrichshafen
- Bayerische Beamten Lebensversicherung AG, Munich
- BLG Logistics Group AG & Co. KG, Bremen

Dr. Claudia Borgas-Herold
- 1&1 Drillisch Aktiengesellschaft, Maintal
- 1&1 Telecommunication SE, Montabaur

Dr. Manuel Cubero del Castillo-Olivares
- Nürnberg Institut für Marktentscheidungen e.V. (chair)
- Unicepta Holding GmbH, Cologne (chair)

On May 20, 2020, the Annual Shareholders' Meeting adopted a new remuneration system which complies fully with the German Corporate Governance Code. It consists of a fixed remuneration component and an attendance fee per meeting. The fixed remuneration for an ordinary member of the Supervisory Board amounts to € 20k per full fiscal year. The Chairman of the Supervisory Board receives € 30k. The attendance fee amounts to € 1k for each meeting.

The members of the Supervisory Board of United Internet AG are also members of the supervisory board of various subsidiaries. As of fiscal year 2015, they also receive remuneration from these subsidiaries. The remuneration of the subsidiaries also consists of a fixed annual remuneration and an attendance fee for each meeting. The fixed annual remuneration varies between the subsidiaries, while the standard attendance fee amounts to € 1k for each meeting.

The following table provides details on the compensation received by members of the Supervisory Board of United Internet AG:

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**

2019		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	92.5	15	107.5	122.5	19	141.5
Kai-Uwe Ricke	15	4	19	87.5	13	100.5	102.5	17	119.5
Michael Scheeren	15	4	19	110	16	126	125	20	145
	60	**12**	**72**	**290**	**44**	**334**	**350**	**56**	**406**

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:

2020 €k	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**

2019 €k	Fixed	Variable	Fringe benefits	Total fixed, variable and fringe benefits	Market value of share-based payments granted in 2019 *
Ralph Dommermuth	0	0	0	0	-
Frank Krause	360	132	11	503	-
	360	**132**	**11**	**503**	**-**

* 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 € 8,527k (prior year: € 503k). 350,000 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.

As in the previous year, Mr. Frank Krause exercised no subscription rights in the fiscal year 2020.

see page 137

Reference is also made to the Remuneration Report, which is part of the Combined Management 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	January 1, 2020			December 31, 2020		
Management Board	**Direct**	**Indirect**	**Total**		**Indirect**	**Total**
Ralph Dommermuth	0	82,500,000	82,500,000	0	82,000,000	82,000,000
Frank Krause	5,482	---	5,482	0	---	5,482
Martin Mildner	---	---	---	2	---	2
	5,482	**82,500,000**	**82,505,482**	**2**	**82,000,000**	**82,005,484**
Supervisory Board	**Direct**	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**
Kurt Dobitsch	---	---	---	---	---	---
Kai-Uwe Ricke	---	15,000	15,000	15,000	---	15,000
Philipp von Bismarck	---	---	---	---	---	---
Prof. Dr. Yasmin Mei-Yee Weiß	---	---	---	---	---	---
Dr. Claudia Borgas-Herold	---	---	---	---	---	---
Dr. Manuel Cubero del Castillo-Olivares	---	---	---	---	---	---
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 2020 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 € 10,216k in fiscal year 2020 (prior year: € 6,765k).

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	49,830	84,598	-9,316	125,112

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

	Opening balance	**Addition of fiscal year**	**Redemption/Interest**	**Carrying amount**
Lease liabilities	50,435	84,550	-8,456	126,529

At the end of the reporting period, there were two loan agreements with associated companies totaling € 6,099k (prior year: € 10,100k).

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	2020	2019	2020	2019	2020	2019	2020	2019
	27,070	17,411	3,919	3,611	432	995	7,070	9,607

As in the previous year, receivables from other related parties mainly result from loans to AWIN.

	Financial income		Financial expenses	
€k	2020	2019	2020	2019
	200	221	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, available-for-sale financial investments, 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. To ensure the solvency and financial flexibility of the United Internet Group at all times, short-term liquidity forecasts and longer-term financial planning are conducted.

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 € 131.2 million (prior year: € 117.4 million) as well as free credit lines of € 375 million and thus has more than sufficient liquidity reserves for the fiscal year 2021.

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, 2020 and 2019:

€k	**Carrying amount on** 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**

Payments from other financial liabilities mainly comprise payment obligations of € 61.3 million in connection with the 5G spectrum auction, as well as expected payments from derivatives of € 32.7 million (prior year: € 20.1 million) in fiscal year 2021. Payments to the German government do not follow a linear pattern. Cash outflows of € 61.3 million are expected each year in the fiscal years 2021 to 2025 and of € 128 million each year in the fiscal years 2026 to 2030.

€k	Carrying amount on Dec. 31, 2019	2020	2021	2022	2023	> 2023	Total
Liabilities due to banks	1,738,368	253,995	211,838	208,007	207,586	901,429	1,782,855
Trade accounts payable	481,627	557,776	0	312	754	5,002	563,844
Other financial liabilities	1,136,314	44,938	82,454	61,266	61,266	886,389	1,136,314
	3,356,309	**856,709**	**294,292**	**269,585**	**269,606**	**1,792,820**	**3,483,013**
Lease liabilities	350,628	82,988	50,691	45,617	43,369	152,969	375,634
	3,706,937	**685,702**	**133,145**	**107,195**	**105,389**	**1,044,360**	**2,075,792**

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 € 550 million (prior year: € 700 million) would remain constantly drawn until the end of its term (2025).

see page 215

Please refer to Note **Fehler! Verweisquelle konnte nicht gefunden werden.** 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 € 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)
In the fiscal year 2020, the United Internet Group recognized 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 as of the reporting date. An increase in stock exchange prices of 10% would have led to the Group's recognition of an equity effect without affecting income of € 0k as of the reporting date (prior year: € 238k). A decrease in stock exchange prices of 10% would have reduced the Group's equity by € 305k as of December 31, 2020 (prior year: € 238k). The aforementioned sensitivities do not take account of tax effects.

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).

see page 200

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 and collection agencies are also used for the management of receivables.

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.

see page 152

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, 2020 and December 31, 2019, 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, pre-service providers have filed claims in the low three-digit million range. As of the reporting date December 31, 2020, 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.

see page 218

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. The contracts generally include renewal options.

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	2020	2019*
Depreciation of right-of-use assets		
- Land and buildings	41,109	37,539
- Operational and office equipment	3,080	3,983
- Network infrastructure	57,600	60,218
- Licenses	1,326	0
Total depreciation of right-of-use assets	**103,115**	**101,740**
Interest expense from lease liabilities	**7,866**	**8,715**
Expense for short-term leases	**405**	**476**
Expense for low-value leases	**1,273**	**1,033**

As of December 31, 2020, the carrying amounts of right-of-use assets by class of underlying assets are as follows:

€k	Carrying amount on Dec. 31, 2020	Carrying amount on Dec. 31, 2019*
Land and buildings	268,056	179,932
Operating and office equipment	3,361	4,514
Network infrastructure	190,295	165,551
Licenses	7,956	0

As of December 31, 2020, existing lease liabilities have the following terms:

€k	Dec. 31, 2020	Dec. 31, 2019*
up to 1 year	97,761	82,988
1 to 5 years	208,790	167,847
Over 5 years	167,277	99,793
Total	**473,828**	**350,628**

As of December 31, 2020, lease obligations developed as follows:

€k	Dec. 31, 2020	Dec. 31, 2019*
As of January 1	393,040*	360,775
Additions	191,809	107,794
Interest effect	7,866	8,715
Payments	-107,168	-106,023
Disposals	-11,719	-10,486
As of December 31	473,828	350,628
thereof current	97,761	82,988
thereof non-current	376,067	267,640

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.

* In accordance with the IFRS IC's decision to interpret the term 'penalty' used in IFRS 16.B34 broadly in connection with the determination of the binding term of a lease and not to limit it to purely contractual rights and penalties, the terms of leases have been adjusted as follows: if the lease contains prolongation or termination options for the lessee or the lessor, these are taken into account provided that the exercise or non-exercise can be classified as reasonably certain as of the balance sheet date. All relevant facts and circumstances are taken into account. Due to the resulting prolongation of the lease terms, the carrying amounts of the right-of-use assets from leases were retrospectively increased by € 40,986k as of January 1, 2019. The lease liability was recognized in the same amount. Additions to non-current assets for the reporting period were retroactively increased by € 1,426k.

see pages 179 and 248

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, 2020	Dec. 31, 2019
Gross investment		
(thereof unguaranteed residual values)		
thereof due within 1 year	6,944	6,986
thereof due in 1-5 years	26,427	27,169
thereof due after more than 5 years	29,598	31,959
Unearned finance income	-6,265	-5,711
Net investment	**56,704**	**60,403**
Accumulated impairment	0	0
Receivables from sales taxes and other	3,461	3,609
Carrying amount of finance lease receivables	**60,165**	**64,012**
thereof present value of unguaranteed residual values	0	0
Present value of outstanding minimum lease payments	**56,704**	**60,403**
thereof due within 1 year	6,832	6,927
thereof due in 1-5 years	24,320	25,319
thereof due after more than 5 years	25,551	28,157

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

In fiscal year 2020, several new finance lease agreements were concluded regarding the provision of fiber pairs. An amount of € 3.5 million (prior year: € 4.6 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, 2020, there were the following other financial commitments which do not represent leases:

€k	2020	2019
up to 1 year	27,638	6,528
1 to 5 years	81,489	14,451
Over 5 years	10,442	3,853
Total*	119,569	24,832

* 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 application relief amounted to € 2,993k as of December 31, 2020 (prior year: € 2,251k).

In the fiscal year 2020, there were additional other financial commitments from supply and service relationships amounting to approximately € 82.7 million (prior year: € 27.8 million). Of this amount, approx. € 79.7 million relates to obligations arising from advertising agreements, which are expected to fall due in constant amounts up to 2025. Of these payment obligations, amounts of € 19.2 million are expected to fall due within one year. The remaining € 60.5 million will fall due in approximately equal installments in the years 2022 to 2025.

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 € 337.9 million to € 349.4 million. Of these purchase obligations, amounts in the range of € 135.6 million to € 140.2 million are expected to fall due by December 31, 2021.

On September 5, 2019, the United Internet subsidiary 1&1 Drillisch 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". The United Internet subsidiary is thus helping to close existing supply gaps and improve the provision of mobile communications in rural regions by building base stations. As a result, there are contractual obligations of € 50 million as at the balance sheet date, leading to capital expenditures in future years. For further information, please refer to Note 26.

Moreover, as part of the MBA MVNO agreement with Telefónica, the United Internet subsidiary 1&1 Drillisch AG has made a binding purchase of network capacity consisting of data volume and voice and SMS contingents for the basic term of the contract (July 2015 to June 2020). The first option to prolong the MBA MVNO agreement with Telefónica expiring on June 30, 2020 was exercised on December 30, 2019, so that the agreement now expires on June 30, 2025. The capacity to be purchased represents 20 to 30 percent of the used capacity of the Telefónica network. In addition, the United Internet subsidiary is obliged to purchase a fixed contingent for existing customers, irrespective of the network usage. The payments during the first prolongation period amount to a mid-three-digit million amount per year. An exact amount cannot be determined because the payments depend on various contractual variables. Among other things, the payment obligation depends on the future actual utilization of all participants of the Telefónica network.

46. Statement of cash flows

In fiscal year 2020, cash flow from operating activities includes interest paid of € 20,255k (prior year: € 30,550k) and interest received of € 6,609k (prior year: € 4,503k). Income tax payments in fiscal year 2020 amounted to € 267,973k (prior year: € 373,894k) while income tax proceeds totaled € 40,945k (prior year: € 110,136k).

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

In the previous year, the acquisition of 5G spectrum licenses (exceptional redemption in the fiscal year 2019: € 61,266k) and the right-of-use assets and lease liabilities from initial application of IFRS 16 (exceptional redemption in the fiscal year 2019: €6,418k) were treated as non-cash transactions. Initial recognition of the 5G spectrum 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 € million	**Spectrum liabilities**
Admission (non-cash transaction in 2019)	1,070
Payments for the redemption of spectrum liabilities	-61
As of December 31, 2019	**1,009**
Payments for the redemption of spectrum liabilities	-61
As of December 31, 2020	**948**

Cash inflows in connection with dividends received amounted to € 842k (prior year: € 922k) and mainly comprise dividends from afilias Ltd..

Reconciliation of balance sheet changes in financial liabilities:

in € million	Promissory note loan	Syndicated loan	Total
As of January 1, 2020	**839**	**899**	**1,739**
Cash flow from financing activities			
Proceeds from taking out loans	0	16	16
Payments for the redemption of loans	-288	0	-288
Total cash-effective change	**-288**	**16**	**-272**
Other non-cash-effective changes	-1	0	-1
As of December 31, 2020	**550**	**915**	**1,466**

With regard to cash outflows in connection with leases, please refer to Note 45.

Cash flows in connection with the change in other financial liabilities of € 4 million are recognized in cash flow from operating activities.

in € million	Promissory note loan	Syndicated loan	Other financial liabilities	Total
As of January 1, 2019	**838**	**1,101**	**0**	**1,939**
Cash flow from financing activities				
Proceeds from taking out loans	0	15	1	16
Payments for the redemption of loans	0	-217		-217
Total cash-effective change	**0**	**-201**	**1**	**-200**
Other non-cash-effective changes	1	-1	0	0
As of December 31, 2019	**839**	**899**	**1**	**1,739**

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 IONOS SE, Montabaur
- 1&1 IONOS Holding SE, Montabaur
- 1&1 IONOS TopCo SE, Montabaur
- 1&1 IONOS Service 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 GmbH, Düsseldorf
- 1&1 Versatel Deutschland GmbH, Düsseldorf
- A 1 Marketing, Kommunikation und neue Medien GmbH, Montabaur
- Cronon GmbH, Berlin
- 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

48. Subsequent events

Acquisition of we22 AG

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 1&1 IONOS SE.

we22 AG, headquartered in Berlin, 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 more than 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 2020, the company generated revenues of around € 12 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 Group paid € 25.7 million in cash for the shares of we22 AG. After deduction of assumed cash and addition of loan liabilities amounting to a net total of € 2.4 million, the Group’s net cash outflow was € 28.1 million.

1&1 IONOS SE assumed control over we22 AG and its subsidiaries with effect from February 1, 2021 (date of acquisition).

we22 AG and its subsidiaries will be included for the first time in the Consolidated Financial Statements 2021 of United Internet AG as of the date of acquisition. Initial consolidation of we22 AG is made in accordance with IFRS 3 - Business Combinations using the acquisition method.

The purchase price consists of a base purchase price and certain additional amounts.

Around € 22.6 million of the purchase price was paid to the formers owners of we22 AG in early February 2021. The payment of further purchase price components amounting to a maximum of € 3.1 million is subject to further conditions precedent in 2021 and 2022. Until that time, this part of the cash purchase price will be held in escrow.

In addition to the cash purchase price components described above for the previous anchor investors (in particular the company’s founders), there is a further purchase price component, the amount of which is based on the future equity value of the Business Applications segment as of December 31, 2024. A payment will be made in 2025 at the earliest. On the basis of preliminary figures, it is assumed that the purchase price will be allocated mainly to software and goodwill in addition to the assets recognized in the balance sheet.

The assets and liabilities of we22 AG and its subsidiaries will be recognized on the basis of a purchase price allocation. At the time of preparing the Annual Financial Statements of United Internet AG, neither the purchase price allocation nor the preparation of local annual financial statements for we22 AG and its subsidiaries had been completed. Consequently, no disclosures on the final amounts of assets and liabilities as of the acquisition date can be made.

As of December 31, 2019, we22 AG reported consolidated assets of € 4.5 million and liabilities of € 4.3 million.

Telefónica offer for national roaming and MBA MVNO services for 1&1 Drillisch; review by EU Commission completed

Drillisch Online GmbH, a wholly-owned subsidiary of 1&1 Drillisch AG and indirect subsidiary of United Internet AG, and Telefónica Germany GmbH & Co. OHG ("Telefónica") have been holding negotiations for some time regarding the conclusion of a national roaming agreement based on the voluntary commitments of Telefónica as part of the European Commission's clearance of its merger with E-Plus. The European Commission is responsible for monitoring Telefónica's compliance with these voluntary commitments.

In October 2020, Telefónica then submitted its final offer (in its opinion) to 1&1 Drillisch regarding the terms and prices for national roaming. The prices were to be applied retroactively as of July 2020, also for the existing MBA MVNO agreement. Whereas Telefónica had invoiced consistently high advance service prices for the MBA MVNO agreement since July 2020, the Telefónica offer was based on the pricing mechanisms of the first five years of the MBA MVNO agreement. In particular, the offer again included annually decreasing data prices, which were lower than the fixed prices charged at the time by Telefónica.

On conclusion of its review, the EU Commission announced its assessment on February 5, 2021 that the Telefónica offer submitted in October 2020 did not comply with the voluntary commitments as part of the EU's clearance and that Telefónica would have to submit an improved offer.

As a result, Telefónica submitted an improved offer to 1&1 Drillisch on the same day. 1&1 Drillisch had until February 19, 2021 to accept the improved offer.

Improved offer from Telefónica for national roaming accepted

On February 15, 2021, the Management Board and Supervisory Board of 1&1 Drillisch decided to accept Telefónica's offer – improved following review by the EU Commission – for national roaming and the related MBA MVNO advance services. The terms and conditions offered by Telefónica that will apply retroactively from July 2020 are based once again on the pricing mechanisms of the first five years of the MBA MVNO agreement. In particular, annually decreasing data prices are to be included again, which are lower than the fixed prices currently charged by Telefónica.

The conclusion of an agreement, which Telefónica's offer expects by approx. mid-May 2021, would have a positive earnings effect for 1&1 Drillisch, and thus also for United Internet, of € 34.4 million in the fiscal year 2020, which would be booked as income relating to other periods in the fiscal year 2021. In addition, this would constitute an essential prerequisite for 1&1 Drillisch's planned rollout of a high-performance 5G network.

New combined VDSL/FTTH agreement with Deutsche Telekom

On February 15, 2021, United Internet announced that its subsidiary 1&1 Drillisch AG planned to expand its fiber-optic offering and would in future receive VDSL and FTTH advance services (fiber to the home/FTTH) from its affiliate 1&1 Versatel. For this purpose, 1&1 Drillisch has entered into an agreement with 1&1 Versatel on 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 has entered into an agreement with Deutsche Telekom on the use of Deutsche Telekom's FTTH and VDSL connections for households. These enable 1&1 Versatel to provide FTTH/VDSL complete packages for 1&1 Drillisch, as 1&1 Versatel's nationwide transport network is largely connected to the local broadband networks of Deutsche Telekom.

In addition to the existing access to FTTH connections of well-known city carriers, 1&1 Versatel thus gets 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 the coming years.

FTTH connections for private households enable bandwidths of up to 1Gbit/s. Households not yet equipped with FTTH will be supplied with VDSL connections (up to 250 Mbit/s).

Given the advantages of the new combined VDSL/FTTH agreement, the existing purely VDSL advance service agreement between 1&1 Drillisch and Deutsche Telekom will be prematurely terminated by mutual agreement of the parties. This results in 1&1 Drillisch writing off deferred expenses of around € 130 million for VDSL existing customer contingents up to March 31, 2024. The one-off write-off has no cash effect and will be clearly exceeded by the positive effects from the expanded cooperation with Deutsche Telekom in the long-run.

1&1 Drillisch, and thus also United Internet, already recognized the write-off for no longer used VDSL contingents as of December 31, 2020.

The new FTTH/VDSL agreement with Deutsche Telekom is subject to approval by the Federal Network Agency ("Bundesnetzagentur") as the competent regulatory authority.

There were no other significant events subsequent to the end of the reporting period on December 31, 2020 which had a material effect on the financial position and performance or the accounting and reporting of the parent company or the Group.

49. Auditing fees

In fiscal year 2020, auditing fees totaling € 4,953k were expensed in the Consolidated Financial Statements. These include auditing fees of € 3,419k, other assurance services of € 77k, tax consultancy services of € 1,430k, and other services of € 27k. Auditing fees comprise both statutory audits, as well as voluntary audits and audit reviews.

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

As of December 31, 2020, 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 Drillisch Aktiengesellschaft, Maintal (75.1%)**
  - 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, Münster (100.0%)
  - Drillisch Online GmbH, Maintal (100.0%)
    - Drillisch Netz AG, Düsseldorf (100.0%)
  - IQ-optimize Software AG, Maintal (100.0%)

- **1&1 IONOS TopCo SE (formerly: 1&1 Internet TopCo SE), Montabaur (66.67%)**
  - 1&1 IONOS Holding SE, Montabaur (100.0%)
    - STRATO AG, Berlin (100.0%)
      - Cronon GmbH, Berlin (100.0%)
      - STRATO Customer Service GmbH, Berlin (100.0%)
    - 1&1 IONOS SE, Montabaur (100.0%)
      - 1&1 IONOS Datacenter SAS, Niederlauterbach / France (100.0%)
      - 1&1 Internet Development SRL, Bucharest / Romania (100.0%)
      - 1&1 IONOS España S.L.U., Madrid / Spain (100.0%)
      - 1&1 IONOS Ltd., Gloucester / UK (100.0%)
      - 1&1 IONOS (Philippines) Inc., Cebu City / Philippines (100.0%)

    - 1&1 IONOS S.a.r.L., Saargemünd / France (100.0%)
    - 1&1 IONOS Service GmbH, Montabaur (100.0%)
    - 1&1 IONOS Inc., Chesterbrook / USA (100.0%)
      - A1 Media USA LLC, Chesterbrook / USA (100.0%)
      - 1&1 Cardgate LLC, Chesterbrook / USA (100.0%)
  - 1&1 IONOS Cloud Inc., Newark / USA (100.0%)
  - 1&1 IONOS UK Holdings Ltd., Gloucester / UK (100.0%)
    - Fasthosts Internet Ltd., Gloucester / UK (100.0%)
  - Arsys Internet S.L.U., Logroño / Spain (100.0%)
    - Arsys Internet E.U.R.L., Perpignan / France (100.0%)
    - Nicline Internet S.L., Logroño / Spain (100.0%)
    - Tesys Internet S.L., 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, Montabaur (100.0%)
  - InterNetX Holding GmbH, Regensburg (95.56%)
    - InterNetX GmbH, Regensburg (100.0%)
      - InterNetX, Corp., Miami / USA (100.0%)
      - PSI-USA, Inc., Las Vegas / USA (100.0%)
      - Schlund Technologies GmbH, Regensburg (100.0%)
      - Domain Robot Enterprises Inc., Vancouver / Canada (100%)
    - 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., Cambridge / USA (100.0%)
    - united-domains Reselling GmbH, Starnberg (100.0%)
  - World4You Internet Services GmbH, Linz / Austria (100.0%)

Other:

- CA BG AlphaRho AG, Vienna / Austria (100.0%)
- MIP Multimedia Internet Park GmbH, Zweibrücken (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 Service SE, Montabaur (100.0%)
  - United Internet Sourcing & Apprenticeship GmbH, Montabaur (100.0%)
- United Internet Management Holding SE, Montabaur (100.0%)
- United Internet Corporate Holding SE, 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:

- Intellectual Property Management Company Inc., Dover / USA (49.0%)
- DomainsBot S.r.l, Rome / Italy (49.0%)
  - DomainsBot Inc., Dover / USA (100.0%)
- rankingCoach International GmbH, Cologne (30.70%)

- uberall GmbH, Berlin (27.56%)
- Tele Columbus AG, Berlin (29.90%)*
- Open-Xchange AG, Cologne (25.39%)
- AWIN AG, Berlin (20.0%)

* Classified as non-current assets held for sale as at the balance sheet date.

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 (11.36%)
- POSpulse GmbH, Berlin (1.49%)
- High-Tech Gründerfonds III GmbH & Co. KG, Bonn (0.95%)

Changes in the reporting unit

The following company was merged with an existing Group company in the fiscal year 2020:

- United Internet Service Holding GmbH, Montabaur, was merged with 1&1 Versatel GmbH, Düsseldorf.
- DP ASIA Sp. z o.o., Stettin / Poland, was merged with premium.pl Sp. z o.o as of December 1, 2020
- DP EUROPE Sp. z o.o., Stettin / Poland, was merged with premium.pl Sp. z o.o as of December 1, 2020
- DP POLAND Sp. z o.o., Stettin / Poland, was merged with premium.pl Sp. z o.o as of December 1, 2020
- Mobile Ventures GmbH, Maintal, was merged with Drillisch Online GmbH as of October 23, 2020

The following company was sold in the fiscal year 2020:

- 1&1 Berlin Telecom Service GmbH, Berlin (100.0%)
- Afilias Inc, Horsham, USA (9.82%)
- Shares in the following associated company were sold in the reporting period:
- ePages GmbH, Hamburg (25.01%)

The following companies were liquidated in the fiscal year 2020:

- General Media Xervices GMX SL, Madrid, Spain (100.0%)
- GMX Italia SRL, Milan, Italy (100.0%)
- 1&1 Internet Sp. z o.o. Warsaw, Poland (100.0%)
- PipesBox GmbH, Rostock (15.04%)

The following companies were acquired in the fiscal year 2020:

- ASCI Consulting GmbH, Berlin (100.0%) (asset deal)

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 19, 2021

The Management Board

Ralph Dommermuth | Martin Mildner

DEVELOPMENT OF FIXED ASSETS

for the fiscal year 2020 and 2019 in €k

2020	Acquisition and production costs						
	Jan. 1, 2020	Additions from initial consolidation	Additions	Disposals	Reclassifications	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
Trademark	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
Leasing	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 extensions of the lease terms, the carrying amounts of the right-of-use assets under leases were retrospectively increased by € 40,986k as of January 1, 2019. Additions to fixed assets for the fiscal year were retroactively increased by € 1,426k. 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						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	464,639
	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**

* Due to extensions of the lease terms, the carrying amounts of the right-of-use assets under leases were retrospectively increased by € 40,986k as of January 1, 2019. Additions to fixed assets for the fiscal year were retroactively increased by € 1,426k. See Note 45

2019	Acquisition and production costs						
	Jan. 1, 2019	Additions from initial consolidation	Additions	Disposals	Reclassific ations	Exchange rate differences	Dec. 31, 2019
Intangible assets							
Software / licenses	261,412		15,687	3,798	3,284	154	276,740
Spectrum licenses	0		1,070,187				1,070,187
Trademark	212,703				1	793	213,497
Customer base	1,237,440					1,212	1,238,652
Goodwill	3,656,255					3,970	3,660,225
Internally generated intangible assets	12,433		11,517	40		26	23,936
Other intangible assets	72,681		575	52			73,205
Payments on account	5,703		4,821	192	-3,286		7,046
Total (I)	**5,458,627**	**0**	**1,102,787**	**4,082**	**-1**	**6,155**	**6,563,488**
Property, plant and equipment							
Land and buildings	19,339		1,456	1,506			19,289
Telecommunication equipment	826,727		94,745	16,187	-122,322		782,963
Network infrastructure	201,290		11,171	1,130	1,210		212,541
Operating and office equipment	473,279		77,063	50,243	2,181	3,248	505,528
Payments on account	45,762		35,742	857	-30,373	8	50,282
Leasing	325,183		98,305	20,478	149,305	39	552,354
Total (II)	**1,891,580**	**0**	**318,482**	**90,401**	**1**	**3,295**	**2,122,957**
Total	**7,350,206**	**0**	**1,421,269**	**94,483**	**0**	**9,450**	**8,686,444**

* Due to extensions of the lease terms, the carrying amounts of the right-of-use assets under leases were retrospectively increased by € 40,986k as of January 1, 2019. Additions to fixed assets for the fiscal year were retroactively increased by € 1,426k. See Note 45

Accumulated depreciation							NET BOOK VALUE	
Jan. 1, 2019	Additions	Disposals	Reclassifications	Exchange rate differences	Additions from initial consolidation	Dec. 31, 2019	Jan. 1, 2019	Dec. 31, 2019
184,431	39,907	1,755	-1	136		222,718	76,981	54,022
						0	0	1,070,187
20,639	1,267	19,438	1			2,469	192,064	211,028
316,485	127,964			1,044		445,493	920,955	793,159
43,621				89		43,710	3,612,634	3,616,515
1,689	2,963	7		6		4,651	10,744	19,285
34,549	26,043	52				60,540	38,132	12,665
						0	5,702	7,046
601,414	**198,144**	**21,252**	**0**	**1,275**	**0**	**779,581**	**4,857,212**	**5,783,908**
10,359	2,011	787				11,583	8,980	7,706
326,424	84,959	6,431	-68,464			336,488	500,303	446,476
116,251	22,288	101	13			138,451	85,039	74,090
291,279	64,411	47,169		2,475		310,996	182,001	194,532
4,074	815					4,889	41,687	45,393
0	101,473	9,992	68,451	11		159,943	325,183	392,411
748,387	**275,957**	**64,480**	**0**	**2,486**	**0**	**962,349**	**1,143,193**	**1,160,608**
1,349,801	**474,101**	**85,732**	**0**	**3,761**	**0**	**1,741,929**	**6,000,406**	**6,944,516**

* Due to extensions of the lease terms, the carrying amounts of the right-of-use assets under leases were retrospectively increased by € 40,986k as of January 1, 2019. Additions to fixed assets for the fiscal year were retroactively increased by € 1,426k. See Note 45

INDEPENDENT AUDITOR'S REPORT

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 2020, 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 2020, 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 2020. 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. Further, we have not audited the following extraneous information contained in the management report of the Company and the Group:

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

- The quarterly ratios 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

Extraneous information relates to any information whose disclosure in the management report of the Company and the Group is 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 ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the fiscal year from 1 January to 31 December 2020, 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 2020. 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

Reasons why the matter was determined to be a key audit matter
The goodwill presented in the consolidated financial statements of United Internet AG comprises 39% of total assets. Goodwill is tested for impairment at least once every fiscal year. The impairment test comprises a valuation of the cash-generating unit to which the goodwill is allocated and is regularly based on the present value of the future cash flows of the cash-generating unit. The cash flows 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. In light of the magnitude of the goodwill, the underlying complexity of the valuation and the judgment exercised during valuation, the goodwill impairment test was 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 checked the clerical accuracy the calculations in the underlying valuation model. 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 commissioned 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.

We assessed the financial planning in terms of the reliability of previous forecasts and examined that the key assumptions were derived plausibly. The assumptions relating to future cash flows 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 by the executive directors.

Reference to related disclosures
The Company's information on the impairment of goodwill is contained in Note 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. As part of the revenue recognition pursuant to IFRS 15, assumptions were made and estimates used in particular relating to the determination of stand-alone selling prices for hardware, which means that 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. Within the scope of the resetting 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. 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 "Letter to our shareholders" section,
- the Report of the Supervisory Board pursuant to Sec. 171 (2) AktG,

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

- the non-financial group report pursuant to Sec. 315c HGB,

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 in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the consolidated financial statements and the management report of the Company and the Group prepared for publication purposes

Opinion

We have performed assurance work in accordance with Sec. 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the management report of the Company and the Group (hereinafter the "ESEF documents") contained in the attached electronic file United Internet_AG_KA+KLB_ESEF-2020-12-31.zip 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 only extends 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 in this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the management report of the Company and the Group contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying management report for the fiscal year from 1 January 2020 to 31 December 2020 contained in the "Report on the audit of the consolidated financial statements and of the management report of the Company and the Group" above.

Basis for the opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the management report of the Company and the Group contained in the abovementioned attached electronic file in accordance with Sec. 317 (3b) HGB and Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Sec. 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Our responsibilities under that standard are further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the requirements for quality control systems set forth in the IDW Standard on Quality Control: "Requirements for Quality Control in Audit Firms" (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 reproduction 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 considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and the audited management report of the Company and the Group as well as other documents to be published to the operator of the *Bundesanzeiger* [German Federal Gazette].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enable an XHTML reproduction 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) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

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

We were elected as group auditor by the annual general meeting on 20 May 2020. We were engaged by the supervisory board on 21 July 2020. 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).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Jens Kemmerich."

Eschborn/Frankfurt am Main, 23 March 2021

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Kemmerich	Reihl
[German Public Auditor]	[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 19, 2021

The Management Board

Ralph Dommermuth

Martin Mildner

LOCATIONS

United Internet is successfully represented around the world by its various business fields. Its activities in Europe and the world are shown in the charts below.

UNITED INTERNET WORLDWIDE

USA
- Cambridge
- Chesterbrook
- Lenexa

Philippines
- Cebu City

EUROPE

Germany
- Montabaur
- Berlin
- Cologne
- Dortmund
- Dresden
- Dusseldorf
- Essen
- Flensburg
- Frankfurt
- Hamburg
- Karlsruhe
- Kiel
- Krefeld
- Maintal
- Munich
- Munster
- Nuremberg
- Regensburg
- Starnberg
- Stuttgart
- Zweibrucken

France
- Niederlauter-bach

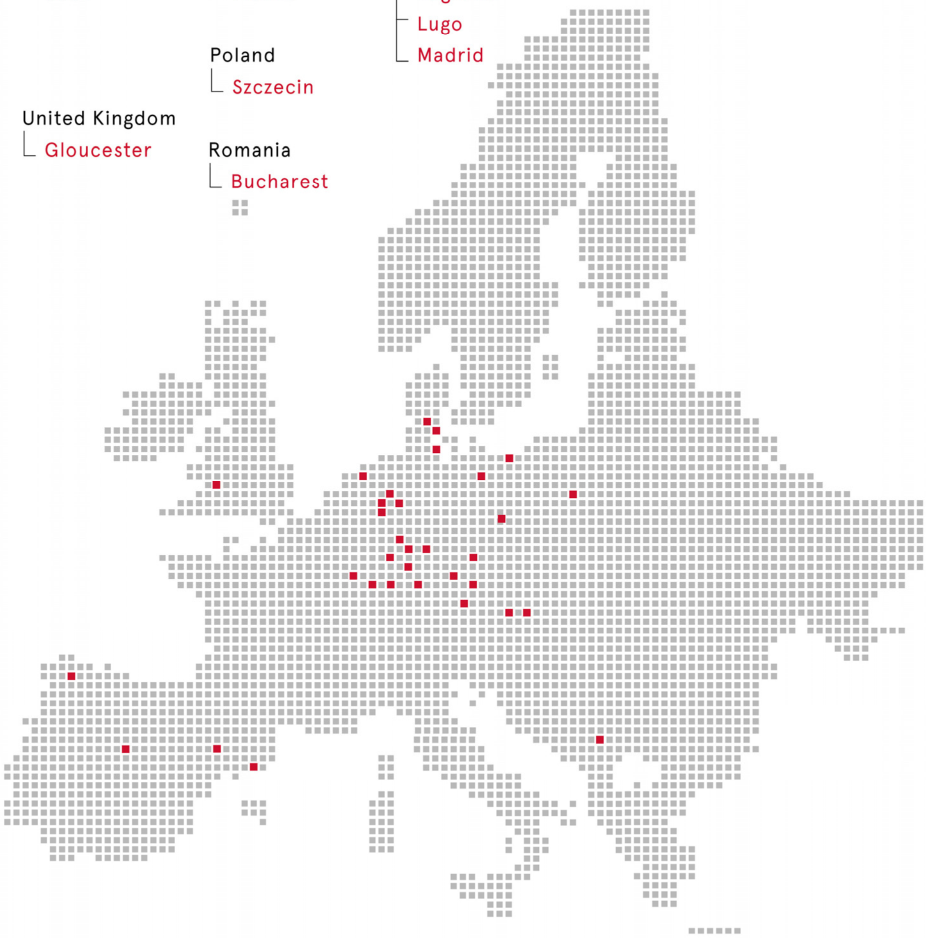
United Kingdom
- Gloucester

Austria
- Linz
- Vienna

Poland
- Szczecin

Romania
- Bucharest

Spain
- Barcelona
- Logroño
- Lugo
- Madrid



GLOSSARY

5G
Fifth-generation mobile communications standard, which will enable data transmission rates of up to 10 Gbit/s as the successor to 4G.

ADSL
= Asymmetric Digital Subscriber Line; ADSL is the most common DSL variation in Germany and is commonly called DSL. ADSL is realized over the existing telephone line (subscriber line).

AktG
German Stock Corporation Act (Aktiengesetz)

BITKOM
The Bundesverband Informationswirtschaft Telekommunikation und neue Medien e.V. (BITKOM) [German Association for Information Technology, Telecommunications and New Media] is the voice of the information technology,telecommunications, and new media industry in Germany.

BNG
= Broadband Network Gateway
BNG is a connection node within the network of an Internet service provider. Overall, the conversion to these central nodes will make the networks more modern and efficient. At the same time, it is a transfer point that combines all the signals from the IP-based voice and Internet connections and then derives them via fiber optics.

DAX, MDAX
The DAX is Deutsche Börse's most important size index, comprising the 30 largest and most liquid companies on the German stock market in terms of free float market capitalization. In the MDAX, the 60 largest stocks that follow are represented.

Domain
Specific area of hierarchical internet name system administered by domain name server. Divided into generic top-level domains, or gTLD, (such as .com, .net, .org or .info) and country-code top-level domains, in short ccTLD (such as .de or .uk).

D&O insurance
(Directors & Officers Liability Insurance) D&O insurance refers to a liability insurance policy which a company takes out on behalf of its executive bodies and corporate officers. In the case of any breach of duty, D&O insurance offers protection against the financial consequences of personal liability. Cover is generally provided if the duty of care has been breached without intent or knowledge. The German Act on the Appropriateness of Management Board Compensation (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) requires that Management Board members accept an obligatory deductible for D&O insurance policies.

EBITDA
Earnings before interest, taxes, depreciation and amortization

EBT
Earnings before taxes

e-business
see e-shop

EPS
Earnings per share

e-shop
Online shop or virtual market place which allows consumers to directly buy goods or services from a seller over the Internet.

Federal Cartel Office
(Bundeskartellamt – BKartA) Higher federal authority for all antitrust issues. Its main tasks include implementing cartel bans, examining business combination requests and exercising its antitrust monitoring duties with regard to market-dominating companies.

Federal Net Agency
(Bundesnetzagentur) Higher federal authority (former Regulatory Authority for Telecommunications and Post, Reg TP). Its responsibilities include implementing cartel bans, examining business combination requests and exercising its antitrust monitoring duties with regard to market-dominating companies.

Free accounts
Accounts financed through advertising, where the customer is not paying a monthly fee.

FTTH, FTTB, FTTC
= Fiber to the home (FTTH), Fiber to the building / basement (FTTB), Fiber to the curb (FTTC)
Refers to the laying of fiber optic cables into households, buildings or curbs. In the best case, fiber optic cables are routed into the household (FTTH) and thus provide the end user with maximum bandwidth. Often, however, the optical fiber only lead to the basement of the house (FTTB), from where the signals are further distributed with losses at maximum speed or end up on the street in distribution boxes at the curb (FTTC), which then only have significantly lower bandwidths.

Groupwork
Functions which support several users/a group during joint work on projects, targets, tasks etc. Users generally access centrally stored data and applications.

HGB
German Commercial Code (Handelsgesetzbuch)

IFRS
International Financial Reporting Standards

IPTV
(Internet Protocol Television) refers to the transmission of television programs via an Internet connection. Telecommunication providers commonly offer a range of configurable program bundles via the broadband connection. IPTV therefore represents an alternative to TV reception via cable or satellite dish.

MBA MVNO
= Mobile Bitstream Access (MBA) / Mobile Virtual Network Operator (MVNO)
A MBA MVNO is a telephone company that is comparable to a MVNO (see MVNO); however, in contrast to a MVNO, it has entered into an obligation to purchase network

capacity (percentage share of the utilised network capacity of a network operator). An MBA MVNO operates on equal footing with the network operator and has unlimited access to all current and future technologies.

MVNO
= Mobile Virtual Network Operator; Private telephone company without its own wireless network which, on its own behalf and for its own account, sells wireless services, -> SIM cards and wireless end devices as well as value-added services (e.g. -> SMS, SMS Premium, -> MMS). These services are based on standardised, unbundled advance services on the procurement side, allowing a MVNO significantly increased room for manoeuvring in the product and sales areas in comparison with a MSP.

Open Access
Model for open, non-discriminatory access to high-speed data networks, e.g. by connecting different infrastructures.

Portal
Central internet access point or start page. Usually contains a wide range of navigation functions, content and additional services, such as e-mail.

PPA
(Purchase Price Allocation) Allocation of the purchase price into various assets and liabilities in context of the initial consolidation of an acuired company or partial acquisition.

R-DSL
(Resale-DSL) In the case of Resale-DSL connections, the Internet Service Provider purchases switched DSL connections on the customer’s premises as a pre-service product from Deutsche Telekom and markets them to the customer as its own product together with a data tariff. R-DSL requires participants to have their own fixed-line Deutsche Telekom connection for which they are responsible themselves.

Roaming / National Roaming
In roaming, the end-user leaves the network of his own provider in the domestic country and continues to make calls or surf the network of a third party abroad. In the case of national roaming, this technology is used within the same country, for example if a provider's mobile communications network is being set up and the untapped areas are being served by a third party.

TAL
Last mile (Teilnehmeranschlussleitung); connection between the main distribution frame or local exchange and the access unit at the subscriber.

T-DSL
In contrast to R-DSL connections, customers with a T-DSL connection receive both their telephone and DSL connections from Deutsche Telekom. The Internet Service Provider only markets data tariffs to the customer as an independent product.

UMTS
(Universal Mobile Telecommunications System) is a mobile telecommunications standard with much higher transmission rates (see also HSPA) than are possible with the older GSM standard (GSM: Global System for Mobile Communications).

VATM
Association of Telecommunications and Value-Added Service Providers (Verband der Anbieter von Telekommunikations- und Mehrwertdiensten)
The VATM is an association of over 90 telecommunications and value-added service providers operating on the German market, who are all in competition with the ex-monopolist Deutsche Telekom AG.

V-DSL
(Very High Speed Digital Subscriber Line) VDSL is a DSL technology which provides higher data transfer rates than conventional DSL connections. In Germany, maximum transfer rates of 50 MBit/s downstream and 10 MBit/supstream are currently offered.

Vectoring / Super Vectoring
Durch die Übertragungstechnologie Vectoring kann der Datendurchsatz auf bestehenden Kupferleitungen mit vergleichsweise geringem Aufwand deutlich erhöht werden. Technisch gesehen baut Vectoring auf VDSL auf, indem das „Übersprechen" (gegenseitige Störungen zwischen benachbarten Teilnehmeranschlussleitungen) durch die Kontrolle der Signale in einem Kabelstrang kompensiert wird. Mit Vectoring sind aktuell Geschwindigkeiten bis zu 100 MBit/s möglich. Bei Super Vectoring wurde die zuvor beschriebene Technik weiter optimiert, so dass Geschwindigkeiten von bis zu 300 Mbit/s innerhalb eines Radius von bis 300 Metern vom Kabelverzweiger möglich sind.

Webhosting
Provision of storage space via the internet. In addition to registering and operating domains and renting out web servers, hosting mainly refers to the provision of value-added internet services enabling users to work more efficiently on the internet. Shared Hosting means that several customers share a physical server, while in Dedicated Hosting one customer has exclusive access to one sever.).

IMPRINT

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April 2021
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Note:

Due to calculation processes, tables and references may produce rounding differences from the mathematically exact values (monetary units, percentage statements, etc.).

These annual financial statements are available in German and English. Both versions can also be downloaded from www.united-internet.de. In all cases of doubt, the German version shall prevail.

For reasons of better readability, the additional use of the female form is omitted in this annual report. United Internet would like to stress that the use of the masculine form is to be understood purely as the gender-neutral form.

Produced in-house with Firesys

FINANCIAL CALENDAR

March 25, 2021	Annual financial statements for fiscal year 2020
May 11, 2021	Quarterly Statement Q1 2021
May 27, 2021	(Virtual) Annual Shareholders` Meeting
August 5, 2021	6-Month Report 2021
November 9, 2021	Quarterly Statement Q3 2021

QUARTERLY DEVELOPMENT

in € million	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q4 2019
Sales	1,329.4	1,328.5	1,326.8	1,382.6	1,339.1
Cost of sales	-884.9	-890.6	-911.1	-1,082.7	-880.1
Gross profit	**444.5**	**437.9**	**415.7**	**299.8**	**459.0**
Selling expenses	-193.5	-183.3	-192.6	-198.5	-185.3
General and administrative expenses	-50.9	-46.8	-53.4	-54.8	-51.2
Other operating income / expense	5.4	12.0	8.4	17.9	24.9
Impairment losses on receivables and contract assets	-21.3	-18.6	-21.8	-31.2	-24.0
Operating result	**184.2**	**201.2**	**156.3**	**33.2**	**223.4**
Financial result	-4.5	-15.1	-9.3	-8.2	1.4
Result from associated companies	-22.0	31.7	-20.8	29.5	35.5
Pre-tax result	**157.8**	**217.8**	**126.2**	**54.5**	**260.3**
Income taxes	-56.8	-56.6	-57.2	-16.9	-79.1
Net income	**100.9**	**161.2**	**69.0**	**37.6**	**181.2**
Net income					
non-controlling interests	27.9	35.3	19.4	-4.3	27.6
shareholders of United Internet AG	73.0	125.9	49.7	42.0	153.8
Result per share of shareholders of United Internet AG (in €)					
– undiluted	0.39	0.67	0.27	0.22	0.78
– diluted	0.39	0.67	0.27	0.21	0.78

MULTI-PERIOD OVERVIEW OF KEY FIGURES FOR THE GROUP

Group's earnings position in € million	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)	2020
Sales	3,808.1	4,206.3	5,102.9	5,194.1	5,367.2
EBITDA	835.4	979.6 (1)	1,201.3 (2)	1,244.2 (3)	1,178.8 (4)
EBITDA margin	21.9%	23.3%	23.5%	24.0%	22.0%
EBIT	642.7	704.0 (1)	811.0 (2)	770.2 (3)	704.8 (4)
EBIT margin	16.9%	16.7%	15.9%	14.8%	13.1%

(1) Without 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) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -25.1 million)
(3) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -3.2 million); excluding extraordinary income from the sale of virtual minds shares (EBITDA and EBIT effect: € +21.5 million); excluding trademark writeups Strato (EBIT effect: € +19.4 million)
(4) Including one-off expenses for integration projects (EBITDA and EBIT effect: € -1.1 million); excluding write-off of VDSL contingents that are still available (EBITDA and EBIT effect: € -129.9 million)

Group's financial position in € million	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)	2020
Operative cash flow	644.2	656.4	889.5	935.0	954.1
Cash flow from operating activities	587.0 (2)	655.7 (3)	482.3	828.9	925.7
Cash flow from investing activities	-422.7	-897.7	-350.9	87.2	-361.1
Free cash flow (1)	423.0 (2)	424.4 (3)	254.6 (4)	496.0 (5)	376.6 (6)
Cash flow from financing activities	-43.2	312.2	-312.6	-857.6	-549.1
Cash and cash equivalents on December 31	101.7	238.5	58.1	117.6	131.3

(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) 2016 without consideration of an income tax payment originally planned for the fourth quarter of 2015 (€ 100.0 million)
(3) 2017 without consideration of a capital gains tax refund originally planned for the fourth quarter of 2016 (€ 70.3 million)
(4) 2018 without tax payment from fiscal year 2016 (€ 34.7 million)
(5) 2019 without consideration of tax payments from fiscal year 2017 and previous years (€ -22.1 million); incl. the repayment portion of lease liabilities (€ 111.0 million), which have been reported under cash flow from financing activities since the fiscal year 2019 (IFRS 16)
(6) 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)

Group's asset position in € million	2016 (IAS 18)	2017 (IAS 18)	2018 (IFRS 15)	2019 (IFRS 16)	2020
Total assets	4,073.7	7,605.2	8,173.8	9,128.8	9,230.8
Cash and cash equivalents	101.7	238.5	58.1	117.6	131.3
Shares in associated companies	755.5	418.0 (1)	206.9 (1)	196.0	89.6
Other financial assets	287.7	333.7 (2)	348.1 (2)	90.4 (2)	9.9 (2)
Property, plant and equipment	655.0	747.4 (3)	818.0	1,160.6 (3)	1,271.6
Intangible assets	369.5	1,408.4 (3)	1,244.6	2,167.4 (4)	2,197.8
Goodwill	1,087.7	3,564.1 (5)	3,612.6 (5)	3,616.5	3,609.4
Liabilities due to banks	1,760.7	1,955.8 (6)	1,939.1	1,738.4	1,466.1
Capital stock	205.0	205.0	205.0	205.0	194.0 (7)
Equity	1,197.8	4,048.7 (8)	4,521.5 (8)	4,614.7	4,911.2
Equity ratio	29.4%	53.2%	55.3%	50.6%	53.2%

(1) Decrease due to takeover and consolidation of ProfitBricks and Drillisch (2017); decrease due to Tele Columbus impairment charges (2018)
(2) Increase due to subsequent valuation of shares in listed companies (2017); 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 Strato, ProfitBricks and Drillisch takeovers (2017); increase due to initial application of IFRS 16 (2019)
(4) Increase due to initial recognition of acquired 5G frequencies (2019)
(5) Increase due to Strato, ProfitBricks and Drillisch takeovers (2017); increase due to World4You takeover (2018)
(6) Increase due to Strato takeover and increased stakes in Drillisch and Tele Columbus (2017)
(7) Decrease due to withdrawal of treasury shares (2020)
(8) Increase due to consolidation effects in connection with the investment of Warburg Pincus in the Business Applications segment and takeover of Strato (2017); transitional effects from initial application of IFRS 15 (2018)

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