

Company Registration No. 03953678

IONOS CLOUD LIMITED

Report and Financial Statements
31 December 2021



IONOS CLOUD LIMITED

REPORT AND FINANCIAL STATEMENTS 2021

CONTENTS	Page
Officers and professional advisers	1
Strategic report	2-5
Directors' report	6-7
Statement of directors' responsibilities in respect of the financial statements	8
Independent auditors' report	9-12
Statement of Income and Retained Earnings	13
Statement of Financial Position	14
Notes to the financial statements	15-27

IONOS CLOUD LIMITED

REPORT AND FINANCIAL STATEMENTS 2021

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

B Schmidt (appointment – 12 July 2021)

M Steinberg (resigned – 11 July 2021)

A Weiss

H Kettler

C F Steffens (resigned – 31 March 2022)

REGISTERED OFFICE

Discovery House
154 Southgate Street
GLOUCESTER
GL1 2EX

BANKERS

HSBC Bank Plc.
75 – 77 High Street
SUTTON
SM1 1DU

AUDITORS

Ernst & Young LLP
The Paragon
Counterslip
BRISTOL
BS1 6BX

IONOS CLOUD LIMITED**STRATEGIC REPORT****Company Registration 03953678**

The directors present their report and the audited financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company during the year was that of website hosting, domain name registration services, provision of servers and website development software, all of which remain principally unchanged from the prior year. The directors consider that the company has succeeded in securing its position in the UK and the company remains a major player in the UK web hosting market and holds a significant percentage of the market share.

The company continues to develop its cloud technologies, further enhancing the functionality of existing products as well as launching new Bare Metal Cloud and Enterprise Cloud services catering to SMB and Enterprise customers, which are expected to deliver further growth during 2022. Wherever it makes good business sense the company will continue to develop products within the group and with third-party vendors to maximise efficiency and innovation.

In 2021 revenue increased by 8.5% due to continued customer and contract growth and the directors expect to maintain comparable growth in 2022. The gross profit margin increased by 26.5% to 39.6%, and the profit margin before tax remained the same at 4%.

The company's key financial performance indicators during the year were as follows:

	2021	2020	Change
	£'000	£'000	%
Turnover	67,987	62,662	8.5%
Gross Profit	26,950	19,640	37.2%
Gross Margin	39.6%	31.3%	26.5%
Operating Profit	4,275	3,816	12.0%
Profit on Ordinary Activities Before Tax	2,719	2,506	8.5%
Profit Margin Before Tax	4.0%	4.0%	

Turnover growth as well as financial performance during the year under review has come principally from organic growth and shows an increase over the prior year.

RESULTS AND DIVIDENDS

The profit for the financial year 2021 after taxation amounted to £2,151k (2020: £2,062k). Dividends declared during the year 2021 were £41.24 per share totalling £2,061k (2020: £1,935k - £37.80 per share).

FUTURE DEVELOPMENTS

The company is well positioned to further strengthen itself in the small business hosting market, building on the rebranding to IONOS Cloud Ltd. in 2021 and ongoing marketing investment. In addition, the company extends its segment coverage to enterprise customers furthermore by ramping up dedicated sales force and data centre capacity.

During 2021 the new state of the art data centre has been built. The company's business model has financial strength and offers competitive advantage by a high level of recurring contractual revenues, high demand for the company's products and services, positive earnings and cash flows. Its product development and go-to-market teams are able to be flexible and adaptable to the highly competitive market.

IONOS CLOUD LIMITED

STRATEGIC REPORT

Company Registration 03953678

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

The company attaches high priority to its holistic risk management system, which goes above and beyond the statutory requirements. The company's monitoring system identifies, classifies and evaluates risks using standard procedures and defining clear responsibilities throughout the company. Management not only regard efficient and forward-looking risk management as an important tool to anticipate dangerous developments, but as an important value-adding responsibility.

Financial risk

The company's operations expose it to a variety of financial risks that include liquidity risk, interest rate risk and foreign exchange risk. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Interest rate risk

The directors do not consider the company to have any exposure to interest rate risks; the UK interest rate might increase due to some inflation risk, but the directors do not consider the company to have any exposure to such risks since the company does not have any outstanding loans or debt finance.

Foreign exchange rate risk

Potential exposures to foreign currency exchange rate movements in all currencies in which the company trades are monitored on a daily basis by the finance department and appropriate action taken to manage net open foreign currency positions. The company does not trade in interest rate or currency derivatives.

Liquidity risk

The company retains sufficient cash and cash equivalents to ensure it has adequate funds available for operations. The company has access to longer term funding from its ultimate parent undertaking if required.

"Covid-19" and associated risks

The ongoing spread of the Covid-19 disease might impact the business of the company two-fold: (1) health of the employees might be impacted at a greater than normal scale with negative effects on business performance. (2) The shut-down of usual economic activity might impact the ability of the customers to pay invoices and consequently might increase bad debt ratios. After nearly two years of the pandemic situation and the withdrawal of nearly all restrictions by the end of 2021 the directors do not see a major risk or impact to the business of the company. However, the directors review the situation constantly in order to take appropriate measures against any negative impact.

IONOS CLOUD LIMITED**STRATEGIC REPORT****Company Registration 03953678****Brexit risks**

The UK left the European Union at the beginning of 2021. This might continue to affect exchange rates, which can influence the prices of imported goods like servers and software. New toll/border control procedures might influence delivery times for imported goods and increase costs for those goods accordingly. New regulations for working in the UK for people from EU-countries might affect projects and/or tasks, which rely upon them. Although many impacts are not known, the directors believe that the business model and the company itself will be not affected materially.

Ukraine war / Inflation

The full-scale attack on the entire territory of Ukraine launched by Russia (with the support of Belarus) on February 24th, marked the start of the 2022 Ukraine War. The EU, the USA, Great Britain and other countries reacted to the attack with severe sanctions against Russia, Belarus and the separatist areas in eastern Ukraine. IONOS Cloud Ltd. is not actively involved in the countries involved in the war. Ukraine as well as Russia and Belarus are not target countries of IONOS Cloud Ltd. nor are there any locations in the aforementioned countries. Against this background, IONOS Cloud Ltd currently does not expect any significant effects on the business development and the situation of the company or the group, especially since the business model of the group is based on a large number of electronic subscriptions with fixed and moderate monthly amounts and contractually fixed terms. This ensures stable and plannable sales and cash flows and offers protection against economic influences.

Nevertheless, there are economic consequences of the war and the sanctions imposed (shortages / increases in price of oil, gas and raw materials) that lead to high inflation rates all over the world. The shut-down of economic activity during Corona crisis which had also led to financial losses for our customers showed, that there wasn't an increase in cancellations or bad debt ratios, underscoring that our business model is largely crisis-proof.

However the increased energy costs or salaries in light of inflation compensation needs to be reflected in the pricing at some point. Due to above mentioned moderate monthly amounts that are billed, potential price increases would be equally low. Therefore, the management believe, that the business model and the company itself will not be affected materially.

SECTION 172 COMPANIES ACT STATEMENT

The company has a focus on customers, employees, the community and its shareholders to help contribute to a long-term sustainable future for all its stakeholders.

Customers

The company engages with its customers directly through various touch points including customer care, external events and individual contact. Its performance is measured through satisfaction surveys (e.g., Net Promotor Score) and monitors third party and social media review sites.

As a direct result of this feedback the company implemented a series of customer satisfaction improvements; for example, it implemented a new email Spam management tool/process on all web mail services. As a result of these measures the company was able to deliver sustained improvements in Customer Satisfaction and increased the Net Promoter Score as compared to the previous year.

IONOS CLOUD LIMITED

STRATEGIC REPORT

Company Registration 03953678

Employees

The company completed the majority of its Employee Engagement with an in-person approach through various touch-points including corporate events, town halls and employee engagement events. It monitors progress by utilising Employee Net Promoter Score (ENPS). The outcome showed improvements in ENPS compared to the previous review period and the directors are committed to maintain and further develop the approach to Employee Engagement.

Community

The company engages with the community predominantly through online mechanisms such as social media and blog. It is committed to supporting the community on topics that are important to them; for example, as a datacentre provider the company is often asked about the energy consumed in its datacentres and office space. The directors continue to ensure that all energy is from 100% renewable sources and only work with renewable suppliers. All datacentres are ISO50001 energy management certified, and an environmental management system based on ISO14001 is used for the fibre optic network.

Throughout all of its facilities the company has implemented a complete waste management and recycling solution.

The company is part of the United Internet group which is committed to supporting UNICEF projects. Economic success secures the future for the company and its employees, and via United Internet it is able to help where aid is desperately needed.

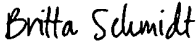
Shareholders

IONOS Cloud Ltd is a wholly owned subsidiary of IONOS SE, which is majority owned by United Internet AG and is part of their Business Applications sector. The company engages with representatives from the parent company on a regular basis to discuss the business, its performance and also to understand what issues are important to them. As a result of this dialogue the directors are able to keep key shareholders up to date with latest business developments and ensure the company's strategy and plans remain aligned with wider Group objectives.

Business Conduct

Our company-wide values, our management guidelines and our code of conduct form the basis for our daily work. Beside this our risk management ensures that these values are maintained. In order to ensure ethical behaviour in accordance with the given laws across the group, the management board of United Internet AG set up a compliance management system.

On Behalf of the Board

DocuSigned by:

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B Schmidt

Director

Date: 27. September 2022

IONOS CLOUD LIMITED

DIRECTORS' REPORT

Company Registration 03953678

DIRECTORS

The directors of the company who served during the year and to the date of this report are as follows:

B Schmidt (appointment – 12 July 2021)

M Steinberg (resigned – 11 July 2021)

A Weiss

H Kettler

C F Steffens (resigned – 31 March 2022)

GOING CONCERN

The directors have reviewed the current economic and business environment and have prepared forecasts based on various financial projections. In addition, the directors have considered the ongoing impact of Covid-19 (see Strategic Report) and subjected the financial forecasts and projections to additional revenue and cash stress tests. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence to 31 December 2023 to which date the forecasts were prepared. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

POST BALANCE SHEET EVENTS

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

The EU, the USA, Great Britain and other countries reacted to the attack with severe sanctions against Russia, Belarus and the separatist areas in eastern Ukraine. The United Nations, with its 193 member countries (UN General Assembly), has also condemned Russia by a large majority for the attack on Ukraine and called for immediate withdrawal and an end to the aggression.

The company is not actively involved in the countries involved in the war. Ukraine as well as Russia and Belarus are not target countries of the company nor are there any locations in the aforementioned countries.

Against this background, IONOS Cloud Ltd currently does not expect any significant effects on the business development and the situation of the company or the group, especially since the business model of the group is based on a large number of electronic subscriptions with fixed and moderate monthly amounts and contractually fixed terms. This ensures stable and plannable sales and cash flows and offers protection against economic influences.

Nevertheless, the economic consequences of the war and the sanctions imposed (humanitarian crises, taking in refugees, shortages / increases in price of oil, gas, and raw materials) for the target countries of the company and for company itself cannot yet be assessed in concrete terms. The same applies to the potential danger of the war spreading to other countries.

There are no further post balance sheet events to note.

DIRECTOR'S QUALIFYING THIRD PARTY INDEMNITY PROVISION

The parent company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the directors' report.

IONOS CLOUD LIMITED

DIRECTORS' REPORT

Company Registration 03953678

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company agrees terms and conditions for its business transactions with suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier. Suppliers are typically paid within 30 days after receipt of invoice.

DISCLOSURE OF INFORMATION TO THE AUDITORS

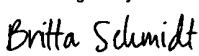
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

UK STREAMLINE ENERGY AND CARBON REPORTING (SECR)

The company has complied with the UK Streamline Energy and Carbon Reporting (SECR) requirements along with the other UK entities that are part of the UK organisational structure of United Internet AG. The relevant information is reported in the group financial statements and sustainability report, which can be obtained from United Internet AG, Elgendorfer Strasse 57, D-56410 Montabaur, Germany.

Further information on the performance of the United AG and its subsidiaries in respect of these regulations can be found at <https://report.united-internet.de/sustainability/2021.html>

On Behalf of the Board

DocuSigned by:

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B Schmidt

Director

Date: 27. September 2022

IONOS CLOUD LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

To the members of IONOS Cloud Limited

Opinion

We have audited the financial statements of IONOS Cloud Limited for the year ended 31 December 2021 which comprise the Statement of income and retained earnings, Statement of financial position and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 December 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial

INDEPENDENT AUDITOR'S REPORT

To the members of IONOS Cloud Limited

statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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 financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of IONOS Cloud Limited

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are Companies Act 2006, FRS 102 and Tax legislation (governed by HM Revenue & Customs), Employment Law and Health and Safety Regulations.
- We understood how IONOS Cloud Limited is complying with those frameworks by reading internal policies and assessing the entity level control environment, including the level of oversight of those charged with governance. We have made inquiries of management and those charged with governance of any known instances of non-compliance or suspected non-compliance. As well as enquiry our procedures involved a review of board meetings and correspondence with relevant authorities as applicable.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also identified processes and procedures in place to understand how these operate and are implemented and monitored. We considered the risk of management override to be a fraud risk. Our audit procedures included incorporating data analytics into our testing of manual journals, identifying journals meeting specific risk criteria and agreeing those transactions back to source documentation or independent confirmation. We also considered there to be a fraud risk around revenue recognition, in particular the recognition of revenue transactions at or near the year end. Our audit procedures included selecting a sample of transactions at the year end to perform detailed testing, understanding the nature and timing of the transactions, verifying that the margin as appropriate and the clerical accuracy of the revenue recognised.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved verifying that material transactions are recorded in compliance with FRS 102 and where appropriate the Companies Act 2006. Compliance with other operational laws and regulations was covered through our inquiry with no indication of non-compliance identified, with no indication of non-compliance identified.

A further description of our responsibilities for the audit of the financial statements is located on the

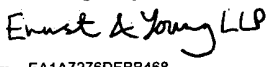
Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

INDEPENDENT AUDITOR'S REPORT

To the members of IONOS Cloud Limited

DocuSigned by:

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Jos Burkill (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Bristol, UK

Date: 27 September 2022

IONOS CLOUD LIMITED**STATEMENT OF INCOME AND RETAINED EARNINGS****31 December 2021****Company Registration 03953678**

	Note	2021	2020
		£'000	£'000
TURNOVER	2	67,987	62,662
Cost of sales		<u>(41,037)</u>	<u>(43,022)</u>
Gross profit		26,950	19,640
Administrative expenses		(23,149)	(16,370)
Other operating income		<u>474</u>	<u>547</u>
OPERATING PROFIT	3	4,275	3,817
Interest receivable and similar income	6	71	161
Interest payable	6	<u>(1,627)</u>	<u>(1,471)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,719	2,507
Tax on profit on ordinary activities	7	<u>(568)</u>	<u>(445)</u>
PROFIT FOR THE FINANCIAL YEAR		2,151	2,062
Retained earnings as at 1 January		2,112	1,985
Dividends declared and paid during the year	8	<u>(2,062)</u>	<u>(1,935)</u>
Retained earnings as at 31 December		<u>2,201</u>	<u>2,112</u>

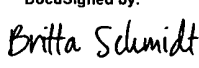
All amounts derive from continuing operations. There are no items of other comprehensive income for the current or previous financial years.

IONOS CLOUD LIMITED**STATEMENT OF FINANCIAL POSITION**
31 December 2021**Company Registration 03953678**

	Note	2021 £'000	2020 £'000
FIXED ASSETS			
Intangible assets	9	27	12
Tangible assets	10	14,406	3,662
		<u>14,433</u>	<u>3,674</u>
CURRENT ASSETS			
Debtors due within one year	11	7,990	16,487
Debtors due after one year	11	41	41
Cash at bank and in hand		2,377	2,568
		<u>10,407</u>	<u>19,096</u>
CREDITORS: amounts falling due within one year	12	<u>(19,391)</u>	<u>(17,401)</u>
NET CURRENT ASSETS		<u>(8,984)</u>	<u>1,695</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,449	5,369
CREDITORS: amounts falling due after one year	12	<u>(3,112)</u>	<u>(3,256)</u>
Provisions for liabilities			
Deferred taxation	13	(136)	-
NET ASSETS		<u>2,201</u>	<u>2,112</u>
CAPITAL AND RESERVES			
Called up share capital	14	50	50
Profit and loss account		<u>2,151</u>	<u>2,062</u>
EQUITY SHAREHOLDERS' FUNDS		<u>2,201</u>	<u>2,112</u>

The Board of Directors approved these financial statements on 27th September 2022.

On behalf of the Board of Directors

DocuSigned by:

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B Schmidt

Director 27. September 2022

IONOS CLOUD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

1. ACCOUNTING POLICIES

IONOS Cloud Limited is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business are disclosed on page 1.

Basis of preparation and Statement of Compliance

The financial statements have been prepared under the historical cost convention, except where stated otherwise. The principal accounting policies adopted are set out below.

The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

Exemptions

The company is exempt under section 1 of FRS 102 from the requirement to prepare a cash flow statement on the basis that it is a wholly owned subsidiary of a parent company (IONOS SE) whose financial statements include the company's cash flows in its own published consolidated financial statements.

The company is a qualifying entity and has also taken advantage of the financial instrument disclosures exemption, the exemption from disclosing transactions entered into with 100% owned group companies and the exemption from disclosing key management compensation (other than directors' emoluments) under section 1.12 of FRS 102.

Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Key estimates and judgements

The preparation of the financial statements in conformity with generally accepted accounting principles requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results in the future could differ from those estimates.

Financial Instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transactions is measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets classified as fair value through the statement of total comprehensive income are measured at fair value.

IONOS CLOUD LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2021**

1. ACCOUNTING POLICIES (continued)

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through the income statement, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the income statement.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial assets and substantially all the risks and rewards of ownership to another entity.

Financial Liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Other financial liabilities classified as fair value through the income statement are measured at fair value.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised costs using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised costs of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

IONOS CLOUD LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2021**

1. ACCOUNTING POLICIES (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date. Current tax is charged or credited to the income statement, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income or equity.

Deferred tax

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Group financial statements

The company is a wholly owned subsidiary of IONOS SE and is included in the group financial statements of United Internet AG, the ultimate parent undertaking, which are publicly available.

Going Concern

The directors have reviewed the current economic and business environment and have prepared forecasts based on various financial projections. In addition the directors have considered the ongoing impact of Covid-19 (see Strategic Report) and subjected the financial forecasts and projections to additional revenue and cash stress tests. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence to 31 December 2023 to which date the forecasts were prepared. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Turnover

Turnover represents the provision of website hosting services, domain name registration and website development software, excluding value added tax.

Customers are billed in advance and revenue is recognised pro-rata over the period of service provision, as the right to consideration is earned.

IONOS CLOUD LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2021****1. ACCOUNTING POLICIES (continued)****Intangible assets**

Intangible assets include licences for ATT servers as well as perpetual software licences. Amortisation is calculated to write off the cost of the assets in equal annual instalments over their useful economic life.

ATT Server licenses	–	Straight line over 4,5 years
Other Software licenses	–	Straight line over 3 years

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided for all tangible fixed assets, apart from land and those assets in the course of construction, at the following annual rates in order to write-off each asset evenly over its estimated useful life:

Plant and machinery and computer equipment	–	Straight line over 3-11 years
Fixtures and fittings	–	Straight line over 3-13 years
Leasehold improvements	–	Straight line over 10 years
Buildings	–	Straight line over 20-50 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation and residual values

The Directors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that asset lives, and residual values are appropriate.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Gains and losses arising on retranslation of monetary assets and liabilities are included in the income statement.

Leasing commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

IONOS CLOUD LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2021****1. ACCOUNTING POLICIES (continued)****Retirement benefits**

Payments to defined contribution retirement schemes are charged as an expense as they fall due. The cost of such contributions is recognised in the period in which the contributions are made.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2. TURNOVER AND SEGMENTAL ANALYSIS

Turnover, which is stated net of value added tax, represents amounts invoiced to customers in respect of the principal, continuing activity, but matched to the period the service is active and paid for. All turnover is derived from the United Kingdom.

3. OPERATING PROFIT

Operating profit is stated after charging:	2021	2020
	£'000	£'000
Amortisation of intangible, owned assets	9	1
Depreciation of tangible, owned assets	322	181
Foreign exchange losses	44	186
Rentals under operating leases:	-	-
Land and buildings	293	216
Auditors' remuneration:	-	-
Audit fees	58	73
Tax advice	51	26
Defined contribution pension cost	159	123
	<hr/>	<hr/>
Other operating income	2021	2020
	£'000	£'000
Income from exchange rate differences	316	86
Income from reversal of value adjustments	-	341
Income from bad debt fees	127	108
Income from reversal of bad debt	31	12
	<hr/>	<hr/>
	474	547
	<hr/>	<hr/>

IONOS CLOUD LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
Year ended 31 December 2021**4. DIRECTORS REMUNERATION**

The directors' remuneration is borne by subsidiaries of the ultimate parent undertaking, United Internet AG as follows:

Directors B Schmidt, M Steinberg, H Kettler and A Weiss are remunerated by IONOS Holding SE; Director C F Steffens is remunerated by STRATO AG.

The directors' service to the company does not occupy a significant amount of their time. As such, the directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 31 December 2021 and 31 December 2020.

5. STAFF COSTS

Staff costs during the year	2021 £'000	2020 £'000
Wages and salaries	3,428	2,868
Social security costs	387	284
Pension contributions	159	123
	<u>3,974</u>	<u>3,275</u>

Average number of persons employed	2021 No.	2020 No.
Customer service	90	78
Development	1	-
Sales	13	10
	<u>104</u>	<u>88</u>

6. INTEREST PAYABLE AND RECEIVABLE

	2021 £'000	2020 £'000
Interest receivable		
Group interest receivable	71	161
	<u>71</u>	<u>161</u>
Interest payable		
Group loan account interest	1,627	1,471
	<u>1,627</u>	<u>1,471</u>

IONOS CLOUD LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2021****7. TAX ON PROFIT ON ORDINARY ACTIVITIES***(i) Analysis of tax charge on ordinary activities*

	2021	2020
	£'000	£'000
Current taxation		
UK corporation tax charge at 19% (2020: 19%) on the profit for the year	390	450
Prior year adjustment	26	1
	<u>416</u>	<u>451</u>
Deferred taxation		
Timing differences, origination and reversal	158	27
Adjustment in respect of prior years	-	(28)
Effect of change in tax rates	(6)	(5)
	<u>568</u>	<u>445</u>

(ii) Factors affecting tax charge for the current year

The tax charge for the current year is higher than that resulting from applying the standard rate of corporation tax of 19% (2020: 19%) to the profit before tax. The differences are explained below:

	2021	2020
	£'000	£'000
Profit on ordinary activities before tax	2,719	2,506
Tax charge at 19% (2020:19%) thereon:	517	476
Expenses not tax deductible	(1)	1
Fixed asset differences	(6)	-
Adjustments in respect of previous periods	26	1
Adjustments in respect of previous periods – deferred tax	-	(28)
Tax rate changes	32	(5)
Total tax charge for the year	<u>568</u>	<u>445</u>

IONOS CLOUD LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
Year ended 31 December 2021**7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)***(iii) Deferred tax*

The movement on the deferred tax asset is as follows:

	2021	2020
	£'000	£'000
Opening balance	17	11
Adjustments in respect of previous periods	-	28
Current year charge	(153)	(22)
Closing balance	<u>(136)</u>	<u>17</u>

Deferred tax assets recognised in the financial statements are as follows:

	2021	2020
	£'000	£'000
Depreciation in excess of capital allowances	(147)	9
Other timing differences	11	8
Deferred tax asset balance	<u>(136)</u>	<u>17</u>

(iv) Factors that may affect future tax charges

The Finance Act 2021 enacted on 10 June 2021 increased the main rate of UK corporation tax from 19% to 25%, effective from 1 April 2023. Deferred taxes on the balance sheet have been measured at 25% (2020: 19%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK fiscal statement on 23 September 2022 included measures to target annual economic growth of 2.5%, encourage investment, higher wages and increased consumer spending. These measures included the cancellation of the planned increase in the corporation tax rate to 25%. The cancellation was not substantively enacted at the balance sheet date and hence has not been reflected in the measurement of deferred tax balances at the period end. It is not anticipated that these changes will have a material impact on the company's/group's deferred tax balances.

8. DIVIDENDS

	2021	2020
	£'000	£'000
Dividends declared and paid	<u>2,062</u>	<u>1,935</u>

In the year all dividends were declared and fully paid up.