Financial Statement and Management Report 2017

Tele Columbus AG

Key Figures

TABLE 01

	2017	2016	Change	Change in %
Equity capital (in EUR million)				
Revenue	495.8	476.8	19.0	4.0 %
Normalized EBITDA	264.4	249.3	15.1	6.1 %
Normalized EBITDA margin (in %)	0.5	0.5	–	–
Depreciation and amortization	155.6	154.7	0.9	0.6 %
Annual results	−16.3	−10.8	−5.5	50.9 %
Consolidated Balance Sheet (in EUR million)				
Tangible assets	609.9	604.7	5.2	0.9 %
Intangible assets including goodwill	1,390.0	1,402.1	−12.1	−0.9 %
Cash and cash equivalents	31.8	55.2	−23.4	−42.4 %
Total assets	2,133.2	2,147.1	−13.9	−0.6 %
Net debt [1]	*1,310.3*	*1,206.3*	*104.0*	*8.6 %*
Net debt to EBITDA (ratio)	5.0	4.8	0.2	–
Consolidated Cash Flow Statement (in EUR million)				
Capital expenditures (Capex) [2]	−155.3	−156.0	0.7	−0.4 %
Cashflow from operating activities	159.6	198.6	−39.0	−19.6 %
Cashflow from financing activities	−43.9	−100.3	56.4	−56.2 %
Changes in cash and cash equivalents	−24.6	−32.5	7.9	−24.3 %
Operating Free Cashflow [3]	109.1	93.3	15.8	16.9 %
Network (in thousands)				
Connected households	3,592.0	3,608.0	−16.0	−0.4 %
Households connected to our own network and Internet ready	2,327.0	2,282.0	45.0	2.0 %
Number of customers (in thousands)				
Total customers	2,373.0	2,416.0	−43.0	−1.8 %
RGUs (in thousands)				
CATV	2,367.0	2,434.0	−67.0	−2.8 %
Premium-TV	430.0	429.0	1.0	0.2 %
Internet	578.0	520.0	58.0	11.2 %
Telephony	555.0	495.0	60.0	12.1 %
RGUs in total	3,929.0	3,879.0	50.0	1.3 %
RGUs per customer (in units)	1.7	1.6	0.05	3.1 %
ARPU (in EUR / month)				
Total TV ARPU average (per RGU)	9.3	9.2	0.1	1.1 %
Total Internet and Telephony ARPU average (per Internet RGU)	24.3	22.9	1.4	6.1 %
Total ARPU average	17.4	16.4	1.0	6.1 %
Employees (average number)				
Employees	1,288	1,424	−136.0	−9.6 %

1) Including financing leases
2) Investments contain acquisitions
3) Normalized EBITDA less investments

Content

Dear Ladies and Gentlemen, dear Shareholders,

The focus of our activities in financial year 2017 was on continuing with all of our energy to integrate and transform the three companies Tele Columbus, primacom and pepcom. With the introduction and launch of our shared PŸUR brand on 31 August 2017, we achieved an important milestone. The new brand is a highly visible sign that we are successfully positioning ourselves on the market as a national telecommunication company and that we are distinguishing ourselves clearly from the competition in terms of marketing.

Simplicity, performance and fairness are the values that the new brand represents. These values embody what customers are looking for in the services provided by telecommunication companies and what they have so far rarely found on the market: a transparent offering with simple and clear contractual terms and conditions, with superior technical performance and freedom of choice and flexibility. Our new product portfolio, which has been available since 4 October 2017, underscores our desire to achieve maximum transparency and a complete customer focus.

Simplicity, performance and fairness are the values that the new brand represents.

Individually bookable services, contracts without long minimum terms, clear and straightforward prices – the new brand and the values associated with it send a strong signal on the market and represent a stable foundation for further organic growth within the Tele Columbus Group. In particular, the new internet single product has been very well received by our customers: In the fourth quarter of 2017, the internet single tariff with 200 Mbit/s broadband had already become a best-seller, confirming the new strategic focus of the product portfolio. At the same time, the introduction of the PŸUR brand demonstrates the ongoing coalescence of the three previously independent companies under the Tele Columbus AG umbrella, creating an important condition for fully utilising the synergies resulting from the merger of the companies.

The switch to the PŸUR brand as a milestone in the company's history also paved the way for a change in corporate leadership as well: On 24 July 2017, long-time CEO Ronny Verhelst announced his departure for personal reasons. His designated successor, Timm Degenhardt, formerly at Swiss telecommunication provider Sunrise, joined the company and began familiarising himself with his new role back in August 2017. He assumed the position of CEO and Chairman at the start of the new 2018 financial year.

For more information, see the **Group Management Report** starting on page 58

Despite the current challenges involving the extensive integration measures, especially carrying out and ensuring the IT system migration, the company successfully improved its economic results as well as its core initiatives to generate growth and increase efficiency. It posted an **increase in revenues** to €495.8 million (+4.0% year-over-year), growth of its normalised EBITDA to €264.4 million (+6.1% year-over-year) and a further increase in its EBITDA margin of 1.0% to 53.3%. With 58,000 new internet contracts and 60,000 new telephone contracts, the company did not fully achieve its sales targets because of integration-related issues, but it once again exceeded the previous year's figures.

The basis for its sales success with customers is the further expansion of its infrastructure to ensure powerful internet access. Thanks to continued investments, we are now able to offer 1.6 million households the highest broadband speed of 400 Mbit/s. The largest single measure, in terms of the number of households, was the retrofitting of around 280,000 households in the network territory of Kabelfernsehen München Servicenter (KMS) in March 2017 to help them reach a peak surfing speed of 400 Mbit/s. On 27 October 2017, we reached an agreement with Vodafone Kabel Deutschland GmbH to purchase its shares in this company. Under the agreement regarding Kabelfernsehen München Servicenter GmbH & Co. KG and Kabelfernsehen München Servicenter GmbH – Beteiligungsgesellschaft, pepcom Süd GmbH (a wholly-owned subsidiary of Tele Columbus AG, which was already the majority shareholder of the two cable companies) will receive the outstanding 30.22% of Kabelfernsehen München Servicenter GmbH & Co. KG and a further 24% of Kabelfernsehen München GmbH – Beteiligungsgesellschaft. As a result, all of the shares in the two companies will now be fully owned by Tele Columbus.

The basis for its sales success with customers is the further expansion of its infrastructure to ensure powerful internet access.

Additional significant integration measures will be carried out in 2018 with the merger of the KMS cablesurf and HL komm brands under the joint PŸUR brand. In particular, the complete integration of HL komm under the PŸUR brand will result in a strong player in the B2B business with excellent growth prospects that will enable bandwidths of 100 Gbit/s and more thanks to its modern fibre-optic network and national backbone. With its extensive expertise, this new segment, known as "Enterprise Solutions", is the ideal partner for small and medium-size companies as they move into the digital era. ISO-certified quality and the highest level of IT security ensure consistent quality at an international level.

As part of its legal obligations in the states of Bavaria and Saxony, Tele Columbus AG will end the analogue transmission of radio and TV signals on all of its distribution networks throughout Germany in 2018 and only transmit digital signals starting in 2019. The complete digitisation of our networks will create the capacity necessary to expand our TV offering with the best picture quality, and it is a prerequisite for accelerating gigabit speeds with our modern fibre-optic and coaxial networks. This will allow Tele Columbus to become a decisive player in the German broadband market. Thanks to our fibre-optic-based networks, we can offer our customers in the housing industry as well as our end customers the technical infrastructure necessary to provide them with gigabit speeds over a wide area.

Thanks to our fibre-optic-based networks, we can offer the necessary technical infrastructure.

We will also continue to support the housing industry with the digitisation of their workflows by offering them tailored solutions, which will enable us to expand our position as a preferred partner for providing multimedia access for properties with a long-term perspective.

Based on these foundations, we will use the newly introduced ongoing measurement of customer satisfaction to set new standards and achieve an optimal user experience along all contact points. The **PŸUR** brand values that this conveys will increase the perception of our services and boost recommendation rates, further strengthening the existing growth potential for our internet and telephone products as well as for our premium TV offerings.

You can learn more about how our **new brand presence** came about at www.pyur.com

Given the increasing relevance of telecommunication services, the federal government's broadband strategy and the need to secure development opportunities for rural areas, we look forward to having you join us as we move forward on this path. Your commitment will enable you to participate in the opportunities that are opening up in the dynamic market environment for broadband and multimedia services. The focus on long-term growth and continuously increasing the value of the company will continue to serve as the engine and aim of our efforts in future.

Timm Degenhardt
Chief Executive Officer

Frank Posnanski
Chief Financial Officer

Report of the Supervisory board

Dear Ladies and Gentlemen, dear Shareholders,

Tele Columbus AG („Tele Columbus AG“, „Tele Columbus“ or the „Company“), continued to implement its business strategy in the fiscal year 2017 by further pushing the integration, implementing a new location strategy, developing its brand- and product-portfolio strategy and investing in the expansion of its infrastructure. The Supervisory Board focused in its review and advice on strategy, integration, budget and financial reporting. This report gives an overview of activities of the Supervisory Board during the financial year 2017.

Overview of activities of the Supervisory Board

In the fiscal year 2017 (the „reporting period“), the Supervisory Board performed its tasks imposed by the law, the articles of association and rules of procedure diligently. The Supervisory Board accompanied and supervised the Management Board continuously in its duties and advised it regularly on its business decisions to the extent involvement of the Supervisory Board was required. In all decisions of fundamental importance for the Company, the Supervisory Board was involved directly and at an early stage.

The Supervisory Board continuously seeks to monitor and improve its efficiency and performance. This takes place, inter alia, through the Self-Assessment-Process which was established in fall 2016 as well asby complying with the code of conduct for members of the Supervisory Board which gives a detailed overview on rights and obligations of the Supervisory Board members and guidelines on how to deal with special situations like conflict of interests.

The Supervisory Board was informed regularly, promptly and comprehensively during the reporting period by the Management Board in writing and verbally about all key issues relating to the management of the Company. The Management Board regularly reported to the Supervisory Board in particular about corporate planning, budget, strategic development, business operations and the financial performance of the Company. Potential risks to the business model and the results of operations were discussed with the Management Board. In addition, the Management Board kept the Supervisory Board informed about current developments of the Company also beyond meetings. The chairman of the Supervisory Board in particular was in close contact with the Management Board at all times and was kept informed about current developments and current trading as well as significant transactions, projects and plans. Any deviations in the course of business from the budget and forecast were in detail explained to the Supervisory Board by the Management Board.

Where the law, the Articles of Association, or the rules of procedure demanded the approval of the Supervisory Board or a committee for individual measures, the respective body debated these and passed a corresponding resolution. The materials for board resolutions were submitted timely for review so that all members could well prepare for the discussion. The plenary Supervisory Board was supported in this process by the competent committees. If necessary, key employees and experts were asked to participate in the meetings so that members of the Supervisory Board could address questions directly to them. Plans pending a joint decision were in detail discussed with the Management Board.

from left to right
**Christian Boekhorst,
Dr, Volker Ruloff,
Catherine Mühlemann,
Dr, Susan Hennersdorf,
Frank Donck,
André Krause,
Frank Krause,
Yves Leterme**

Due to the Management Board's reporting, the Supervisory Board was thoroughly informed about the Company's situation and was able to perform its tasks. The Supervisory Board reviewed the activities of the Management Board in all meetings on the basis of the reports received. Significant main topics which the Supervisory Board discussed during the reporting period were the appointment of certain new members of the Management Board and the Supervisory Board, the review of the integration process, including the impact on the customer satisfaction and on the reporting and the review of the brand and product portfolio strategy as well as the expansion of infrastructure. Other regularly recurring topics were review of annual and interim financial information, forecasts and guidance to be given to the market and update on operations, sales and marketing and current trading by management. The frequency, scope and detail of the reporting by the Management Board was sufficient and timely and well elaborated. The Supervisory Board also assured itself that the Management Board is implementing an effective risk management system and an effective compliance program.

Conflicts of Interest

At the Supervisory Board Meeting on 5 December 2017, Mr. Frank Krause left the room, when detailed sales figures in connection with the new product portfolio were presented. The Supervisory Board is not aware of further specific conflicts of interest of the Management or Supervisory Board members, which must be disclosed to the Supervisory Board and the Shareholders' Meeting. In particular the code of conduct provides regulations on dealing with conflicts of interest (see above).

Size and Members of the Supervisory Board

The annual general meeting on 10 June 2016 resolved upon joint proposal by the Management and Supervisory Board to expand the Supervisory Board from formerly six members to eight members. Robin Bienenstock resigned as Member of the Supervisory Board as from 31 December 2016. Dr. Susan Hennersdorf, was appointed by court decision on 22 February 2017 as a replacement until the next annual general meeting. Her appointment was subject to confirmation by the next annual general meeting. At this point, the Supervisory Board comprised of six members. At the annual general meeting on 21 June 2017 Dr. Susan Hennersdorf and further Frank Krause and Dr. Volker Ruloff were appointed as members of the Supervisory Board, so that the Supervisory Board comprised of eight members in accordance with its Articles of Association.

Management Board

Ronny Verhelst, acting as CEO and chairman of the Management Board of the Company since April 2011, has resigned for personal reasons with effect on 31 December 2017. As of 1 September 2017, Timm Degenhardt is a member of the Management Board and replaced Ronny Verhelst as CEO and chairman of the Management Board as of 1 January 2018. Frank Posnanski remains CFO of the company. Details regarding executive remuneration are disclosed in the Compensation Report.

Supervisory Board Committees

In order to perform its duties efficiently, the Supervisory Board has formed two permanent committees: the executive committee and the audit committee. The composition of the executive committee remained unchanged in the fiscal year 2017. On 18 May 2017 Dr. Susan Hennersdorf was as a member of the audit committee replacing Robin Bienenstock. Subsequently, with effect from 20 September 2017, Dr. Volker Ruloff replaced Dr. Susan Hennersdorf as Member of the audit committee.

The executive committee convened seven times during the fiscal year 2017. Four of these meetings were held via telephone conference, the other three meetings were held in person. The Committee also prepared the discussion in the Supervisory Board on remuneration targets and variable compensation of Management Board members as well as the appointment of the new CEO and the resignation of the former CEO. It also reflected on succession planning in the organization.

The audit committee convened five times during the fiscal year 2017. Two of these meetings were held via telephone conference, three meetings were held in person. It reviewed the annual and interim financial statements, the accounting policies and critical accounting methods, the independence of the auditor, the system of the internal company controls, risk management and compliance. The audit committee worked closely together with the auditors. It issued the audit mandate to the auditor, determined the key audit priorities, agreed upon a fee and made a proposal to the Supervisory Board for the nomination of the auditors for the fiscal year 2017. It prepared in particular the decisions of the Supervisory Board on the adoption of the annual financial statements 2016 and to this end undertook the preliminary examination of the financial statements, the management report, the profit distribution proposal, the consolidated financial statements and consolidated management report and discussed the audit report with the auditor.

Meetings of the Supervisory Board

The Supervisory Board convened for ten meetings. Five of these meetings were held via telephone conference, the other five meetings were held in person. The most important topics of these meetings were the following:

- In a telephone conference on 26 January 2017 the Supervisory Board agreed that the Management Board should apply for Dr. Susan Hennersdorf to be appointed by court as a member of the Supervisory Board to succeed Robin Bienenstock.

- At its meeting on 22 February 2017, the Supervisory Board discussed the financial figures of the fiscal year 2016 and discussed and approved changes to the preparation of the annual report 2016. Moreover the Supervisory Board addressed the question of opening-up networks (open access) and addressed the brand positioning of Tele Columbus. Furthermore, the Supervisory Board decided on the variable compensation for the Management Board for the preceding year and granted Ronny Verhelst permission to accept the appointment as chairman of the supervisory board of Delta N.V.

- At a telephone conference on 6 April 2017, the Supervisory Board approved the amendment of a financing agreement (Senior Facilities Agreement) through the Management Board.

- In a telephone conference on 18 May 2017, the Supervisory Board appointed Dr. Susan Hennersdorf as a member of the audit committee. In addition the Supervisory Board approved the annual financial statements and the management report as well as the consolidated financial statements and the Group management report, the report of the Supervisory Board and the Corporate Governance report in each case for the fiscal year 2016 and the declaration of compliance. Moreover, the Supervisory Board adopted the final agenda of the annual general meeting 2017 and decided on a recommendation for a new auditor for the fiscal year 2017.

- On 8 June 2017, the Supervisory Board discussed financial and operational performance in the fiscal year 2017 to date and the outlook for the current year. The Supervisory Board was informed by the Management Board about the progress in the integration process, current developments of the brand strategy, the infrastructure expansion and addressed the new pricing structure and product portfolio. Also the Supervisory Board was informed about a lawsuit brought against the Company and its Management Board by VG Media because of alleged misconduct with regards to the disclosure of feed-in tariffs in connection with a license agreement.

- On 21 June 2017, the Supervisory Board decided on an amendment of the declaration of conformity because of the appointment of Frank Krause as member of the Supervisory Board because of his position as CFO of United Internet AG, a 28.52 % shareholder in the Company and because of offices he holds at subsidiaries of United Internet, giving him, in the opinion of the Company, an executive role in one of the main competitors of the Company.

- In a telephone conference on 24 July 2017, the Supervisory Board was informed by the Management Board about the planned acquisition of the remaining minority share in

Kabelfernsehen München ServiCenter GmbH & Co KG ["KMS"] and approved the acquisition. Furthermore, it appointed Timm Degenhardt as member of the Management Board and approved the termination agreement with Ronny Verhelst.

- In a telephone conference on 23 August 2017, the Supervisory Board addressed the half-year figures for the fiscal year 2017.

- At his meeting on 20 September 2017, the Supervisory Board appointed Dr. Volker Ruloff as member of the audit committee. Furthermore the Supervisory Board was informed about current financial and technological developments as well as the brand strategy by the Management Board. The Supervisory Board discussed in detail the system issues causing a delay in the integration and its impact on the customer satisfaction, and the actions to be taken to address the issues. It further addressed changes to the code of conduct. Finally, it approved the appointment of Timm Degenhardt as Chairman of the Management Board and CEO with effect from 1 January 2018.

- At its meeting on 5 December 2017, the Supervisory Board was informed about new CEO´s objectives for the Company and discussed the financial and operational performance for the fiscal year 2017 up to this date (inter alia sales figures in connection with the new product portfolio were presented), as well as the progress on the integration process. The Supervisory Board also approved a refinancing resulting in interest savings and addressed the renting of a new office building. Finally, it was informed about the latest developments regarding the audit. The Supervisory Board was also updated on ongoing litigation and more specifically on the lawsuit by VG Media and it being full dismissed with regards to the Management Board but being accepted against the Company.

In all meetings except for the extraordinary meetings management informed the Supervisory Board on the status of operation such as sales, distribution, marketing, customer satisfaction and technological innovations in the network and financial performance.

No Supervisory Board member participated in less than half of the meetings.

Corporate Governance

The Supervisory Board supports the objectives and principles of the German Corporate Governance Codex and has dealt extensively with the corresponding recommendations of the Governance Committee. In May 2017, the annual declaration of compliance pursuant to sec. 161 German Stock Corporation Act (Aktiengesetz) was adopted by the Supervisory Board and the Management Board. The declaration of conformity was amended with resolution of 21 June 2017 (see above). This declaration of conformity is available on the Company's website.

Audit of annual and consolidated financial statements 2017

The auditing firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin was appointed at the ordinary annual general meeting on 21 June 2017 to audit the annual and consolidated financial statements 2017. The Management Board prepared the annual financial statements of Tele Columbus and the management report for the fiscal year 2017 in accordance with German GAAP (Handelsgesetzbuch) and the German Stock Corporation Act (Aktiengesetz). The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were supplemented by a consolidated management report, which was combined with the status report of the individual financial results pursuant to sec. 315 (5) in conjunction with sec. 298 (2) sent. 1 German Commercial Code (Handelsgesetzbuch). Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin, reviewed the annual financial statements and the consolidated financial statements as well as the combined status report considering the accounting principles and approved them without reservation.

The financial statement documentation and the audit reports were timely submitted to all Supervisory Board members. The members of the Audit Committee discussed at their meeting on 11 April 2018 in detail and reviewed the above-mentioned statements in a joint meeting with the CFO and the auditor, and reported on this to the full Supervisory Board in its session on 11 April 2018 and 30 April 2018. The Supervisory Board, after being informed on the audit reports of the auditor, discussed and examined in detail the annual financial statements and the consolidated financial statements as well as the combined management report. The Management Board also provided additional oral explanations on the financial statements and documentation. The auditor participated in several Audit Committee meetings, reported on the essential results of the audit and was available for answering questions and to provide supplementary information to the Audit Committee Members. Through this and on the basis of the report presented from the previous meeting of the Audit Committee, the Supervisory Board was able to form a view on the correctness of the audit. Inquiries of the Supervisory Board members were answered by the Management Board and the members of the Audit Committee.

The Supervisory Board thus concurred with the results of the audit by the auditor and approved the annual financial statements compiled by the Management Board of Tele Columbus AG and the consolidated financial statements as of 31 December 2017. The annual financial statements of Tele Columbus AG as of 31 December 2017 are thus adopted.

The Supervisory Board wishes to thank the Management Board and all employees for the Company’s strong results in 2017 and their outstanding performance.

Berlin, 30 April 2018

Frank Donck
Chairman of Supervisory Board

Corporate Governance Report

Tele Columbus AG attaches great importance to proper corporate governance. The Management Board and Supervisory Board are convinced that good corporate governance leads to more focus on the long-term and sustainable success of the company. Corporate governance is designed to ensure target-driven and efficient cooperation between the Management Board and the Supervisory Board, focus on the interests of our shareholders and employees, appropriate risk management, and effectiveness and transparency in all business decisions.

The Management Board and Supervisory Board are well aware that corporate governance is a process integrated into the company development which must be continuously pursued.

As there is a close content-related connection between the corporate governance report to be submitted in accordance with Section 3.10 of the German Corporate Governance Code, as amended on 7 February 2017 („Code") and the declaration on corporate governance pursuant to § 289f German Commercial Code („HGB"), the Management Board and Supervisory Board of Tele Columbus AG submit both declarations concomitantly below.

Declaration on Corporate Governance pursuant to § 289f HGB

The declaration on corporate governance pursuant to § 289f HGB contains the declaration of conformity with the German Corporate Governance Code pursuant to § 161 German Stock Corporation Act („AktG") (1.), relevant Information on the corporate governance standards which exceed the legal requirements (2.) a description of the operating principles of the Management Board and Supervisory Board and the operating principles and composition of the committees of the Supervisory Board, (3.) the specifications pursuant to § 76 para. 4 and § 111 para. 5 German Stock Corporation Act and the indication whether the specified target figures have been achieved or not including related statements of grounds, and (4.) a declaration regarding the diversity concept as well as (5.) further statements concerning corporate governance.

The declaration on corporate governance pursuant to § 289f HGB is part of the management report. Pursuant § 317 paragraph 2 sentence 6 HGB the declarations pursuant § 289f HGB shall not be reviewed by the auditor.

1. Declaration of Conformity with the Germany Corporate Governance Code pursuant to § 161 Paragraph 1 AKtG

Pursuant to § 161 para. 1 German Stock Corporation Act (AktG), the Management Board and the Supervisory Board of a publicly listed stock corporation must declare every year that the recommendations of the German Corporate Governance Code ("Code") have been and are being complied with or which recommendations have not been or are not being complied with and why not. Any deviation from the recommendations of the Code must be explained in detail. The declaration of conformity should be permanently publicly accessible on the company's website.

The Management Board and the Supervisory Board have dealt in detail with the recommendations of the Code and declare according to § 161 para. 1 AktG that Tele Columbus AG has complied with the recommendations of the „Government Commission German Corporate Governance Code" (Code Commission) as of 7 February 2017 as published by the Federal Ministry of Justice in the official part of the electronic Federal Gazette with the following exceptions and will continue to do so in future:

1. Pursuant to section 5.4.1 para. 2 of the Code, the Supervisory Board shall determine concrete objectives regarding its composition and shall prepare a profile of skills and expertise for the entire Supervisory Board. The composition of the Supervisory Board shall, within the company-specific situation, appropriately reflect the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members, an age limit and a regular limit to Supervisory Board members' term of office, both to be specified, as well as diversity.

   Pursuant to section 5.4.1. para. 4 of the Code, proposals by the Supervisory Board to the General Meeting shall take these targets into account while simultaneously aiming to fulfill the overall profile of required skills and expertise of the Supervisory Board. The implementation status shall be published in the Corporate Governance Report.

   Except for the determination of an age limit for the Supervisory Board members, the company has so far not complied with these recommendations. The composition of the Supervisory Board of Tele Columbus AG is based on the interests of the company and must ensure the effective consulting and supervision of the Management Board. Therefore, the composition of the Supervisory Board primarily reflects the knowledge, skills and technical experience of the individual members as required to perform their tasks properly. Due to the fact that so far no specific objectives have been determined, with the exception of the age limit, there will also be no publication in the Corporate Governance Report.

   However, in the financial year 2017, the Supervisory Board has already generally discussed the determination of concrete objectives regarding its composition and the preparation of a profile of skills and expertise. It has, however, postponed a resolution until the completion of the ongoing integration process of all group units. It is anticipated that such resolution will be adopted in the financial year 2018. It is therefore intended to comply with the above-mentioned recommendations in the future.

2. Pursuant to section 5.4.2 sentence 4 of the Code, members of the Supervisory Board shall not be members of governing bodies of, or exercise functions at, significant competitors of the company. This recommendation is deviated from in so far as the Annual General Meeting held on 21 June 2017 elected Frank Krause as a new member of the Supervisory Board. As Chief Financial Officer of United Internet AG, which holds 28.52% of the shares in the company, Frank Krause is a member of a governing body of a, in the company's opinion, significant competitor

of the company. Moreover, he is a managing director or member of the management board of the following group companies of United Internet AG: United Internet Corporate Services GmbH, United Internet Investments Holding GmbH and United Internet Service SE.

As a consequence, since the Annual General Meeting held on 21 June 2017, the Supervisory Board, in deviation from section 5.4.2 sentence 4 of the Code, has a member who has a function in a governing body of a significant competitor of the company. In the company's opinion, the work of the Supervisory Board will not effectively be impaired despite this function in a governing body of a significant competitor because any conflicts of interest that may occur can be solved in the individual case by suitable measures that will safeguard the company's interests.

3, Pursuant to section 7.1.2 of the Code, the consolidated financial statements and the group management report shall be publicly accessible within 90 days from the end of the financial year. Due to the appointment of a new auditor for the financial year 2017 and the still ongoing integration process of all group units, the publication of the consolidated financial statements and the group management report for the financial year 2017 could not be made publicly accessible within 90 days from the end of the financial year and the company deviates from the recommendation of section 7.1.2 of the Code in this respect. However, it is intended to comply with the recommendation of section 7.1.2 of the Code in the future.

Berlin, 30 April 2018

Timm Degenhardt
Chief Executive Officer

Frank Posnanski
Chief Financial Officer

For the Management Board

Frank Donck
Chairman of Supervisory Board

For the Supervisory Board

The compliance declaration has been made accessible on the website of Tele Columbus under www.telecolumbus.com.

2. Relevant information on Corporate Governance

The corporate governance of Tele Columbus AG is largely, but not exclusively, determined by the provisions of the AktG and takes guidance also from the recommendations of the Code, all of which Tele Columbus AG complies with, apart from the exceptions as stated in its declaration of conformity pursuant to § 161 paragraph 1 AktG (cf. no. 1). Compliance is a top priority for Tele Columbus AG and is considered by the Management Board to be a key management task.

2.1 Internal control system

The Management Board of Tele Columbus AG has implemented numerous organizational measures to establish an internal control system and fulfill its duties responsibly and transparently. This includes, besides a general compliance management system (CMS) and a risk management system, also the establishment of a capital market department dedicated to issues of capital market compliance.

Tele Columbus AG has an internal control system adapted to the specific needs of the company, which is continuously optimized and the processes of which guarantee the regularity of internal and external accounting processes and ensure the efficiency of the company's business activities and compliance with relevant legal regulations and internal policies. These control processes include the evaluation of potential risks which might impact the business and the financial stability of the company. Market developments and changes to the regulations that are relevant to us as well as accounting principles are continually observed and analyzed with regard to a potential impact on the business activity and financial position of the company. Appropriate structures and processes have been defined for Tele Columbus AG's financial reporting process within the framework of the internal control and risk management systems. Besides defined control mechanisms, the fundamentals of these include automated and manual coordination processes, a clear separation of functions, strict adherence to the two-man rule and guidelines and operating procedures.

After the acquisition of the PrimaCom Group and the pepcom Group in the second half of 2015 and the following restructuring and reorganization of the Tele Columbus Group in 2016, a fundamental revision and redefinition of risk management within the group was initiated. The risk management system was adapted to the changed conditions and a Risk Committee was established, which consists of the Chief Finance Officer and the Compliance Officer as well as five additional members: Director Legal/General Counsel, Director HR, Director Controlling, Director Accounting, Consolidation & Tax as well as the Chief Marketing Officer.

The Supervisory Board and, in particular, the Audit Committee of the Supervisory Board are informed about the processes established under the internal control system and are satisfied as to their effectiveness.

Tele Columbus AG has also introduced a comprehensive compliance management system (CMS) to ensure uncompromising attention to full compliance. The compliance management system provides employees with comprehensible guidelines for ethical, value-oriented and law-abiding business operations. The aim is to raise awareness on relevant laws, regulations and internal guidelines among all employees. The focuses of the compliance management system are sound business operations, thereby prohibiting improper payments and anti-competitive and discriminatory behavior as well as data protection. As a part of the compliance management system, the company has set up a compliance department with a compliance officer. In addition, a compliance committee has been established comprising staff from the compliance, legal, human resources, financial control, finance and tax departments and a representative of the works council. The compliance committee is responsible for monitoring the compliance department and reviewing and remedying any compliance violations. The compliance department reports regularly and on an ad hoc basis to the compliance committee and the Management Board on general compliance issues and any compliance violations. The compliance department is also responsible for the initiation of investigations into possible compliance violations. All employees of the Tele Columbus Group have the opportunity to report any compliance violations, also anonymously, if so desired, via a compliance hotline which is managed by an external ombudsman. The ombudsman reports any compliance violations to the chief compliance officer or directly to the compliance committee, the Management Board or the Supervisory Board.

The compliance management system and its application is regularly reviewed and further developed by the company.

2.2 Audit-related processes

The financial statements and management report prepared by the Management Board of Tele Columbus AG and the consolidated financial statements and group management report are examined by the auditor, discussed by the Audit Committee and approved by the Supervisory Board.

The condensed consolidated interim financial statements and the interim group management report for the half-year financial report are discussed by the Management Board with the Audit Committee prior to publication.

2.3 Avoidance of conflicts of interests

Conflicts of interest of executive bodies and other decision-makers of the company or major shareholders are contrary to the principles of good corporate governance and are harmful to the company. Tele Columbus AG and its executive bodies therefore adhere strictly to the recommendations of the Code. The employees of Tele Columbus AG and its affiliated companies are aware of the problem of conflicts of interest and have binding behavioral requirements for the event of actual or potential conflicts of interest.

3. Operating principles of the board of directors and supervisory board and operating principles and composition of the committees of the supervisory board

There is a close and trusting cooperation between the Management Board and the Supervisory Board of Tele Columbus AG that is focused on the long-term success of the company. The members of the Management Board attend the meetings of the Supervisory Board, unless the Supervisory Board chairman, after prior consultation with his/her deputy, decides otherwise or the Supervisory Board decides to meet without the Management Board. The Management Board informs the Supervisory Board promptly, comprehensively and regularly about the development of the business operations of Tele Columbus AG. 2017 was characterized by further progress regarding the integration process of the acquired businesses and regarding the new brand- and product-portfolio strategy as well as the expansion of infrastructure and the reappointment of parts of the Management Board and the Supervisory Board. Altogether, there were ten Supervisory Board meetings.

3.1 Operating principles of the Management Board

The Management Board of Tele Columbus AG consists of at least two members. The number of board members is determined by the Supervisory Board. Currently, the Management Board consists of two members: CEO Timm Degenhardt and CFO Frank Posnanski. The Management Board runs the company with the objective of sustainable value creation under its own responsibility and in the interest of the company, i.e. taking into account the interests of shareholders, its employees and other groups associated with the company. Further details are contained in particular in the rules of procedure adopted by the Supervisory Board. The Management Board determines the company's strategic direction, regularly agreed on by the Supervisory Board, and is responsible for the implementation thereof. The CEO is responsible for coordinating all business areas of the Management Board. He is in regular contact with the chairman of the Supervisory Board and represents the Management Board and the company publicly.

The division of responsibilities between the current two members of the Management Board results from the business distribution plan. Each member of the Management Board manages the business area assigned to him under his own responsibility and keeping the overall interests of the company in mind at all times. Notwithstanding this, the members of the Management Board have joint overall responsibility for the management of the company and its subsidiaries. Decisions on the company's strategy, key issues of corporate policy and all matters that pertain to multiple business areas or are of fundamental importance to the company and/or its group companies are thus reserved for the Management Board as a whole. Particularly important transactions and measures also require the prior approval of the Supervisory Board. Meetings of the full Management Board take place as needed, but usually at least once every two weeks and are chaired by the CEO.

Resolutions of the Management Board can also be taken outside of meetings by order of the CEO, particularly in writing, by fax or by email.

The Management Board reports regularly, at least quarterly, on the course of the company's business operations. Transactions which may be of considerable importance for the profitability or liquidity of the company must, furthermore, be reported to the Supervisory Board sufficiently in advance that the latter has the opportunity to comment on these prior to the transaction taking place. Finally, the chairman of the Supervisory Board must be informed about important events within the meaning of § 90 para. 1 sentence 3 AktG.

3.2 Operating principles of the Supervisory Board

With effect from 31 December 2016: Robin Bienenstock resigned from office as member of the Supervisory Board. By a court order dated 22 February 2017, Dr. Susan Hennersdorf was appointed to succeed Robin Bienenstock until the next annual general meeting. Her appointment was subject to confirmation by the next annual general meeting. At this point, the Supervisory Board comprised of six members. At the annual general meeting on 21 June 2017 Dr. Susan Hennersdorf, Frank Krause and Dr. Volker Ruloff were appointed as members of the Supervisory Board, so that the Supervisory Board comprised from then on of eight members: Frank Donck, Christian Boekhorst, Dr. Susan Hennersdorf, André Krause, Yves Leterme, Catherine Mühlemann, Dr. Volker Ruloff, and Frank Krause. The CVs can be accessed under https://www.telecolumbus.com/ueber-uns/management/aufsichtsrat/. All current members of the Supervisory Board with the exception of Frank Krause are independent within the meaning of item 5.4.2 of the Corporate Governance Code.

The members of the Supervisory Board are elected by the annual general meeting of the company by simple majority. Tele Columbus AG is subject neither to the Mitbestimmungsgesetz (German Co-Determination Act) nor to the Drittelbeteiligungsgesetz (German One-third Participation Act).

The Supervisory Board has as a supplement to the requirements of the Articles of Association adopted a set of procedural rules for its work, in which the committees of the Supervisory Board are also defined. In accordance with this, the chairman of the Supervisory Board coordinates the work of the Supervisory Board and its cooperation with the Management Board, chairs its meetings and attends to the affairs of the Supervisory Board externally. The Supervisory Board adopts its resolutions in physical meetings held at least twice per calendar half year. Outside of physical meetings, a resolution in writing, by telephone or in any other similar manner suitable for a resolution is permissible if the chairman or, if he is unable to do so, his deputy decides to do so in the individual case. Resolutions of the Supervisory Board are passed by a simple majority of the votes cast, unless otherwise prescribed by law.

In a resolution in fiscal year 2016, the Supervisory Board committed itself to following its Governance Code. This Code summarizes rights and obligations applicable by law and establishes additional codes of conduct and regulations for special situations.

3.3 Composition and operating principles of the committees of the Supervisory Board

In order to enable the Supervisory Board to carry out its tasks optimally, the rules of procedure of the Supervisory Board provide for two permanent committees, the Executive Committee and the Audit Committee. The tasks of the nomination committee to be set up in accordance with Section 5.3.3 of the Code are performed by the Executive Committee.

Executive Committee

The Executive Committee consists of three members. The Executive Committee prepares the Supervisory Board meetings and handles ongoing matters between Supervisory Board meetings. In addition, the Executive Committee also prepares the decisions of the Supervisory Board on corporate governance, in particular on adjustments of the company's compliance declaration pursuant to § 161 AktG to changing factual circumstances, as well as verification of adherence to the compliance declaration. In addition, the Executive Committee prepares the submissions for the Supervisory Board for intended appointment and dismissal of members of the Management Board and, where applicable, the appointment of a CEO. Submissions on all topics relating to the compensation of members of the Management Board that are to be decided upon by the Supervisory Board are also prepared by the Executive Committee. The Executive Committee is also responsible for taking decisions on the conclusion, amendment and termination of employment, pension, severance, consulting and other contracts with members of the Management Board and all issues resulting from these, insofar as they do not concern remuneration issues. In addition, the Executive Committee is responsible for taking decisions on the granting of loans to persons within the meaning of §§ 89 and 115 AktG and decisions on the approval of contracts with members of the Supervisory Board pursuant to § 114 AktG. The Executive Committee shall consult regularly, with the involvement of the Management Board, on long-term succession planning for the Management Board.

The members of the Executive Committee are Frank Donck (Chairman), Yves Leterme and Catherine Mühlemann. In fiscal year 2017, the Executive Committee held seven meetings.

Audit Committee

The Audit Committee consists of three members, elected by the Supervisory Board. The responsibility of the Audit Committee is, inter alia, to prepare the balance sheet meeting of the Supervisory Board. It also deals with the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system and internal audit system, the auditing of annual accounts, in particular here the independence of the auditor, the additional services provided by the auditor, the issuing of the audit mandate to the auditor, the determination of the audit key points and the fee agreement and – provided no other committee is entrusted with this – compliance. The Audit Committee is also responsible for the approval of non-audit services by the auditor and coordinates the selection process for the appointment of a new auditor. It proposes two candidates to the Full Supervisory Board.

Members of the Audit Committee in the fiscal year 2016 were André Krause (Chairman), Robin Bienenstock and Christian Boekhorst. On 18 May 2017, Dr. Susan Hennersdorf was appointed to succeed Robin Bienenstock until 21 June 2017. On 20 September 2017 Dr. Volker Ruloff replaced Dr. Susan Hennersdorf as member of the Audit Committee.

The committee chairman André Krause has as an independent member of the Audit Committee the expertise in the field of accounting and auditing required under §§ 100 paragraph 5, 107 paragraph 4 AktG.

In fiscal year 2017, the Audit Committee held five meetings.

4. Reporting pursuant to § 289f para. 2 no. 4 hgb

As a listed and non-co-determined stock corporation, Tele Columbus AG is obliged to define specific objectives with regard to the so called female quota and to publish such objectives within the status report of the business year. The objectives for the Supervisory Board and Management Board shall be resolved by the Supervisory Board according to § 111 para. 5 AktG and the objectives for the lower levels of management by the Management Board according to § 76 para. 4 AktG.In fiscal year 2015, the Supervisory Board set an objective for women's representation on the Management Board and Supervisory Board and determined 30 June 2017 as the deadline for attainment of this objective. At the time of the determination of this deadline as well as to date, the Management Board, which consists of two members, does not have a female member.

The defined objective of the Supervisory Board was limited to continuing to maintain the current women's ratio of 0% in the management board as, due to the term of office of the members of the management board, no changes were to be expected until 30 June 2017 and in the interest of efficient cooperation and cost consideration, an expansion of the management board did not appear reasonable in the short term. This assessment as well as the target figure have not changed in the course of the completed fiscal year and will not change in the course of the upcoming fiscal years until 30 June 2022.

In connection with the succession of Ronny Verhelst, who resigned for personal reasons, the Supervisory Board considered increasing the female ratio with regards to the replacement. Yet, among the potential candidates, the Supervisory Board considered Timm Degenhardt to be most suitable, professionally and personally, for the role as new member of the Management Board as well as CEO and chairman of the Management Board. However, this shall not preclude that, in the future, in case of a vacant position in the management board, the Supervisory Board will consider an increase of the women's ratio when replacing such vacant position. In the medium- and long-term, the Supervisory Board aims at having at least one woman as a member of the Management Board of Tele Columbus.

At Supervisory Board level, the female quota amounts to 33.3%. The annual general meeting resolved the expansion of the Supervisory Board from six to eight members in 2016 and amended the corresponding statutes in § 9 paragraph 1 of the Articles of Association. At The annual general meeting on 21 June 2017 Dr. Susan Hennersdorf (previously appointed by a court order after the resignation of Robin Bienenstock) and further Frank Krause and Dr. Volker Ruloff were appointed as members of the Supervisory Board. Because of the appointment of the new Supervisory Board members the female quota in the Supervisory Board amounts to 25 % and now deviates from the previously determined female quota. The Supervisory Board is aware of the importance of an appropriate participation of women in Tele Columbus AG's Boards. The Supervisory Board intends to maintain this female quota of 25% for the future fiscal years until 30 June 2022.

The Management Board has also determined in due time target figures for the female quota on the two management levels below the Management Board of Tele Columbus AG. On 30 September 2015, the female quota was 14.29% on the first management level and 26.09% on the second management level. Because of the integration of the group units and the resulting restructuring process, the numbers of employees on the first and second management level as well as the allocation of responsibilities and the overall set-up have changed significantly since the female quotas were set on 30 September 2015 and therefore the basis of comparison has changed significantly. Taking into account these changes, the quotas were essentially reached as of 30 June 2017. The Management Board intends to reach a female quota of 20 % on the first management level and of 30 % on the second management level until 30 June 2022.

5. Competence profile and diversity concept

According to the Articles of Association of the Supervisory Board, a person can in general only be appointed as a member of the Supervisory Board, if the person has not completed his/her 70 year at the time of the appointment. The Supervisory Board further determines a female quota for the Supervisory Board (see above).

According to the Articles of Association of the Supervisory Board, the executive board is supposed to consider matters of diversity with regards to the Management Board in connection with recommendations to the Supervisory Board and try to aim for an appropriate consideration of women. Furthermore, the Supervisory Board determines a target female quota for the Management Board (see above).

In addition, the Supervisory Board has already generally discussed the preparation of a Competency Profile for the Supervisory Board and of a Diversity Concept for Management Board and Supervisory Board in the fiscal year 2017, but postponed a resolution regarding these matters to the fiscal year 2018 because of the still ongoing integration process of all group units.

Despite the fact that such resolution has not yet been formally adopted, the Supervisory Board has placed great emphasis on the issue of diversity in the past which is reflected by the fact that members with four different nationalities and multiple professional backgrounds are represented in the current Supervisory Board.

6. Further details relating to corporate governance

6.1 Transparency through communication

A key element of good corporate governance is transparency. For this reason, Tele Columbus AG uses almost all the available communication channels to inform shareholders, (potential) investors, journalists and the interested public about business developments on a regular basis and when special events arise. The website www.telecolumbus.com in particular provides a wealth of information about the company, its development in the past and prospects for the future. The key dates for the company are published in a financial calendar on the homepage. All business and financial press releases, investor relations news and financial reports (in German and English) are available on the Internet. Furthermore, press and capital market representatives are given the opportunity to receive company news in electronic form after registering. In addition, the company's investor relations team is in regular dialogue with capital market participants. For each quarterly and annual financial reporting conference calls are being held in which investors and analysts are informed about business developments. Regular meetings with journalists complete the comprehensive range of information offered to the public.

6.2 Shareholders and annual general meeting

At the annual general meeting, shareholders of Tele Columbus AG can exert their rights, especially their right to information, and exercise their voting rights. They have the opportunity to exercise their voting right themselves at the annual general meeting or to allow a representative of their choice to vote on their behalf, e.g. a proxy appointed by the company with authorization to cast votes on their instructions. To facilitate the exercise of their rights and to prepare shareholders for the annual general meeting, we provide the invitation, agenda and reports as well as documents and other information about the meeting on the Tele Columbus AG website (www.telecolumbus.com) under the following path: Investor relations/Annual general meeting. The attendance and voting results will also be published on the Internet immediately after the annual general meeting. This facilitates the exchange of information between Tele Columbus AG and the shareholders.

6.3 Financial accounting and auditing of annual statements

The consolidated financial statements of the Tele Columbus Group are prepared in accordance with International Financial Reporting Standards („IFRS"), as they are to be applied in the European Union, and in accordance with the provisions of commercial law to be applied pursuant to § 315e paragraph 1 HGB. The separate annual financial statements of Tele Columbus AG are prepared in accordance with the provisions of the HGB and the AktG as well as supplementary provisions of the Articles of Association.

By resolution of the annual general meeting on 21 June 2017, the auditing firm Ernst & Young GmbH, Berlin, was appointed as auditor for the fiscal year ending 31 December 2017.

6.4 Compensation for the Management Board and Supervisory Board

The remuneration report details the principles regarding the compensation of the members of the Management Board and the Supervisory Board and shows the compensation of members of the Management Board in the financial year 2017 in individualized form in accordance with statutory requirements, broken down according to non-performance-based components (fixed base salary and fringe benefits) and performance-related components (long-term variable compensation components) and components with long-term incentive effect (long-term incentive plan).

The compensation of the Supervisory Board was determined at the annual general meeting of shareholders on 10 September 2014 within the context of the resolution to change the legal form and is regulated under § 18 of the Articles of Association of Tele Columbus AG. The compensation of the Supervisory Board is reported in individualized form in the remuneration report.

The remuneration report is a part of the management report and is published in the annual financial report.

Share holdings and reportable securities transactions of the management board and supervisory board

Share holdings

As of 31 December 2017, the total direct ownership of the members of the Management Board of shares of Tele Columbus AG or related financial instruments was on the basis of recalculation 1.50% of all shares issued by the company at that time. Whereas, as of 31 December 2017, the following members of the Management Board held the following amount of all shares issued by the company at that time, or of related financial instruments: (i) Timm Degenhardt: 0 %, (ii) Frank Posnanski: 0.624 %, and (iii) Ronny Verhelst: 0.88 %.

As of 31 December 2017, the total indirect ownership of Frank Donck, member of the Supervisory Board, of shares of Tele Columbus AG or related financial instruments, which he held via 3D N.V., was on the basis of recalculation 3.10% of all shares issued by the company at that time.

As of 31 December 2017, the total indirect ownership of Christian Boekhorst, member of the Supervisory Board, of shares of Tele Columbus AG or related financial instruments, which he held via Nachel Trust, was on the basis of recalculation 0.24% of all shares issued by the company at that time.

Furthermore, as of 31 December 2017, the following members of the Supervisory Board held the following amount of all shares issued by the company at that time, or of related financial instruments: (i) Catherine Mühlemann 0,01%, (ii) Dr. Volker Ruloff: less than 0,01%, and (iii) Yves Leterme 0,24%.

Notification and publication of securities transactions ("Directors' Dealings")

Pursuant to Article 19 of the Market Abuse Regulation, members of the Management Board and the Supervisory Board are legally required to disclose all transactions conducted on their own account relating to the shares or debt instruments of the company or to derivatives or financial instruments linked thereto, if the total value of such transactions entered into by a board member or any closely associated person reaches or exceeds €5,000 in any calendar year. All those disclosure are accessible on https://www.telecolumbus.com/investor-relations/directors-dealings.

Investor Relations

Introduction

Tele Columbus AG has been listed in the Prime Segment of the German Stock Exchange in Frankfurt for more than three years now and has been one of the 50 medium-sized companies listed on the S-DAX since June 2015. The company was floated on 23 January 2015. In November 2015, the company successfully raised capital for the acquisitions of the two competitors primacom and pepcom; the number of shares increased by 125% as a result and the issue price at flotation retroactively fell to EUR 7.01 (from EUR 10.00).

Review of the capital market environment in 2017

As in 2016, the European Central Bank (ECB) left interest rates at historically low levels in 2017. This continued to have a supportive effect on the European economy, which continued to grow in 2017. In the USA, on the other hand, the Federal Reserve stuck to its plan of raising interest rates, which began in 2015, and increased key interest rates in three steps, as expected at the beginning of the year. Due to the positive economic performance in the USA, further interest rate hikes are also expected for 2018. As expected by the market, the first interest rate hike occurred as early as March 2018. In addition, US monetary authorities also stated that two more interest rate hikes are currently planned for 2018.

Politically, 2017 was previously called a „super-election year“. In the first half of the year, in the run-up to the presidential elections in France and the parliamentary elections in the Netherlands, there were concerns about the successes of eurosceptic and nationalist parties led by Marine Le Pen and Geert Wilders respectively. In the second half of the year, two important decisions were also pending: the parliamentary elections in Germany and in Austria. In particular, the election of the pro-European Emanuel Macron in France by a large majority brought relief to the stock markets and even the difficulties in forming a government in Germany did not have a major negative impact on the capital markets.

For example, the leading German index DAX can look back on an annual performance of 12.5% for 2017 and thus a pleasant stock market year. Nevertheless, corrections occurred repeatedly during the year, for example from mid-June to the end of August due to the escalating nuclear conflict with North Korea and the resulting profit taking in the meantime. The positive effects of the economic environment and the ECB‘s supportive policy were only counteracted by the renewed strengthening of the euro, which makes German exports more expensive.

Tele Columbus shares

Tele Columbus AG shares benefited from a positive market sentiment in the middle of the year and reached their high for 2017 on 7 August 2017, at EUR 10.30. As such, 2017's high point was just under one euro higher than in the previous year.

TABLE 02

Share performance 2017 (daily closing price in XETRA trading)

Price on 02.01.2017	7.95 Euro
Highest price (07.08.2017)	10.30 Euro
Lowest price (24.02.2017)	7.84 Euro
Closing price on 29.12.2017	9.25 Euro
Annual share price performance	+17.1 %
Average number of shares traded per day [1]	82,975

1) Based on electronic trading on XETRA.

In general, 2017, like the previous year 2016, remained a very exciting year for the company with a large number of events that sometimes had a significant impact on the share price. Particularly noteworthy is the increase of **United Internet's stake** in Tele Columbus AG by a further 3.41% to 28.52%. Further notable events include the initiation of the change of CEO from Ronny Verhelst to Timm Degenhardt in July and the launch of the new PŸUR brand in October.

28.52%

of **shares** are currently owned by the United Internet Group

The most important events relevant to the capital markets were:

i) On 7 March 2017, the Group published its preliminary figures for the 2017 financial year. In addition, the management board announced its targets for the 2017 financial year and confirmed its medium-term outlook from 2016.

The outlook **for 2017** included the forecast
a. on the homes connected at the end of 2017,
b. on the expected revenue growth in the course of the year,
c. on the expected growth of Normalised EBITDA compared to the previous year
d. and on the planned investments in a percentage range as a ratio of revenue.

In addition to the expectations for items a) to d), the **medium-term outlook** also included
1) the average number of products sold per customer („RGUs per subscriber") of **1.8**,
2) the target monthly average revenue per customer of **18 euros** (ARPU),
3) the status of households on their own network (homes connected upgraded), upgraded for Internet, of **71%.**
4) and the planned medium-term debt ratio of **3.0-4.0x.**

ii) On 21 March 2017, Tele Columbus announced the successful adjustment of its long-term credit lines amounting to 1.255 billion euros. Among other things, the interest margin was reduced to 325 basis points plus Euribor, which corresponds to a reduction of 75 basis points. In addition, the facility was extended from January 2023 to October 2024. The rating agencies Standard & Poor's and Moody's both confirmed their rating of B (stable outlook) and B2 (stable outlook) respectively. On the reporting date of 31 March 2017, the United Internet Group announced that it held 28.52% of the shares in Tele Columbus AG, an increase of a further 3.41%. United Internet has been the largest single shareholder of Tele Columbus AG since its entrance in February 2016.

iii) The figures for the first quarter of the 2017 financial year were reported on 22 May 2017. In this context, both the outlook for the current 2017 financial year and the medium-term outlook were confirmed by the management board.

iv) The third Annual General Meeting of Tele Columbus AG was held in Berlin on 21 June 2017. Including the new majority shareholder United Internet, 77.82% of the authorised capital was represented. Two representatives of the United Internet Group were elected to the supervisory board at the annual general meeting. As a result, the supervisory board now comprises eight members including two representatives of the United Internet Group. The individual voting results can be found in the IR section at www.telecolumbus.com.

v) On 24 July 2017, Tele Columbus announced that CEO Ronny Verhelst would leave the company at the beginning of 2018. At the same time, Timm Degenhardt was introduced as his successor. In the meantime, the management board consisted of three members.

vi) On 24 August 2017, the company published its figures for the second quarter and the first half of 2017. All expectations for the 2017 financial year were confirmed.

vii) The new brand of the Tele Columbus Group, PŸUR, was launched commercially on 4 October 2017; this new brand will gradually replace all other brands. Since October 2017, the majority of customers have been able to get the new products and services.

viii) On 27 October 2017, Tele Columbus AG announced the acquisition of the remaining Vodafone shares in Kabelfernsehen München ServiCenter (KMS).

ix) On 22 November 2017, Tele Columbus AG announced the figures for its third quarter and the figures for the nine months to 30 September 2017. In addition, the management board specified its outlook for 2017 with respect to the Normalised EBITDA and its capital expenditures.

x) On 11 December 2017, Tele Columbus AG again successfully adjusted its credit terms. The credit margin was reduced by a further 25 basis points to 300 basis points plus Euribor. In addition, the term loan was expanded by 50 million euros to 1.305 billion euros. Following the transaction, both Standard & Poor's and Moody's confirmed their rating of B (stable outlook) and B2 (positive outlook) respectively.

As in the previous year, some conclusions on share performance in the past financial year can be drawn on the basis of the events mentioned:

CHART 01
Development of the Tele Columbus share to 31.03.2018

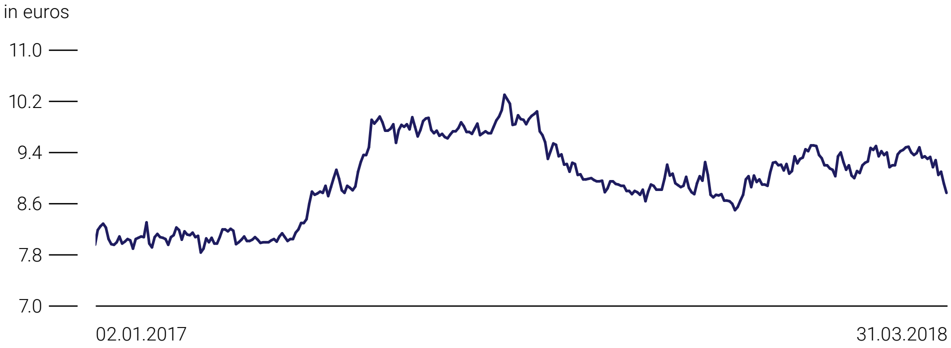


CHART 02
Development of the Tele Columbus share compared to DAX and SDAX (indexed) to 31.03.2018

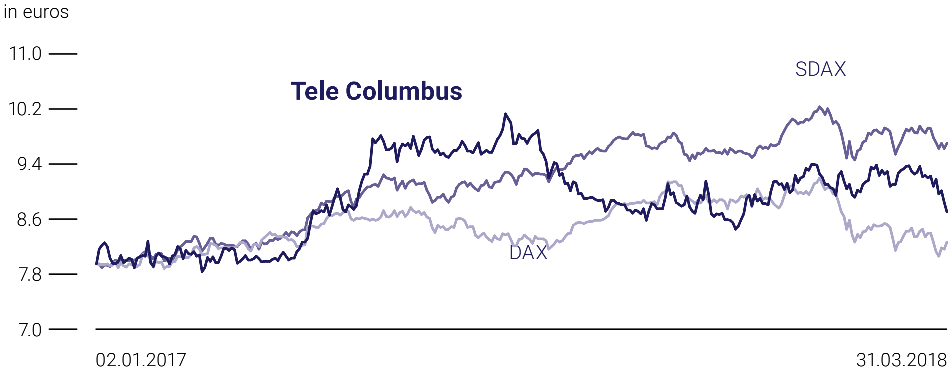
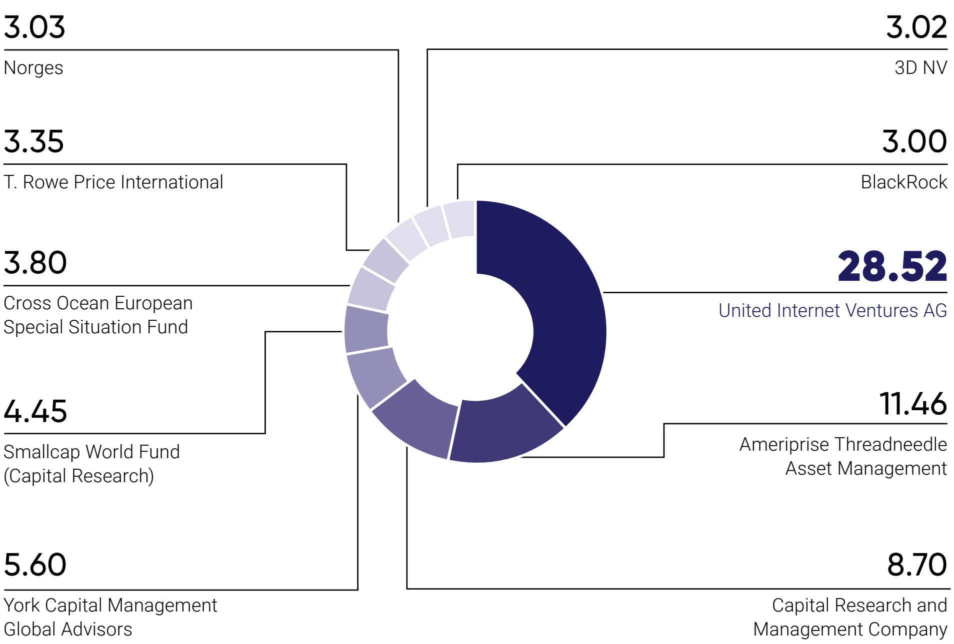


TABLE 03
Facts and figures about the shares of Tele Columbus AG

Type of shares	Nominal shares
ISIN	DE000TCAG172
WKN	TCAG17
Bloomberg code	TC1:GR
Reuters code	TC1n.DE
Ticker	TC1
Sector	Telecommunications
Number of shares	127,556,251 (increased by 70,864,584 from 56,691,667 on 06.11.2015)
Admission segment	Prime Standard
Index	SDAX
Exchange	Frankfurt Stock Exchange

CHART 03
The largest shareholders (as of 31.12.2017 on the basis of securities notifications)

in %



Communication with capital market participants

As a listed company, dialogue with numerous analysts and predominantly institutional investors is an essential part of our investor relations communication. Leonhard Bayer has headed the Investor Relations department as Senior Director since the beginning of May 2017. He has many years of experience in the capital market as a former equity analyst in the German TMT sector. This ensures intensive dialogue with all stakeholders, but especially with capital market participants.

The aim is to maintain this intensive and proactive dialogue at a high level. In the 2017 financial year, Tele Columbus AG maintained its dialogue with institutional investors, private investors and financial analysts at the same high level as in 2016. As in the previous year, activities focused on individual and group discussions with institutional investors during roadshows and investor conferences in the international financial centres in Europe and the United States. In 2017, the company was represented at a total of 12 different equity and credit conferences in Germany and abroad. At most of these events at least one member of the management board was also present.

The quarterly figures for May and November 2017 were each presented by all members of the management board in telephone conferences with a simultaneous Internet presentation.

All capital market activities will continue to be targeted at an ongoing dialogue with analysts, investors and other partners such as rating agencies. All relevant data on historical business figures, information on Tele Columbus shares as well as analysts' assessments, investor relations statements, company presentations, the financial calendar and an overview of upcoming IR activities are available online at www.telecolumbus.com in the Investor Relations section.

As of 31 March 2018, Tele Columbus AG is analysed by 11 different banks: Bankhaus Lampe, Barclays, Bank of America Merrill Lynch, Berenberg, Commerzbank, Equinet, Goldman Sachs, Hauck & Aufhäuser, J.P. Morgan, Macquarie and New Street Research. The number of analysts is expected to increase in the medium term. As of 31 March 2018, seven analysts rate Tele Columbus shares as „Buy" and four analysts as „Hold".

Your permanent contact for all matters related to the company's shares is Leonhard Bayer, Senior Director Investor Relations (email: ir@telecolumbus.de).

Leonhard Bayer
Senior Director
Investor Relations
ir@telecolumbus.de

Group Management Report 2017

1. Group Fundamentals

1.1 Business Model of the Group

1.1.1 General Information

As of the reporting date, Tele Columbus AG, headquartered in Berlin, holds directly or indirectly 60 subsidiaries, which are fully consolidated in the Consolidated Financial Statements, as well as four other investments in associates and two joint ventures that are accounted for in the consolidated financial statements using the equity method. The company has been listed on the Frankfurt Stock Exchange (Prime Standard) since 23 January 2015.

Tele Columbus AG is the parent company of the Tele Columbus Group (hereinafter referred to as Tele Columbus or Group) and primarily operates as a holding company for the companies of Tele Columbus. As a result, the financial performance of the company in the separate financial statements is strongly influenced by the results of the subsidiaries. This is reflected in the income from investments and income and expenses from the profit and loss transfer agreements entered into.

Tele Columbus is one of the leading German cable operators and is thus one of the most important service partners for end users, homeowners and the housing sector. The Group's companies operate throughout Germany as cable providers, with an especially strong market position in the eastern part of the country. Roughly 38 % of holdings held by Tele Columbus are found in the remainder of the Federal Republic of Germany. Overall, the Group supplies nearly 9 % of all German households via existing networks. Since 4 October 2017, Tele Columbus has been selling the majority of its end user products under the brand name PŸUR. In the course of the financial year 2018 this name will also be gradually rolled out to the other subsidiaries, including business customers.

Tele Columbus offers its customers top-performing and up-to-date access to TV offers, telephone (fixed-line and mobile), and fast internet. The company offers service, maintenance, and supply of the products and services indicated above, customer care for connected customers, and payment collection. As well as this core business, the company also offers construction services related to the telephone and internet business as well as individual solutions for key accounts.

1.1.2 The Group's Structure

Tele Columbus AG acts as a group holding company and is the Group's ultimate management and holding company, and therefore responsible for control of the entire Group. As a result, Tele Columbus AG is responsible for the Group's strategic growth and the provision of services and financing to its affiliates. Following the acquisitions of PrimaCom and pepcom, it was possible to merge all consolidated companies into an efficient network through an integrated organisational structure. This translates into uniform responsibilities and management structures, and the elimination of duplicated roles in previously separate companies.

In association with this, a new site concept was also put into effect. The functions found at the different sites (Berlin, Hanover, Leipzig, Munich-Unterföhring) were bundled. In particular, administrative functions were or will be relocated to the two main sites, Berlin and Leipzig.

Completion of all measures needed to create a unified and scalable organisational structure is planned for 2018.

1.1.3 Company Acquisitions

Over the financial year there were no significant changes in the scope of consolidation. Information on minor acquisitions is found in the notes to the Consolidated Financial Statements, in section B.2 Changes in the Scope of Consolidation'.

1.1.4 Main Market and Core Business

Tele Columbus is – measured by number of customers – Germany's third-largest cable network operator and has regional market dominance in large parts of eastern Germany. The service offering is restricted solely to the Federal Republic of Germany. Tele Columbus is particularly well represented in the federal states of Berlin, Brandenburg, Saxony, Saxony-Anhalt and Thuringia.

Tele Columbus has its main sites in Berlin and Leipzig. In addition to this the Group maintains further sites in Chemnitz, Dresden, Magdeburg, Ratingen, Jena, Munich-Unterföhring, and Frankfurt am Main.

Tele Columbus chiefly runs cable networks of network levels 3 and 4. Network level 3 – also known as NE3, Level 3 or L3 – is a cable network that conveys signals from regional distribution networks to the point of transfer outside the customer's residential unit. Network level 4 – also called NE4, Level 4 or L4 – is the term for a cable network within a residential complex which distributes signals from the transfer point to the connection socket in the customer's residential unit. As an integrated network operator for both network levels, the Group is specialised in providing high-quality, integrated end-user services from a single source. In locations where the Group is unable to rely on its own network, the appropriate network services are purchased. As well as operating cable networks, Tele Columbus is also active in B2B and construction services. The B2B covers products for supplying bandwidth services and business customer connectivity to companies, products for supplying internet and telephone to business customers, as well as network monitoring and marketing of data centres. The construction services include the setting up of fibre optic municipal networks or connecting residential districts to its own backbone, as well as the upgrading or modernisation of the coaxial and fibre optic infrastructure of residential buildings.

End customers of Tele Columbus are offered numerous services in the areas of television and telecommunication – in particular a basic offer of cable television channels (CATV), premium TV packages (Premium TV), and internet and telephone services in the fixed-link network, as well as mobile voice and data services. As of 31 December 2017, Tele Columbus had a portfolio of approximately 3.6 million residential units (connected residential units). Of these, roughly 2.4 million households had purchased at least one of the products offered.

The companies of Tele Columbus AG generate their revenue mainly from connection fees paid by end customers for the purchase of a CATV product. Roughly 94 % of end users are tenants in apartment blocks that are part of the portfolio held by companies or cooperatives in the housing sector or are administered by them. The Group has concluded long-term licensing and signal supply agreements with these companies, and this ensures a sustained revenue base. Usually the housing associations pass the amount due for provision of CATV connections on to their tenants through a utility bill.

1.1.5 Operating Segments

Products and services of Tele Columbus are divided into two operating segments: TV and Internet and Telephony.

1.1.5.1 TV segment

In the TV segment, the companies of Tele Columbus AG offer basic and premium programmes. Basic programmes comprise analogue and digital TV and radio broadcasting. The premium programmes offered contain up to 75 further digital TV programmes, of which up to 38 are broadcast in HD quality.

In the TV segment, the Group generates revenue from cable access fees and recurring charges for service options of cable customers and also fees from concluding new contracts and the corresponding installation services. It also collects feed-in tariffs from the broadcasters for disseminating various programmes via the cable network. Tele Columbus is endeavouring in this area to implement a uniform feed-in model for all broadcasters.

The TV business achieved revenue in the 2017 financial year of KEUR 277,619 (previous year: KEUR 287,541), representing 56.0 % of total revenue for 2017 (previous year: 60.3 %).

1.1.5.2 Internet and Telephony segment

In the Internet and Telephony segment, the Group combines internet and telephone services. In addition to fixed-line services, the product portfolio also includes mobile telephony services. Sales revenue consists of proceeds from the conclusion of new contracts and installation services and the monthly contract and service fees.

Through further penetration of existing customers with new products as well as further expansion of the network, and through further smaller acquisitions Tele Columbus was able to increase the number of existing internet contracts from approximately 520,000 to approximately 578,000. This growth can be attributed to the systematic expansion of the network in the DOCSIS 3.0-Standard and an associated increase in internet download speeds of up to 400 Mbps.

The Internet and Telephony segment achieved sales in the 2017 financial year of KEUR 158,246 (previous year: KEUR 145,262), representing approximately 31.9 % of total revenue for 2017 (previous year: 30.5 %).

1.1.5.3 Other

Under Other, business activities are accounted for that are not directly assigned to the two reporting segments. These include, in particular, the B2B and construction service business with revenue of KEUR 59,891 (previous year: KEUR 43,947). General administrative and personnel expenses totalling KEUR 51,452 (previous year: KEUR 54,552) should also be assigned to this segment. The Other segment thus represents 12.1 % (previous year: 9.2 %) of total revenue for 2017.

1.2 Management System

The group of companies is controlled by the Board of Management of Tele Columbus AG. It is in charge of operations and oversees the TV and Internet and Telephony reporting segments described above. The Board of Management receives and reviews internal management reports for these segments. Internal management reports are also submitted to the Board of Management for the non-reporting segment.

In this monthly reporting, normalised EBITDA is the main control variable reported separately for each operating segment. This variable, defined by the management of Tele Columbus AG, represents earnings before the financial result (income from investments accounted for using the equity method, interest income, interest expenses and other net financial income), taxes on income, as well as depreciation and amortisation and impairment losses on intangible assets and goodwill.

It is moreover adjusted to take account of one-off effects. These are defined by the Board of Management as rare or extraordinary events that are not expected to recur in the following two financial years and did not occur even once in the previous two financial years. In addition to the one-off effects, expenses and income from certain business events, which by the Board of Management's definition have no direct reference to the provision of services, are eliminated, for instance gains and losses on the disposal of property, plant and equipment. Any expenses and income associated with these events are deducted from the normalised EBITDA. The adjusted EBITDA provides a performance indicator that reflects the actual economic performance of Tele Columbus AG on the one hand and can be used in a sector and period comparison on the other.

In order to monitor the financial performance of the business, the Board of Management moreover employs a number of financial and non-financial key figures (Key Performance Indicators, KPIs) such as, for example, RGUs (Revenue Generating Units), the normalised contribution margin, ARPU (Average Revenue per User), and the percentage of residential units linked with the company's own signal feed and feedback channel capability.

Main Financial KPIs

RGUs (Revenue Generating Units)

Central to internal management is the development of RGUs per end customer. The RGUs are units that drive sales – in other words all individual services a customer may wish to purchase; each service subscribed (for example cable television, internet, telephone) is counted as an RGU. The Board of Management monitors the RGUs for each individual service of the segments – both for CATV and premium TV services and for internet and telephony services.

ARPU (Average Revenue per User)

When surveying the ARPU (average revenue achieved per end customer), three different calculation bases are applied:

- Monthly ARPU – also annual **average ARPU** – is calculated as revenue from connection fees for the year (including rebates, credits and installation fees), divided by the monthly total number of end customers / RGUs during the year.

- The **year-end ARPU** is calculated as revenue from connection fees in December (including rebates, credits and installation fees), divided by end customers / RGUs in December.

- The **quarterly average ARPU** is calculated as revenue from connection fees for the quarter in question (including rebates, credits and installation fees), divided by the monthly total number of end customers / RGUs during that quarter.

Main Non-Financial KPIs

Share of residential units linked with the company's own signal supply and feedback channel capability

This percentage represents the share of residential units that are linked with their own NE3/NE4-integrated networks equipped with feedback channel capability – in other words those that allow the sale of telephony and internet services – compared with the overall number of connected households.

Other Control Variables

Other relevant control variables are the staff numbers (measured in full-time equivalents/ FTE), capital expenditure (Capex), and cash flow.

Another non-financial performance indicator is customer satisfaction. This is why Tele Columbus regularly measures the satisfaction of its customers with the Tele Columbus satisfaction index, using NPS (Net Promoter Score).

1.3 Objectives and Strategies

The strategy of Tele Columbus AG is aimed at sustained and profitable growth. The target figures set during the reporting period, as described in section 2.2 Business Performance, were largely achieved.

This objective is centred on the following three KPIs:

1. RGUs (Revenue Generating Units) per end customer,

2. ARPU (Average Revenue per User) per month, and

3. Percentage of residential units that are linked with the company's own NE3/NE4-integrated networks equipped with feedback channel capability.

RGUs provide information on the number of services sold. If an end customer purchases through Tele Columbus not only cable television but also other services, such as internet access, for example, each individual service is counted as an RGU. In the medium term (3 to 5 years), the Group is seeking to reach 1.8 RGUs per end customer. As of 31 December 2017 the Group was able to achieve an RGU per end customer of 1.66 (previous year: 1.61).

The average revenue per customer (ARPU) per month from all services is expected to grow in the medium term to EUR 18 per month. At the end of the 2017 financial year it stood at EUR 17.41 (previous year: EUR 16.40). Due to a very positive development in the 2017 financial year the medium-term target has almost been achieved. The target has not been adjusted yet.

The share of residential units linked with the company's own NE3/NE4-integrated networks with feedback channel capability is expected to increase to 71 % of the total portfolio in the medium term. At the end of the 2017 financial year, the Group managed to achieve a figure of 65 %; at the end of the 2016 financial year this figure was 63 %.

The targets are also monitored and managed on a segment-by-segment basis, applying the corresponding control variable such as, for example, RGU and ARPU.

The three targets described will be achieved with the help of the strategic measures outlined below:

- Permanent and continuous expansion of the cable networks and further development of the NE3/NE4 network infrastructure. Here Tele Columbus considers linking the households that are not yet connected to its own network to make particular economic sense, in order to make cost savings in the area of signalling fees and also so as to be able to generate further revenue from its existing offer of additional services. Tele Columbus is also planning to make major investments (CAPEX) in the future for this extension of its own NE3 infrastructure.

- Expansion of brand awareness for the recently launched new brand which has been used to market the extremely competitive new product portfolio since October 2017

- Focus on a clear customer orientation through the stabilisation of our customer service and ongoing process optimisation, as well as programmes to win back customers

- Special internet, telephone and premium TV offers for existing cable television customers should further increase sales of additional and higher-value services per television customer (cross-selling and upselling)

- AdvanceTV, our digital entertainment solution for the television of tomorrow, which is expected to further increase the attractiveness of our product portfolio due to further development stages

- Expansion of regional positioning as market leader in the area of internet speed through a comprehensive upgrading to 400 or 500 Mbps

- Securing and expansion of regional dominance on the market of NE4 operators in signal transmission within properties and buildings (the last mile to the customer) through close partnership with housing associations

- Strengthening and expansion of the B2B by continuous further development of the product portfolio

Through our management system and the monitoring of central key indicators we are able to respond to our targets and strategies.

2. Economic Report

2.1 Macroeconomic and Industry Conditions

Consumption is supporting the German economy

In the view of the Federal Ministry of Economics and Technology, the German economy was in very good shape in 2017. The upturn in Germany and in the Eurozone is ongoing. The economic picture continued to be characterised by solid and steady economic growth in 2017. The result for the whole year was an increase in gross domestic product (GDP), in price-adjusted terms, of 2.2 % – a small increase compared with the previous year, where the GDP showed a gain of 1.9 %.

The German economy benefited from a world economic climate that was once again more favourable, which encouraged external trade and investment.

In the reporting year, Germany's economy benefited above all from strong domestic demand. Private consumer spending rose, adjusted for prices, by 2.0 %, and government spending rose by 1.4 %. The number of employed, based on the residency concept (defined as persons in employment with their place of residency in Germany) stood at 44.2 million in 2017 – roughly 645,000 more (1.5 %) than in the previous year, a record high. The available income of private households rose in 2017 by 3.9 % compared with the previous year.

The overall consumer trend also has an effect on consumer behaviour, with reference to the products offered by Tele Columbus. 78 % of Germans aged over 14 years now use a smartphone, and 40 % of companies have already invested in new products or services as a result of digitisation. It is precisely because of trending developments such as cloud computing, streaming services, smart homes and virtual reality that stable and above all fast internet connections are becoming more and more important.

Sector-Related Determining Factors

Overview

Germany currently has roughly 33 million broadband connections. After ADSL and VDSL, the cable TV network is the second most important access technology in the German broadband market, with approximately 7.6 million connections used.

The networks, which were originally constructed only for transmission of broadcasting and consisted of coaxial cables, are increasingly being upgraded by cable TV providers through replacement with fibre optic lines. The hybrid networks made up of coaxial cable and fibre optic (HFC) are able to carry ever greater data volumes and are keeping up with the demand for ever higher-performance broadband connections.

The German telecommunications and media market is increasingly being shaped by convergence, in other words the merging of various services and content. Broadband cable delivers the entire range of multimedia applications demanded by customers from a single source. Today customers are not only able to watch television in a number of ways but can also, thanks to high bandwidths, use their cable connection in upgraded cable networks for interactive services, especially internet and telephone services. More and more customers prefer to purchase all services from a single provider, with an attractive price-performance ratio. Reacting to this, the providers market single or multiple service packages consisting of television, broadband internet access and telephone.

The business of the companies of Tele Columbus AG as a cable network operator essentially depends on the contracts entered into with housing associations for the cable connections provided, and the demand of end customers for TV, internet and telephone services.

Competitors

The German cable market is divided into NE3 and NE4 network operators. After numerous market consolidations, most of the regional NE3 networks are owned by the two large cable network operators Vodafone and Unitymedia, which also provide their own NE4 inventory via these networks.

In competition with these suppliers, the traditional NE4 operators have also built up their own, independent signal supply via the NE3 over the last few years, thus creating an integrated network infrastructure. For the NE4 operators, the market was fragmented for historical reasons. In recent years, however, a consolidation of the NE4 network operators has begun in this area too.

In the competition among the cable network operators, Tele Columbus has a strong market position in the federal states of eastern Germany. In Berlin, around 51 % of the cable households were supplied by Tele Columbus in 2017, 67 % in Brandenburg, 61 % in Saxony, 44 % in Thuringia, and 21 % in Mecklenburg-Western Pomerania. In Saxony-Anhalt, we continue to have a market share of around 99 %. The total market share of Tele Columbus in the cable households in these regions was therefore around 57 % in 2017. In selected regions of eastern Germany, such as the major cities of Leipzig, Erfurt or Halle, Tele Columbus is a clear regional market leader and has a strong regional identity. In the west of Germany, the company focuses on individual regions, especially in the federal states of Bavaria, North Rhine-Westphalia and Hesse. For example, Tele Columbus supplies many cable households in Munich and Nuremberg and currently has a market share of 18 % in Bavaria, 12 % in Hessen and 13 % in North Rhine-Westphalia.

The German cable market is still going through a phase of consolidation. Tele Columbus considers this development to be positive and is therefore actively participating in the process, and expects to continue to benefit from consolidation within the industry in future.

Television

With 18.8 million cable TV households supplied, Germany is Europe's largest cable market; the number of cable TV households supplied has stayed the same since 2013. The second important transmission route for TV services is satellite reception, which was used by over 18.7 million households in the reporting year. Supply via cable networks (45.9 %) and supply to each TV household in Germany via satellite (45.7 %) also remained at virtually the same level.

Approximately 15.5 million (previous year: 14.4 million) cable households - this corresponds to 88.6 % (previous year: 82.1 %) of all households with a cable connection - used broadband cable digital TV offers in the 2017 financial year. Compared with the previous year, this represents an increase of around 1.1 million cable households. Drivers for the changeover to digital offerings are, above all, HDTV, 3D-TV and video-on-demand, as well as time-shift television viewing, and in future also new digital offers like Ultra HD and TV Everywhere. Around 12.4 million cable households already have an HDTV and an HD receiver and can thus receive their programmes in high-definition quality. In addition, the increasing spread of Pay-TV, digital television services that can be purchased as an add-on to the existing cable or satellite television, is leading to greater use of digital offers in cable television.

The phase-out of analogue signal transmission and the changeover to DVB-T2 HD represent more significant changes in the TV market. In the area of antenna reception, in spring 2017 the DVB-T antenna signal was first switched off in Germany's major conurbations. The next wave of changeovers will follow in the spring and late autumn of 2018. In the course of the changeover to the new terrestrial antenna television DVB-T2, in future there will be more core regions, which means it will be possible to supply a greater proportion of the population with private and public programmes digitally, via antenna. DVB-T2 needs a narrower transmission spectrum, meaning that freed-up radio frequencies can be used to extend the mobile internet. The planned phase-out of analogue signal transmission in 2018 will free up further capacities in our cable networks which we will be able to use for internet connections operating at gigabit speeds and for new TV offers.

Internet and Telephony

In addition to the analogue and digital TV offer, internet and telephone services are more and more in demand via the cable connection. Currently, some 7.6 million households in Germany already use their cable connection for high-speed internet access and 7.0 million for telephone. Attractive product launches and marketing activities - especially new bundle offers – are supporting the future growth opportunities in this area.

The German internet market is characterised on the one hand by a growing demand for higher bandwidth, and on the other by a changeover from DSL to cable offers. The cable segment is the fastest growing internet access option with approximately 23.0 % and is increasingly taking shares of the market away from the DSL segment.

More than 60 % of all cable customers already have access to internet bandwidths over 50 Mbps. On the basis of their powerful infrastructure, cable network operators can already offer their customers connections at up to 500 Mbps. The next transmission standard, DOCSIS 3.1, is already being seen on the market, so that on the basis of the existing cable infrastructure of fibre optic and coaxial lines it is foreseeable that speeds in the gigabit range will also become available.

In 2017, the companies of Tele Columbus AG increased their share of households connected to its own signal supply and having feedback channel capability – meaning they allow the marketing of telephone and internet services – from 63 % to 65 % thanks to targeted network investments, especially in NE3.

In the case of fixed line telephony, too, growth in Germany is increasingly dependent on a high-quality broadband offering, since telephony services are increasingly bundled with broadband services and made available on the basis of internet protocol technology (Voice-Over-IP). The fixed-line telephony sector has undergone a considerable decline in prices due to the increasing supply of flat-rate products in various communication services. The competition in the fixed-line segment has grown stronger due to the emergence of resellers, alternative operators, declining mobile phone charges (and replacement by mobile communications as a result), as well as alternative access technologies and providers of other services such as Skype. Also, the decision in June 2017 to abolish roaming charges is making mobile telephony even more attractive.

Even under these market conditions, the market share of cable network operators in the fixed-line market has grown steadily and is above 18.9 %, with 7.0 million users. Tele Columbus was able to better position itself in this market and secure a market share of roughly 1.7 % through, among other things, the introduction of attractive, modern and technically sound products and bundled offerings.

Gigabit Deutschland Future Offensive

Zukunftsoffensive Gigabit-Deutschland is backed by an offensive being carried out by the network alliance to expand gigabit-ready convergent networks until 2025, spearheaded by the Federal Ministry for Communication and Digital Infrastructure (BMVI)). To meet the needs of an advanced information society and to implement the transition to a gigabit society, it is expected that as an interim step there will be nationwide coverage for all households with at least 50 Mbps by 2018. The European Commission even aims to cover 50 % of the EU's population at a bandwidth of 100 Mbps by 2020. There are varied government funding programmes in existence in some parts of Germany for infrastructure upgrades.

2.2 Business Performance

In the 2017 financial year, Tele Columbus successfully continued with its growth strategy and nearly all targets projected for 2017 were achieved.

The 2017 financial year was decisively shaped by integration initiatives requiring a major commitment of resources, one that will continue to be demanded in the coming year. As part of the integration initiative, a project was launched to create and extend a uniform ERP structure at the Tele Columbus companies. Implementation of this is planned by mid-2018.

It was possible to increase revenue (by 4.0 %) and normalised EBITDA (by 6.1 %) compared to previous year. The revenue forecast (sales growth in the mid-single-digit range) was achieved. The normalised EBITDA margin amounts to 53.3 % (previous year: 52.3 %). Similarly, RGUs per end customer and ARPU have increased for all services, as projected.

At 31.3 % of revenue, the investments made in 2017 are below projected investment (approx. 35 % of revenue in 2017). The slight deviation from the forecast is mainly due to investments in network infrastructure. Here some upgrade projects were postponed – which was especially due to integration of the Group's divisions. In the course of the year Tele Columbus has reacted to this development and adjusted the share of investments in proportion to revenue to approximately 30 %. Overall, the 2017 financial year was a year of consolidation, in which the Group was preoccupied with the integration as well as the implementation and standardisation of processes and structures. Due to a high need for resources for the projects the operating performance fell slightly short of internal expectations. In combination with delays in a few synergy projects this led to a lower normalised EBITDA than forecast. In light of these circumstances non-recurring expenses were also significantly higher than expected.

The basis for further growth is, in particular, the efficient network infrastructure. It was possible, for example, to increase the number of connected residential units upgraded to feedback channel capability and connected to the Group's own NE3 by approximately 44,000 to roughly 2,327,000 residential units. Overall, this share of connected residential units increased by about 2 percentage points to 65 % of the total portfolio. The slight deviation from the projected 5 percentage point increase is, as explained above, due to the postponement of some upgrade projects. In addition, at the end of the reporting year, approximately 82 % of the feedback channel-enabled networks connected to the Group's own signal supply, with a hybrid fibre optic structure, were upgraded to the internet transmission standard DOCSIS 3.0, which allows transmission rates of up to 1.0 Gigabite. The number of residential units connected to the Group's cable network amounted to around 3.6 million at the end of 2017, and thus remained stable (previous year: 3.6 million). The strongest organic growth driver was the successful sale of new products to existing customers. The potential that the Group's existing customer base offers for up-selling and cross-selling additional products - such as premium TV, internet and telephone - beyond the traditional cable connection was successfully used during the reporting year.

In addition, new product launches have helped to increase the sales of additional services to cable-connected customers. Attractive triple-play bundles as well as flexible, combinable contract offers with transparent pricing, short contract durations, and which stem from the newly launched brand, contributed to an increase in signed internet customer contracts. The expansion of the availability of the increased bandwidth of up to 400 megabits per second to approximately 1 million households doubly contributed to the aforementioned increase, ultimately leading to a growth of the Group.

TABLE 04

Customer Base/RGUs in million euros	2017	2016
Customer base subscribers	2.37	2.42
RGUs	3.93	3.88
RGUs internet and telephone segment	1.13	1.02
RGUs TV segment	2.80	2.86
RGUs cable TV	2.37	2.43
RGUs premium TV	0.43	0.43
RGUs per customer	**1.66**	**1.61**

The customer base of Tele Columbus decreased slightly to 2.37 million subscribers compared to the end of 2016.

The sum of RGUs rose by 0.05 million to 3.93 million (previous year: 3.88 million) for all services in the reporting year. This growth mainly results from increasing penetration of the customer base with additional products beyond classical cable television.

In particular, business with internet and telephone connections developed very dynamically. The RGUs for internet services increased by around 11 % to approximately 578,000 (previous year: approx. 520,000). Telephone services recorded a rise of 12 % to roughly 555,000 RGUs (previous year: approx. 495,000).

RGUs for cable TV fell slightly to approximately 2.37 million (previous year: approximately 2.43 million). RGUs for premium TV services were stable at around 430,000 units (previous year: approx. 430,000).

The average RGUs per customer across all segments developed positively in the financial year. The value increased to 1.66 at the end of 2017 after being at 1.61 at the end of 2016. The development of RGUs per end customer was thus in line with the strategic objectives of Tele Columbus and also with the value of approx. 1.7 projected for the 2017 financial year.

TABLE 05

ARPU in EUR	**2017**	**2016**
ARPU	17.41	16.40
ARPU TV (per TV end customer)	9.31	9.20
ARPU Internet and Telephony (per Internet RGU)	24.26	22.93

The average revenue per customer and month from all services - the monthly Average Revenue per User (ARPU) or annual average ARPU - amounted to EUR 17.41 in 2017, an increase of 6.2 % compared to the previous year (previous year: EUR 16.40). This development also reflected the forecast and the strategic objectives of Tele Columbus. The amount forecast for the 2017 financial year was exceeded. This was due to growing RGUs as well as a redesign of internet and telephony contracts, plus an upwards trend in the conclusion of new contracts with a higher bandwidth. As a result, the monthly ARPU for bundled internet and telephony services rose to approximately EUR 24.26 (previous year: EUR 22.93).

Also, the TV ARPU for the Group as of 31 December 2017 increased slightly to EUR 9.31 against the previous year (EUR 9.20). The higher ARPU resulted from an increase of individual contracts in single collection compared to group collection.

2.3 Performance

2.3.1 Financial Performance

The table below provides an overview of development of the financial performance.

TABLE 06

KEUR	**2017**	**2016**
Revenue	495,756	476,751
Own work capitalised	16,864	18,350
Other income	20,545	28,197
Total operating income	*533,165*	*523,298*
Cost of materials	−159,150	−146,224
Employee benefits	−81,469	−84,065
Other expenses	−95,541	−76,667
EBITDA	*197,005*	*216,342*
Non-recurring expenses (net)	67,387	32,922
Normalised EBITDA	*264,392*	*249,264*
EBITDA	*197,005*	*216,342*
Financial result	−69,772	−72,240
Depreciation and amortisation	−155,610	−154,653
Income tax	12,027	−208
Net loss	**−16,350**	**−10,759**

Revenue for the 2017 financial year increased by 4.0 % compared to the previous year to KEUR 495,756. The increase is mainly due to a larger number of new contracts concluded and installation services as well as monthly contract and service fees of internet and telephony services. Furthermore, newly acquired projects led to an increase in revenue in the construction services business.

Revenue from the TV segment decreased by 3.4 % to KEUR 277,619 (previous year: KEUR 287,541). Sales in the internet and telephony segment increased by 8.9 %, from KEUR 145,262 to KEUR 158,246.

Own work capitalised decreased slightly in the financial year from KEUR 18,350 to KEUR 16,864. This decline is mainly attributable to higher capital expenditures in the financial year 2016.

Other income was down significantly by 27.1 % to KEUR 20,545. The decrease is primarily due to income recorded in the previous year from the release of personnel-related restructuring provisions as well as from onerous contracts in connection with a signal delivery contract.

The overall performance, defined as the sum of revenue, other income and own work capitalised, therefore rose by 1.9 % to KEUR 533,165 in the reporting period.

Compared with the previous year, the cost of materials increased by KEUR 12,926 to KEUR 159,150 in the 2017 financial year. The increase is mainly due to cost of materials for construction services.

Employee benefits declined by KEUR 2,596 to KEUR 81,469. This is mainly attributable to a reduced number of employees compared with the previous reporting period as a result of restructuring measures, especially due to the completion of the gradual closure of the location in Hanover as of 30 June 2017, and the implementation of other measures in Leipzig and Munich-Unterföhring. The average number of employees in the companies of Tele Columbus AG decreased by 136 to 1,288 in the 2017 financial year (previous year: 1,424).

Other expenses amounted to KEUR 95,541 in the 2017 financial year (previous year: KEUR 76,667). The increase of KEUR 18,874 mainly resulted from higher legal and advisory costs due to the migration of the ERP and BSS systems and new projects in the customer service area (KEUR 15,062) as well as higher IT expenses (KEUR 4,792). The reduction in restructuring costs (KEUR -6,632) counteracted this.

EBITDA amounted to KEUR 197,005 in the 2017 financial year due to the factors described above, decreasing by KEUR 19,337 compared to the previous year.

As a result of the Group‘s operating performance and activities, it was possible to improve the normalised EBITDA by 6.1 % compared with the previous year, to KEUR 264,392.

TABLE 07

Results in KEUR	2017	2016
Normalised EBITDA	*264,392*	*249,264*
Restructuring and further integration measures	–51,713	–28,411
Financial restructuring	–160	–1,127
Other	–15,514	–3,384
Non-recurring expenses (-) (net)	*–67,387*	*–32,922*
EBITDA	**197,005**	**216,342**

In the 2017 financial year, expenses for restructuring and further integration measures amounted to KEUR 51,713 (previous year: KEUR 28,411). These mainly include wages and salaries, premiums and bonuses associated with the restructuring in the amount of KEUR 13,240 (previous year: KEUR 14,151). This item also covers legal and advisory fees of KEUR 23,685 (previous year: KEUR 8,224) and extraordinary expenses for the launch of the new brand PŸUR of KEUR 2,033.

TABLE 08

Restructuring and further integration measures in KEUR

	2017	2016
Income statement item	−51,713	−28,411
Other income	124	6,181
Cost of materials	−4,080	−2,963
Employee benefits	−13,240	−11,013
Other expenses	−34,517	−20,615

The expenses for financial restructuring decreased by KEUR 967 to KEUR 160 in 2017. These mainly contain the legal and advisory fees incurred in connection with the repayment and renegotiation of loan agreements, but which should not be included on the statement of financial position in accordance with IAS 39.

TABLE 09

Financial restructuring in KEUR

	2017	2016
Income statement item	−160	−1,127
Other expenses	−160	−1,127

Other one-off items in the amount of KEUR 15,514 (previous year: KEUR 3,384) mainly comprise gains and losses from the disposal of property, plant and equipment as well as advisory fees for other one-off events.

TABLE 10

Other in KEUR

	2017	2016
Income statement item	−15,514	−3,384
Other income	3,114	5,290
Change in inventories	–	−354
Cost of materials	−3,718	−2,119
Other expenses	−14,910	−6,201

In the reporting period, the operating margin, defined as the ratio of normalised EBITDA to revenue, thus increased to 53.3 % (previous year: 52.3 %).

The negative financial result decreased by KEUR 2,468 to KEUR 69,772 compared to the previous year. The result mainly includes interest expenses to third parties of KEUR 49,886, which decreased by KEUR 14,479 as a result of a renegotiation of credit conditions and, thus, a reduction of the credit margin by 1.00 percentage points to 3.00 % plus EURIBOR in 2017.

The negative other financial result amounted to KEUR 12,348 (previous year: positive result of KEUR 2,852). The other financial result mainly includes an amount of KEUR -15,776 relating to the valuation adjustment due to the acquisition of the non-controlling interest in Kabelfernsehen München Servicenter GmbH & Co. KG and Kabelfernsehen München Servicenter GmbH – Beteiligungsgesellschaft. Furthermore, this result includes a gain of KEUR 3,035 (previous year: KEUR 6,885) arising from the revaluation of derivatives embedded in loans.

Depreciation and amortisation rose slightly to KEUR 155,610 (previous year: KEUR 154,653).

In the 2017 financial year, taxes on income showed income of KEUR 12,027 (previous year: expense of KEUR 208). Current income tax expenses decreased by KEUR 3,397 to KEUR 10,269, while deferred tax income increased by KEUR 8,838 to KEUR 22,296 (previous year: deferred tax income of KEUR 13,458).

The 2017 financial year concluded with a net loss in the amount of KEUR 16,350 (previous year: KEUR 10,759).

2.3.2 Financial Performance by Segment

The operating business is divided into two segments. The following table provides an overview of revenue in financial years 2017 and 2016:

TABLE 11

Revenue segments in KEUR	2017	2016
Revenue TV segment	277,619	287,541
Revenue Internet und Telephony segment	158,246	145,262
Total revenue (excluding Other)	**435,865**	**432,803**

Revenue from the TV segment decreased by 3.5 % compared with the previous year to KEUR 277,619, which is mainly due to a decline in the cable TV-RGU by approximately 67,000.

It was possible to increase sales in the Internet and Telephony segment by 8.9 % from KEUR 145,262 to KEUR 158,246. Compared to the financial year 2016, the Internet and Telephony RGUs increased by approximately 117,000 with a simultaneous increase in the ARPU by EUR 1.34.

TABLE 12

Normalised expenses of segments in KEUR	2017	2016
Cost of material		
TV segment	−95,441	−97,022
Internet and Telephony segment	−26,998	−27,141
Employee benefits		
TV segment	−23,030	−27,554
Internet and Telephony segment	−17,837	−17,009
Other expenses		
TV segment	−11,126	−12,739
Internet and Telephony segment	−11,255	−10,170

Compared to the previous year normalised expenses were reduced.

TABLE 13

Result in KEUR	2017	2016
Normalised EBITDA		
TV segment	163,480	167,051
Internet and Telephony segment	112,995	102,198
Non-recurring expenses (-) / income (+)		
TV segment	–2,218	988
Internet and Telephony segment	–638	–2,893
EBITDA		
TV segment	161,262	168,040
Internet and Telephony segment	112,357	99,305

For the reconciliation of the results to the total result, please refer to the notes to the Consolidated Financial Statements, section F.6 Segment Reporting'.

The segment Other which mainly consists of the B2B and construction services business of the subsidiary HL komm as well as general administrative and personnel expenses of the Group, contributes an EBITDA in the amount of KEUR -76,614 (previous year: KEUR -51,003) to the consolidated result of the 2017 financial year. The increased expense compared to the previous year is primarily due to higher legal and advisory fees, IT expenses, and construction services. Segment revenue increased from KEUR 43,947 to KEUR 59,891 as a result of higher revenue of construction services.

2.3.3 Financial Position and Liquidity

Cash Flow

As of 31 December 2017, the balance of cash and cash equivalents amounted to KEUR 31,767 (previous year: KEUR 55,223). This represents a decrease of KEUR 23,456 compared to the previous year.

The positive cash inflow from the cash flow from operating activities amounting to KEUR 159,554 was primarily used for investing activities, the cash flow from investing activities amounted to KEUR -140,310. Cash flow from financing activities amounted to KEUR -43,868 in the financial year.

As a result of the interest rate adjustments in April 2017 and December 2017 and the partial conversion of the Capex facility into the existing term loan A, likewise in December of the 2017 financial year, the Group was able to further improve its creditworthiness. In 2017, the Group was in a position to meet its payment obligations at all times. Based on the optimisation of the financing structure, the Tele Columbus companies were able to further expand their operating business and the associated market reach. Management reviews the liquidity situation at least once a month and, if necessary, initiates appropriate measures to prevent any liquidity bottlenecks in good time.

The financial resources required for investments in network expansion, the acquisition of additional companies, and the distribution and marketing of the new telephony and internet services were financed from the operating business, from cash liquidity, and from borrowing. The interest payments to be made on the company's bank loans were paid from cash.

The Tele Columbus companies are currently funded mainly through a long-term loan of Tele Columbus AG.

Effective as of 18 April 2017, the maturities of the long-term tranche A (EUR 1.255 billion) was extended by almost two years until October 2024, while at the same time the credit margin was reduced by 0.75 percentage points to 3.25 % plus EURIBOR.

The existing investment credit line and the revolving credit line for a total of KEUR 75,000 were utilised in the amount of KEUR 25,000 and KEUR 20,994.

Effective as of 13 December 2017, a reduction of the credit margin by 0.25 percentage points to 3.00 % plus EURIBOR was renegotiated. In addition, the amount of tranche A was raised to EUR 1,305 billion to enable partial refinancing of the Capex facility taken up. The remaining KEUR 25,000 of the Capex facility utilised continue to be charged interest at 3.75 % plus EURIBOR. The Group still has the revolving credit line of KEUR 50,000 available.

The aggregated cash flow of the Tele Columbus companies for the 2017 and 2016 financial years is as follows:

TABLE 14

KEUR	2017	2016
Cash flow from operating activities	159,554	198,631
Cash flow from investing activities	−140,310	−130,785
Cash flow from financing activities	−43,868	−100,341
Net increase/decrease in cash and cash equivalents	*−24,624*	*−32,495*
Cash and cash equivalents at the beginning of the reporting period	55,223	85,178
Cash and cash equivalents at the end of the reporting period	**30,599**	**52,683**
plus release of restricted cash and cash equivalents in the financial year	1,168	2,540
Free cash and cash equivalents at the end of the period	**31,767**	**55,223**

Cash flow from operating activities

In the financial year ended 31 December 2017, net cash flow from operating activities amounted to KEUR 159,554. This was significantly lower than the previous year's figure of KEUR 198,631. The decline is primarily due to payments made within the context of the restructuring as well as for stockpiling.

Income tax payments decreased by KEUR 4,030 to KEUR -6,841 (previous year: KEUR -10,871).

Cash flow from investing activities

The cash flow from investing activities amounting to KEUR -140,310 (previous year: KEUR -130,785) mainly results from investments in property, plant and equipment and intangible assets. These decreased overall by 9.4 % year-on-year to KEUR 127,397 (previous year: KEUR 140,576).

The main focus of the investments is the consistent continuation of the migration strategy: Besides the replacement of external signal suppliers through supplying the Tele Columbus portfolios with their own signal, as well as expansion of the existing HFC networks for the marketing of IP services with a high transmission rate in order to meet the growing demand for fast internet connections, the focus was on the implementation of group-wide uniform systems and technology platforms.

Furthermore, investments were made nationwide for the existing expansion commitments vis-à-vis the housing sector in the context of new acquisitions and contract rollovers. In the 2017 financial year, the Tele Columbus companies invested a total of KEUR 101,675 (previous year: KEUR 113,591) in technical facilities and facilities under construction.

The investment commitments entered into in the 2017 financial year, which will lead to cash outflows in the amount of approximately KEUR 72,807 (previous year: KEUR 35,923) in the following reporting periods, are financed from the existing cash holdings.

Cash flow from financing activities

The cash flow from financing activities amounting to KEUR -43,868 (previous year: KEUR -100,341) includes, among other things, proceeds from the utilisation of credit facilities available to Tele Columbus totalling KEUR 96,000 (previous year: KEUR 129,500). This positive effect was more than offset by interest payments, the repayment of loans and finance leases as well as the acquisition of non-controlling interests.

While interest paid for bank loans of KEUR 45,427 fell due in the previous reporting year, interest payments increased to KEUR 55,094 in 2017. The interest for the main financing was paid on payment dates in January, April and July of the financial year, this results in a period shift for the reduction-effect related to the interest rate level between the Consolidated Statement of Cash Flow and the financial result.

In connection with the acquisition of non-controlling interests in Kabelfernsehen München Servicecenter GmbH & Co KG, Munich, other financial liabilities of KEUR 58,100 were repaid during the 2017 financial year.

In addition, Tele Columbus has concluded various lease agreements on infrastructure facilities to supply customers. These were classified as finance leases in accordance with IAS 17. In the 2017 financial year, payments of KEUR 10,296 resulted from finance leases (previous year: KEUR 9,545).

TABLE 15

Financing Structure

Lender	Borrower	Total in KEUR as of 31.12.2017	Share	Total in KEUR as of 31.12.2016	Share
New Facility A	TC AG	1,284,124	95.8 %	1,230,671	97.6 %
IPO Facility A	TC AG	–	0.0 %	4,222	0.3 %
Senior Tranche C	TC AG	–	0.0 %	5,076	0.4 %
Senior Incremental	TC AG	–	0.0 %	3,737	0.3 %
Capex facility	TC AG	25,026	1.9 %	–	0.0 %
Revolving facility	TC AG	19,223	1.4 %	305	0.0 %
Second Incremental	TC AG	–	0.0 %	1,469	0.1 %
Diverse	pepcom	1,317	0.1 %	1,432	0.1 %
Interest caps	TC AG	4,368	0.3 %	4,140	0.3 %
Other		7,020	0.5 %	9,606	0.8 %
Total		**1,341,078**	**100.0 %**	**1,260,658**	**100.0 %**

The credit volume of the financing agreement of 13 December 2017 is thus KEUR 1,380,000, divided into the term loan (Facility A) of KEUR 1,305,000, the Capex facility of KEUR 25,000 (Facility B), and the partly utilised credit line of KEUR 50,000 for general costs (revolving facility).

In April 2017, Tele Columbus renegotiated the credit conditions of the existing term loan. As well as extending the term to 15 October 2024, the interest rate margin was reduced to 3.25 % plus EURIBOR.

In December 2017 a further reduction of the credit margin by 0.25 percentage points to 3.00 % plus EURIBOR was negotiated. In addition, the amount of Tranche A was increased in order to partly refinance Facility B (Capex facility), which had been utilised.

The term of Facility A is seven years and ten months, two years for Facility B, and three years for the revolving facility. The current margin amounts to 3.00 % plus EURIBOR for Facility A and 3.75 % plus EURIBOR for Facility B & revolving facility. The provision fee for the revolving facility is calculated at 35 % of the margin of the credit line and is payable quarterly.

Pursuant to the Share and Interest Pledge Agreements, the interests held in affiliates and associates are used to collateralise liabilities to banks. In addition, loans from the Tele Columbus Group are collateralised with trade receivables.

2.3.4 Financial position

Compared with 31 December 2016, total assets decreased only slightly by KEUR 13,942 to KEUR 2,133,186. On the assets side, the reduction is mainly reflected in a decline in non-current assets, in particular, intangible assets and cash, while equity declined on the liabilities side.

Property, plant and equipment increased slightly by KEUR 5,179 compared to 31 December 2016 to KEUR 609,869. This is mainly due to a significant increase in assets under construction and advance payments, by KEUR 37,669 to KEUR 90,389, due to the initiation of investment projects. The increase was offset by scheduled depreciation for technical facilities amounting to KEUR 91,542. Investments in technical equipment amounted to KEUR 39,243 in the 2017 financial year.

Intangible assets and goodwill fell by KEUR 12,181 from KEUR 1,402,134 to KEUR 1,389,953 as of 31 December 2017. While the customer base decreased due to scheduled amortisation by KEUR 25,982, goodwill increased by KEUR 11,193 due to the acquisition of companies in 2017.

As in the previous year the non-current derivative financial instruments amounting to KEUR 1,521 (previous year: KEUR 3,630) consist exclusively of the two interest rate caps acquired by Tele Columbus AG in February 2016.

Under current assets, in particular other assets increased from KEUR 6,126 in the previous year to KEUR 17,485, as well as inventories which increased from KEUR 4,224 to KEUR 10,928 while cash and cash equivalents decreased from KEUR 55,223 to KEUR 31,767. With regard to the development of cash and cash equivalents, reference is made to the explanations in section 2.3.3 Cash Flows and Liquidity.

The increase in inventories by KEUR 6,704 primarily results from the build up of inventories of network materials needed for projects acquired in the construction services business.

Other assets mainly increased due to higher receivables from feed-in tariffs, value added tax, and advanced payments.

As of 31 December 2017, the consolidated equity of the Group amounted to KEUR 517,187 (previous year: KEUR 535,182). The decrease is mainly due to the net loss of KEUR 16,350 incurred in the 2017 financial year.

Non-current other provisions decreased by KEUR 3,598 and amounted to KEUR 463 as of 31 December 2017. This item mainly includes provisions for archiving requirements. The decrease is due to the reclassification of the long-term portion of the restructuring and onerous contract provision in the previous year to other current provisions as well as the utilisation and release of provisions for onerous contracts.

Non-current liabilities to banks increased from KEUR 1,234,702 to KEUR 1,297,685. The increase is due to the utilisation of KEUR 50,000 from the Term Loan A, as well as KEUR 25,000 from the Capex facility. The increase was partially offset by higher accrued transaction costs of KEUR 9,711.

The debt of the Group from interest-bearing loans amounted to KEUR 1,341,078 as of 31 December 2017 (previous year: KEUR 1,260,657). This corresponds to a share of 62.9 % (previous year: 58.7 %) of total assets.

Non-current other financial liabilities amounted to KEUR 37,615 (previous year: KEUR 88,387). As of 31 December 2017 this item primarily comprise long-term lease liabilities for the use of infrastructure facilities in the amount of KEUR 35,725 (previous year: KEUR 36,488). In the previous year this item included liabilities to non-controlling interests in the amount of KEUR 51,324. In October 2017 these non-controlling interests were acquired.

Deferred tax liabilities of KEUR 44,876 were reported as of 31 December 2017 (previous year: KEUR 66,120). These mainly decreased due to scheduled amortisation of the customer base.

Current other provisions decreased from KEUR 30,114 to KEUR 18,626. This is primarily attributable to the utilisation of the restructuring provision in the amount of KEUR 8,656.

Current liabilities to banks amounted to KEUR 43,393 (previous year: KEUR 25,955). The increase is mainly due to the utilisation of KEUR 20,994 from the revolving credit facility available to Tele Columbus.

2.3.5 Overall Conclusion

The financial performance, cash flows and financial position forms the situation in 2017 of the Group. Tele Columbus has sufficient liquidity and is soundly financed. As a result of the acquisitions and the investments made in the cable network, the planned growth strategy was successfully implemented. The company is in an excellent position to further expand its market position in the coming years and successfully continue implementing its growth-oriented strategy. The growth in 2017 has slowed down slightly due to the intensive integration measures and fell short of internal expectations. Management is confident, though, that they have taken the right measures to establish the basis for continued growth.

3. Subsequent Events

Please refer to the Notes to the Consolidated Financial Statements concerning the events of particular importance that have occurred since the end of the reporting period.

4. Report on Expected Developments

4.1 Purchasing power in Germany continues to grow

In the opinion of the Kiel Institute for World Economy (IfW), economic output in Germany is expected to rise by 2.5 % in 2018 (2017: 2.3 %). The driving force is no longer just a return to growth in consumption but also exports and investments. The reason for growing consumption are the very good prospects for employment and income. Due to the good position of the target markets, exports will increase significantly in 2018 and 2019. According to forecasts, investments are also expected to pick up again. Overall, construction investment in particular continues to exhibit strong growth.

4.2 Industry forecast

According to Tele Columbus, the cable market remains on track for success. The company bases this view on industry developments over the past few years, the federal government‘s interest in the achievement of broadband targets and the resulting initiatives, as well as the expectations of German and European competitors, which are expressed in their respective public announcements. In modern societies, digitisation is the main driver of progress, growth and social participation. The demand for high bandwidths is already significantly higher today and will increase greatly in future. Applications such as ultra-HD television or virtual reality, and in general the Internet of Things will drive up bandwidth requirements.

According to the industry association ANGA, German cable network operators are technically well equipped to handle the increasing demand. Consumers are increasingly demanding broadband connections over 50 Mbps up to 400 Mbps. Moreover, in the reporting year the cable network operators introduced the new DOCSIS 3.1 transmission standard, which will provide gigabit access for large sections of the population.

At the same time, Germany lags far behind in the development of a high-performance broadband network when compared with other European countries, since many rural areas are still undersupplied. The Federal Support Programme Breitband is however creating increased local initiatives that will ensure broadband penetration through targeted expansion of the fibre optic network.

Management is aware of regulatory issues and considerations of amendments to the German Telecommunications Act and has taken this into account in the planning. At present no insight is available about changes that will significantly impact the Group or their competitive situation.

4.3 Expected development of the Group and key figures

Tele Columbus AG works with annual, medium and long-term planning as well as intra-year forecast models. The planning approach is standardised and, using the strategic assumptions of the company management, is based on the top-down method. Final approval for annual planning is given by the Board of Management and the Supervisory Board. The planning for the 2018 financial year was presented to the Boards in January 2018 and approved by them. The forecast period described below is one year and is supplemented by medium-term forecasts.

After the successful integration of PrimaCom, 2018 will be marked by the final integration of pepcom. These successful integrations will form a company that, with an integrated and highly efficient network, optimised processes and structures, an efficient cost structure, and with our new brand identity and financial flexibility, is capable of acting in this dynamic environment.

In addition to the operative business, the main focus was on integration and the achievement of the goals set. The objectives remain to increase the synergies and the ongoing standardisation of operational business. In addition to the integration initiatives, intensive work is being carried out on our strategic projects “Upgrade” (upgrade of NE4) and AdvanceTV. Both form the basis for further customer growth and a significant increase in strategic margins.

While the customer base for TV services is expected to decrease overall, at the same time the ARPU for these services is expected to rise. The main reason for this development is expected to be the increase in revenues from premium TV services, also due to a growing number of premium TV customers. The B2B is also expected to contribute more and more to growth

The share of connected residential units, supplied via the company’s own NE3 network, should continue to rise. This will reduce signal charges due to the lack of dependence on third-party suppliers, which will have a positive effect on the trend in earnings and margins. The Group will tap into more households by providing feedback capability, i.e. marketable for internet and telephony services. Based on the figure at the end of the 2017 financial year of 65 % (previous year: 63 %), this proportion is expected to rise by approximately 3 percentage points by the end of the new financial year. The Group continues to target a 71 % share of the portfolio of equipped residential units in the medium term.

Supported by new product launches in the TV area with the new AdvanceTV platform in January 2017, the Group aims to develop into a digital entertainment company. In addition, the launch is expected to support growth, both through new services and through new customer terminal equipment. At the same time, the broadband core business will be continued, with further high investments in network infrastructure. The attractive and unified product portfolio supports the short- and medium objective of increasing the RGU, the products and services sold per end customer, to around 1.8 within one year. The increasing penetration of the portfolio with internet and telephony services, and the resulting improvement in the product portfolio with a higher proportion of high-margin products, are expected to have a positive impact on sales and earnings growth.

In order to continue as an innovation leader, Tele Columbus is expanding its networks in a hybrid fibre optic structure to reflect demand, and relies on the most modern internet transmission standard DOCSIS 3.1. In preparation for the upcoming exit from analogue signal broadcasting, the stage is being set for deployment of the most up-to-date cable internet transmission standard, DOCSIS 3.1. This will then enable us over coming years to make gigabit connections available in selected regions of Germany. Currently, DOCSIS 3.0 internet connections with up to 400 Mbps are achievable. From analogue, digital and high-definition television to high-speed internet and telephony, to telemetry services, tenant portals and interactive services, all innovative media applications can be offered via the broadband cable. At the same time, Tele Columbus is not limited to the simple transmission of signals; it works actively through its own product platform to expand the range of programmes offered and the development of additional services. As a carrier, Tele Columbus moreover provides high-performance connections and networks for business customers via the company HL komm.

The expansion of services offered into other cities supplied by Tele Columbus in 2018 will strengthen its competitive position. The launch of our new, uniform brand PŸUR will also have a positive influence on brand recognition.

According to our strategy, a monthly ARPU from all services of slightly more than EUR 18 (previous year: EUR 17) is expected for the coming year. The monthly ARPU from all services should increase in the medium term to EUR 18. This target has not yet been updated to reflect the positive development in the previous year. This is mainly driven by the marketing of high bandwidths. This strategy is being pursued consistently and successfully by Tele Columbus. In light of this, the Group expects revenue growth in the mid-single-digit percentage range for the 2018 financial year. In this context, the operating key figures should develop slightly above the figures for the 2017 financial year. For the financial year 2018, the Board of Management of Tele Columbus AG expects an approximate increase in normalised EBITDA between EUR 280 and 290 million.

The merger of the networks and efficient use of the network will continue to require more project-based investments. In the financial year 2018 these are expected to generate approximately 30 % of revenue. The share of investments in proportion to revenue was 31.3 % for the year 2017 as a whole, which is slightly below the latest expected investment ratio of 35.0 %. In the course of the year, Tele Columbus has reacted to this development and adjusted the planned share of investments in proportion to revenue for 2017 to approximately 30 %. In the medium term investments are expected to approach the usual market level and thus decline.

At the Munich-Unterföhring site, job cuts and relocations to the target sites in Berlin or Leipzig will have been almost entirely carried out by the end of the first quarter of 2018 / beginning of the second quarter 2018 with the exception of all the permanent positions planned there in target companies. The full synergies of these measures should be realised from the second quarter of 2018 when the migration of the ERP and BSS systems will have been completed as planned. The target organisation aims to have a staff structure that is oriented towards the industry and the competitors.

In addition to the strategic and qualitative benefits of integration, this will above all bring about economic benefits in the form of synergies. In this context, in the current financial year expenses were incurred that are not attributable to operating activities and are therefore reported as non-recurring expenses. Until the completion of all integration measures and the realisation of all synergy potential in the medium-term planning, costs of a factor of approximately 1.0 of the targeted synergies are expected. According to internal estimates, Tele Columbus expects synergies of approximately EUR 40 million from the 2018 financial year onwards. The greatest savings are expected in the costs of operating the network infrastructure and personnel-related costs.

4.4 Overall conclusion

The 2017 financial year was, like the previous year, marked by integration initiatives. As a listed and independent company in the market, Tele Columbus was able to expand its growth potential in a targeted manner. Its competitive position is stronger than in the past. Tele Columbus is now a company whose size allows it to make efficient use of structures, achieve economies of scale on the cost side, and given it a strong position in the competition for customers. The positioning in the market will be supported in particular by the successful introduction of our new brand PŸUR.

Assuming a successfully completed integration in 2018, Tele Columbus will continue to focus on strong growth in the future. The positive trend and the result adjusted for one-off effects in 2017 confirm that the right strategic objectives are being pursued. Organic growth, expansion of the B2B, the acquisition of additional networks and the realisation of synergies from the integration process are being systematically pursued.

5. Risk Report

5.1 Risk Management System

Basic classification

For Tele Columbus, the early identification, analysis and management of potential risks is an elementary part of the company's strategy. This is based on the insight that if the principles of a functioning risk management system are applied consistently, this will also give rise to the possibility of recognising and exploiting opportunities. In order to identify risks and opportunities at an early stage and to deal with them consistently, Tele Columbus employs a risk management system that also includes the early detection system provided under section 91 (2) of the German Stock Corporation Act (AktG). The risk management system regulates the identification, recording, assessment, documentation and reporting of risks. In this way the overall risk position is always kept within tolerable limits. There are currently no identifiable significant risks to the company's success.

The basic design of the risk management system follows the internationally recognised COSO Enterprise Risk Management Framework (COSO: Committee of Sponsoring Organisations of the Treadway Commission) in the version current until 2017. In this context, Tele Columbus pursues a holistic, integrative approach that combines risk management systems, an internal control system and a compliance management system into a single management approach (governance, risk & compliance approach). The structure of the risk management system and internal control system in accordance with the COSO Enterprise Risk Management Framework ensures that control and monitoring activities are aligned with the company's objectives and their inherent risks and ensures comprehensive coverage of possible risk areas; it does not cover opportunities.

The internal control system includes all the rules and measures, principles and procedures that have been established in order to achieve company objectives. In particular, it is intended to ensure the security and efficiency of the business process, the effectiveness, efficiency and regularity of accounting and compliance with the relevant legal requirements, and the reliability of financial reporting.

Further presentations on the internal control system and compliance management system are given in the statement on company management pursuant to section 289a HGB, contained in the Corporate Governance Report and on the internet pages of Tele Columbus AG, at the internet address www.ir.telecolumbus.com in the Corporate Governance section.

The Board of Management is responsible for risk management, compliance management and the internal control system. The Supervisory Board and the Audit Committee monitor their effectiveness.

Structure of risk management

The risk management system consists of rules for identification, recording, evaluation, documentation and reporting, implemented uniformly throughout the Group.

The goal of risk management is the systematic recording and evaluation and thus the conscious and controlled handling of risks and opportunities within the company. It is intended to enable Tele Columbus AG to recognise unfavourable developments at an early stage, in order to be able to take countermeasures in a timely manner and to monitor them. A well-designed and properly implemented risk management system enables the management and the supervisory bodies to gain a sufficient degree of certainty about the company's achievement of targets. The risk management of Tele Columbus thus focuses on those activities that significantly influence future earnings and are of importance for the future prospects of Tele Columbus.

Risks are systematised in the risk management system according to the following procedure:

- Risk identification: the risks are recorded twice a year as part of the risk cycle
- Risk assessment of the identified risks according to the level of damage and probability of occurrence using the gross / net method
- Risk management and control: identification of early warning indicators and thresholds, determination of countermeasures and establishment of risk communication for risks subject to ongoing and ad hoc reporting
- Risk monitoring / risk updating, in order to ensure implementation of the measures as well as the systematic recording and reporting of risks which could jeopardize the existence of the company
- Risk reporting, which is divided into the standard reporting within the framework of the regular risk cycle and ad hoc reporting in the case of sudden risks with a significant impact on the assets, financial and earnings position
- Documentation of the risk management system to ensure long-term functioning independent of specific individuals

The risks identified are catalogued and reported in the Tele Columbus Group according to the following risk categories:

- Industry-specific risks
- Legal and regulatory changes
- Operational risks
- Brand, communication and reputation
- Legal proceedings, antitrust and consumer protection procedures
- Financial risks
- Compliance risks
- Project risks

Status of risk management

In 2017 management of risks was carried out centrally for the entire Group.

In the next few years other central measures to improve risk management will be, in particular, the expansion of the risk inventory, with increased involvement of personnel, compliance and project risks, as well as the associated creation of greater granularity within the identified risks. There should moreover be a further refinement of the description of measures and controls for mitigation of the identified risks, and monitoring of implementation of the measures defined for risk mitigation should be further improved. The starting point and connecting factor here are the requirements laid down for risk management systems with capital market-oriented companies. The constant updating and further development of risk management represents an ongoing, high-priority task for the management.

The goal of this risk management is a strong interlinking of the governance components of risk management with internal control systems and compliance management, to be supplemented from mid-2018 onwards by supportive auditing activities of the internal auditors.

5.2 Key Features of the Accounting-Related Internal Control and Risk Management System

The overall objective of the accounting-related internal control and risk management system is to ensure compliance of financial reporting in the sense of ensuring that the Consolidated Financial Statements and the Group management report comply with all relevant regulations.

As described in section 5.1, the ERM approach is based on the Enterprise Risk Management - Integrated Framework (in the version current at end 2017), which is accepted worldwide and was developed by the COSO. Since one of the objectives of this framework is to ensure reliability of financial reporting, its perspective is also implicitly accounting-related. Identified risks and loopholes discovered in the control system are eliminated by implementing and monitoring new controls.

The Board of Management of Tele Columbus AG assumes responsibility for the creation and effective maintenance of appropriate controls over financial reporting, and at the end of each financial year it assesses the adequacy and effectiveness of the control system.

The group-wide uniform accounting guidelines and the chart of accounts, which are in each case provided by the finance department and are consistently implemented by all Group companies, form the conceptual framework for preparation of the consolidated financial statements. New laws, accounting standards and other official pronouncements are continually analysed with a view to their relevance and impact on the company‘s Consolidated Financial Statements and consolidated management report. If necessary, our accounting guidelines and chart of accounts are adjusted accordingly. The conceptual and deadline requirements as well as monitoring compliance therewith are intended to reduce the risk that Tele Columbus will not prepare and disclose the Consolidated Financial Statements in the proper manner, and by the required deadlines.

The information basis for preparation of the Consolidated Financial Statements is the financial information reported by Tele Columbus and its subsidiaries in their financial statements, which is in turn based on the accounting entries recorded in the companies. Tele Columbus provides services to individual subsidiaries for the preparation of financial statements, the general ledger, accounts receivable, accounts payable, asset accounting, and wage and salary accounting. In addition, for some areas that require specialised knowledge, such as the measurement of pension obligations or share-based compensation, we are supported by external service providers.

The Consolidated Financial Statements are prepared in the consolidation system based on the information reported in the separate financial statements. The consolidation procedures as well as the monitoring of compliance with the conceptual and deadline requirements are carried out by employees responsible in the consolidation departments at the levels of the individual subsidiaries, as well at corporate level.

All the steps required in preparation of the Consolidated Financial Statements are manually scrutinised at all levels and also subjected to technical controls. During this process, the financial statement information supplied is checked using automated systems to ensure correlation within the reporting system and consistency.

The employees involved in the financial reporting process are checked for professional aptitude at the time they are appointed and are then regularly trained thereafter. The dual control principle is applied as a basic standard at all levels. In addition, financial statement information must pass through certain approval processes at every level. Other control mechanisms include variance analyses and analyses of the composition of content, and changes in individual items in the financial statement information reported by Group entities and in the Consolidated Financial Statements.

Access permissions are configured on IT systems related to financial reporting, so as to ensure that reporting data is protected against unauthorised access, use, and alteration. Each company included in the Consolidated Financial Statements must comply with the rules issued centrally on information security. This is to ensure that the users of such IT systems only have access to the information and systems they need in order to carry out their tasks.

The Supervisory Board is also integrated into the control system through the Audit Committee. In particular, the Audit Committee monitors the accounting process, the effectiveness of the control system, the risk management system and the final audit. In addition, it is responsible for examining the separate financial statements of Tele Columbus AG and the Consolidated Financial Statements, and for discussing the separate financial statements of Tele Columbus AG, the Consolidated Financial Statements and the Management Reports on these financial statements with the Board of Management and the auditor.

5.3 Risks

The risks described in the context of risk reporting are summarised below and are presented in accordance with the abovementioned risk areas. In principle, all material risks are relevant that could occur now or in the next two years.

The risks described above, either alone or together with other risks and uncertainties of which the Tele Columbus Group is currently unaware or which it may currently consider insignificant, could significantly impair the Group‘s financial position and performance.

The existing risks are divided into three risk classes:

- Risk Class A: critical risks that require action, as these risks endanger the success of the company or put the existence of the company at risk. These risks are avoided or transferred to third parties (red).
- Risk Class B: latent risks that may require action. These risks are selectively managed (yellow).
- Risk Class C: risks for which there is currently no need for action. These risks are accepted (green).

The risks identified in the company are classified using the following matrix, based on the likelihood of occurrence and level of damage of the net risk determined, in other words considering appropriate countermeasures.

Net risk in TEUR

Likelihood of occurrence	in-significant	percep-tible	sub-stantial	critical
81–100 %	3	8	0	0
51–80 %	1	11	2	0
11–50 %	16	32	7	2
≤ 10 %	20	15	7	3
Level of Damage	< 100	100–999	1,000–6,999	> 7,000

The Group has reported a total of 188 individual risks, which were consolidated to 127 risks and assessed at that level.

Based on these risk categorisations, all risks described below, according to their net evaluation, which means taking into account corresponding countermeasures, are found, with their impact, in risk classes B and C. Thus no risks are currently regarded as critical or found to be substantial. Moreover, the majority of the risks have a low or medium likelihood of occurrence.

The order in which the risk factors are presented is neither a statement on the probability of occurrence nor on the significance and magnitude of the risks, nor on the extent to which the Group's business could be impaired. The risks described may arise individually or cumulatively.

The aforementioned risks refer equally to the segments TV and Internet and Telephony due to the technical connection between the segments, based on the shared usage of a network. The risk classes are also applied to the segment Other.

5.4 Industry-Specific Risks

Strong competition

Tele Columbus is exposed to considerable competitive pressure in the cable and telecommunications market, which could lead to rising supplier prices. Moreover, the announced growth targets might not be achieved if the number of customer cancellations cannot be (over)compensated by the acquisition of new customers. Here, the Tele Columbus Group is also dependent on innovations and on further developing existing products and services or introducing new ones.

Tele Columbus competes with well-established providers, some of which are large global telecommunications companies. In addition, new suppliers with relatively new technologies could crowd the market or possible further market consolidation could increase the competitive pressure (latent risk).

Falling prices / revenue

The Group is exposed to significant price pressures in all business areas, as regional markets are partly saturated and new customer acquisition is only possible there by targeting the customers of direct competitors. The industry is subject to rapid technological change, and the density of competition in the markets is increasing as a result of further technological developments. This has exerted strong downward pressure on prices in recent years for such traditional offers as, for example, fixed-line telephony and internet access (latent risk).

On the other hand, in July 2017 the antitrust authorities ruled in favour of cable network operators in a legal dispute that had lasted many years, between cable operators and public broadcasting companies, to do with feed-in tariffs. As a consequence, the public broadcasting companies once again have to pay entry fees to the cable network operators.

Network expansion

As a result of the extensive investment of our competitors Vodafone and Deutsche Telekom, capacities for underground construction work are restricted for a limited period. The consequence of this is firstly that we are unable to carry out our infrastructure projects and regular construction work on schedule, and secondly that this could cause inflated prices being demanded by construction firms that are at present still freely available. In the event of commitments to other licensors or customers, if there are delays this could lead to compensation payments. Additionally, planned revenue might only be achieved after a delay (latent risk).

Changeover from analogue to digital signal

In Bavaria and Saxony, the changeover to purely digital broadcasting of radio and television via cable is a statutory requirement. In both these federal states the changeover has to be completed by the end of 2018 for all cable networks. For cable network operators, the countrywide changeover to solely digital programme broadcasting is a major undertaking. It is therefore expected that in some regions full digitisation of the cable network will only be achieved at the start of 2019. Digitisation of some portfolios is in preparation based on this legal background. Analogue products will not be actively marketed in future (insignificant risk).

5.5 Legal and Regulatory Changes

Tele Columbus is exposed to general risks arising from changes in the regulatory environment from legislation or from other regulations. Such regulations concern, in particular, the German Telecommunications Act (Telekommunikationsgesetz), the media laws in the federal states, as well as in general labour, consumer or tax law. As a result of the restriction of the company’s business activity to Germany, any changes in the legal environment are not to be expected to be sudden, so that a sufficient response time is ensured.

Data protection

Bearing in mind the progressive digitisation taking place in society, the issue of data protection is also becoming increasingly important. The lawmakers have recognised there is a special need for protection here and have issued the EU Basis Regulation on Data Protection, which will come into force from 28 May 2018. Currently this still implies a degree of legal uncertainty. Owing to the very high penalties it lays down for breaches, there is not insignificant intrinsic risk for companies. Yet existing data protection laws also contain a number of unclear points. So far, no long-standing and uniform legislation exists. The possibility that consumer associations have had since 2016 to issue warning letters or file for an injunction increases this risk. Overall, we consider these changes, to represent a significant, albeit it unclear, risk (latent risk).

Regulatory decisions

The telecommunications market is a regulated market in which the Federal Network Agency intervenes strongly. Individual regulatory decisions may have the effect of slowing down business. Among other things, declining termination charges for fixed-line connections could lead to declining sales. Essentially there is uncertainty as to what regulatory decisions will be taken in future. In addition, government subsidies and other regulations could favour competitors and adversely affect our own competitive position (latent risk).

Transfer obligations

In addition, the Tele Columbus Group is subject to transfer obligations with regard to the provision and dissemination of mandated broadcasts, which in principle necessitates resource planning. Furthermore, end customer contracts are subject to monitoring by consumer protection organisations (latent risk).

5.6 Operational Risks

IT risks

In the course of its business operations, Tele Columbus makes substantial use of IT systems whose operations can be disrupted or interrupted through outside influences (environmental, building work etc.).

To this must be added an increasing risk from IT-related crime (data theft, blackmail, CEO fraud etc.). More and more companies find themselves exposed to these dangers and have to take appropriate countermeasures. Tele Columbus limits these risks by the use of current firewall and antivirus programs, continuous monitoring of the IT landscape, use of a standalone network, and through the prompt securing and reproducibility of data relevant to operations. Awareness-raising among employees on the issue further reduces the risk (latent risk).

Risks from IT / NT network operations in Germany

Continuous expansion and constant optimisation of existing cable networks must also continue in the future in order to remain competitive in the long term. Outdated networks, the failure or disruption of the services, or insufficient network structure capacity could otherwise result in reduced sales due to customer losses or claims for damages. To counteract this Tele Columbus has organised the appropriate emergency management (latent risk).

Customer satisfaction

For the customer-oriented business of Tele Columbus, customer satisfaction is a fundamental benchmark for the services it provides. Especially customer service should be seen in this context. Since Tele Columbus works together with various service providers in the area of customer service, there is always the risk that these service providers will not perform the agreed services as expected. In that we see the risk that customers, owing to unsatisfactory service, would cancel their contract, or that potential customers might choose another provider. To counteract this, we have adopted comprehensive measures to ensure we achieve a high level of customer satisfaction (latent risk).

Dependency on suppliers

Both for network expansion and for the hardware required (TV box), only a finite number of providers are available on the market. In individual cases this could lead to a poor negotiating position or to limited capacities. Tele Columbus works to offset this with professional buyers and appropriate contract periods (insignificant risk).

The company is increasingly reliant on the outsourcing of services within its operating business. Failure or a separation of strategic partners such as D&S in the area of customer service, or sales agencies or postal service providers, could mean temporary impairments in the operating business (insignificant risk).

Risks from contract performance

In the case of some contractual models with TV broadcasters, Tele Columbus has undertaken to accept or remarket minimum volumes. If the minimum volumes are not reached, there could be claims for compensation on the part of contractual partners (insignificant risk).

Personnel risks

In order to realise its strategic and operational objectives, the companies headed by Tele Columbus AG are dependent on qualified specialists and executives. With regard to the acquisition and retention of qualified employees, the Group must measure itself against the competitiveness of the market. The ongoing updating and further development of its personnel concept represents an ongoing, high-priority management task (insignificant risk).

5.7 Brand, Communication and Reputation

New brand – PŸUR

Since October 2017 Tele Columbus has presented itself with a new brand, a new brand design, and a unique product concept, under the brand name “PŸUR”. The new brand design emphasises PŸUR’s claim to simplicity and transparency, but it does involve the risk that customers and business partners do not accept the new brand name in the way we would wish. This could render it difficult to win new customers; a loss of the regional recognition of the original names Tele Columbus, PrimaCom and cablesurf could lead to the loss of established customers. There is also in principle the risk of breaches of competition law and of legal attacks against the brand. To counteract this, professional agencies and consultants were chosen for the new branding, and appropriate market analysis was performed, as well the production of expert opinions and marketing initiatives. Overall, the Group see the new brand as a great opportunity to position itself even better in the market (latent risk).

5.8 Legal Proceedings, Antitrust and Consumer Protection Procedures

Current legal disputes

Tele Columbus Group is currently exposed to two significant legal disputes. These are claims for additional payment by VG Media GmbH (risk approximately EUR 1.2 million) and proceedings initiated by Medienanstalt Berlin-Brandenburg (MABB) relating to our feed-in model (risk > EUR 1 million). It is not possible at this time to say with absolute certainty how Tele Columbus Group’s prospects for success should be gauged (latent risk).

General risk from litigation

The Tele Columbus Group is moreover subject to risks which could arise from legal or arbitration proceedings with authorities, competitors and other parties. This especially applies to disputes in patent infringement proceedings, claims brought by sales agents, and consumer protection claims. The legal department of Tele Columbus has the skills needed to assess and react appropriately to such risks. For court litigation external law firms are also called in (latent risk).

5.9 Financial Risks

Through its business, Tele Columbus AG is exposed to various risks of a financial nature, in particular liquidity and interest rate risks.

The risk management of Tele Columbus is designed to identify possible risks and to minimise the negative impact they may have on the Group's financial development. To this end, Tele Columbus has financial instruments available such as interest rate hedging transactions, sales of receivables and the use of credit lines.

Financial risk management is mainly carried out by the treasury department on the basis of principles for the separation of tasks and monitoring. Financial risks are identified, assessed and secured in consultation with the operating units. Tele Columbus AG is subject to written rules for certain areas such as interest rate risks, credit risks, the use of derivatives and other financial instruments, and the use of excess liquidity, which is essentially regulated by its facility agreements. Reporting to the Board of Management takes place according to a regular cycle.

Liquidity risks

In the medium term, at the level of the respective operating subsidiary and of the Group as a whole, the current business transactions mirror the budget data. A liquidity forecast oriented around a fixed planning horizon, and available, partially used credit lines in the Tele Columbus Group as of 31 December 2017 are intended to ensure provision of liquidity on an ongoing basis. As part of safeguarding the liquidity of the subsidiaries, the existing cash pooling procedures were extended to all companies of the Group.

At the end of the 2017 financial year, the Tele Columbus Group had a revolving, partially used credit line totalling KEUR 50,000. Regular and comprehensive reporting is made to the Board of Management on ongoing liquidity (latent risk).

In addition, the Group is required to obtain borrowed capital on reasonable terms for refinancing its current business or for acquisitions. As part of the financing agreement, various obligations were to be met as of the reporting date. In the event of default, the lenders had the option to declare the loans due and payable. These are obligations under a financing agreement of the Group (Facilities Agreements). The financial covenants include a statement on the Group's total debt ratio as well as a defined EBITDA amount and presentation of gross assets, which are reviewed quarterly. The liquidity risk in the event of non-compliance with these requirements amounted to KEUR 1,368,370. As of the reporting date. The Board of Management expects, based on the Group's planning, that the covenants will be held for at least the next two financial years (insignificant risk).

Furthermore, the Group did not have all the financial resources available at the end of the year (restricted cash 2017 in the amount of KEUR 1,168). (latent risk).

Interest rate risks

Long-term variable-interest financial instruments with interest rates linked to a market rate such as EURIBOR are subject to a risk of future cash flows. The market interest rate is monitored in order to take appropriate measures to hedge or manage the interest rates when necessary.

Tele Columbus uses two interest rate caps (interest ceiling at 0.75 % versus 3-month EURIBOR) acquired in February 2016, each with a nominal value of KEUR 550,000 and a term to December 2020. A significant increase in the EURIBOR thus only leads to a significantly limited increase in the interest expenditure of Tele Columbus AG (insignificant risk).

Risks related to the financing structure

The level of debt has increased slightly compared with 2016. Due to the renegotiation of the conditions for the existing term loans, it was however possible to obtain a reduction in interest charges in the long term. In this context, a term extension was also obtained until 15 October 2024. Tele Columbus actively uses derivative financial instruments and is thus only exposed to limited risk arising from fluctuations in interest rates and the resulting cash flows. Therefore, a significant increase in the EURIBOR would only partially lead to a significant increase in the interest expense of Tele Columbus. As a result, interest rate developments were subjected to close monitoring in order to take appropriate measures if the risk position changed. The existing gap in collateral was closed by the purchase of corresponding interest rate caps through the newly established hedging system (insignificant risk).

Tax risks

The Group is exposed to tax risks, since external tax audits can lead to additional payments.

In connection with the spin-off by which the company acquired the operative business of Tele Columbus Beteiligungs GmbH (formerly Tele Columbus GmbH), it could be exposed to tax risks for financial years 2009 to 2013 due to the company audit. At the moment an external company audit of Tele Columbus Beteiligungs GmbH and its subsidiaries for the period from 2009 to 2012 is in progress.

Due to the potential tax exposure, a tax burden for Tele Columbus Beteiligungs GmbH is expected, which the Group discloses under Other Provisions as a result of the follow-up liability (insignificant risk because already accounted for in the annual financial statements).

5.10 Compliance Risks

The aim of compliance is to guarantee that management is performed in an exemplary fashion from a legal standpoint at all times and in every respect. Possible breaches of regulations in law and reporting requirements, breaches of the German Corporate Governance Code, or a lack of transparency in corporate management can pose a threat to compliance with rules. For this reason Tele Columbus has established a code of conduct valid for the entire Group and set up various guidelines to give employees concrete rules of conduct for various professional situations. In addition, employees are given systematic training in the areas of data protection, antitrust law and corruption.

To prevent possible breaches, Tele Columbus has set up a compliance committee, which has the task of creating processes and structures by which conceivably illegal actions can be recognised early and the appropriate counter-measures launched. The work of the compliance board is led by the Group’s chief compliance officer.

In light of our effective compliance structures we regard the occurrence of compliance risks as unlikely but cannot fully rule out moderately adverse effects on the Group's financial performance. Accordingly, we class the risk from general compliance for the group as insignificant (insignificant risk).

5.11 Risks Associated with Planned Integration Measures

The integration projects for the harmonisation of processes and systems of the companies PrimaCom and pepcom, additionally acquired in 2015, was successfully continued in 2017. Consolidation of the different hardware and systems was the special focus here.

In the context of integration, the company continues to see mainly opportunities for the future expansion of business. Risk management in connection with the integration is essentially carried out via the corporate area of the Chief Business Transformation Officer (CBTO). Besides the management of ongoing projects and processes, this corporate area is responsible for the implementation and ongoing planning of the integration measures. Consistent monitoring and, where appropriate, influencing measures being taken happens in a two- to four-week cycle, in consultation with the appointed department heads and the staff from the CBTO department in charge of integration.

Risks from process changes

In order to be able to utilise effectively the potential from merging different companies, often it is necessary to carry out change / optimisation of processes. In this context it cannot be ruled out that newly introduced processes do not yet match up to expected performance and quality (latent risk).

Risks from supply formats and data

In particular in the case of newly acquired companies it can occur that supply formats differ from those of the Tele Columbus Group and/or data is not available of sufficient quality as to guarantee problem-free integration. This can lead to increased staff costs and possible delays, and in the worst-case scenario to data loss (latent risk).

Personnel risks

In connection with the integration, a large-scale reorganisation of tasks and posts occurred. The consequence of this was that long-serving employees both at processing level and at middle management level have left or will leave the Group. However, it was possible to take steps either to encourage those with knowledge and expertise to stay loyal to the company, or to establish the corresponding know-how through new staff or temporary staff.

Unplanned delays in the projects could mean that the corresponding internal staff capacities are not available in sufficient quantity. To counteract this, external capacities were secured as a precaution (insignificant risk).

6. Report on Opportunities

6.1 Opportunity Management

The opportunity management of Tele Columbus is currently being developed into an in-house management system. The aim is to recognise opportunities as early as possible, to weigh them up against possible risks, and to exploit them in consideration of suitable measures. Management of opportunities is done locally by the competent departments.

Due to the Group's competitive strength, Tele Columbus identifies several future opportunities. Unless otherwise stated, these opportunities are relevant for all segments. The order in which the chances are presented is not a statement of the probability of their occurrence or significance.

6.2 Opportunities

Attractive German cable market

Tele Columbus offers its services and products in the German market, which is continuing to experience strong growth.

In distribution of broadband connections of all speeds Germany is in seventh place among OECD countries, although ahead of Great Britain, the USA and Japan. Networks with advertised reception speeds of 30 Mbps and more are available to more than 80 % of households. Over 75 % are even able to rely on connections in the speed category of 50 Mbps and upwards. On the other hand, significant supply gaps in connections at high reception speeds still exist, particularly in rural areas (status as of 4 October 2017, according to a study by the German Federation of Consumer Organisations (Verbraucherzentrale des Bundesverbandes e.V.)).

Tele Columbus sees special potential for growth of broadband internet above all in regions of northern and eastern Germany, since the majority of the Group's connected households are in these regions, and in eastern Germany broadband internet market penetration for both fixed-line and mobile lags up to 16 % behind the frontrunner in Germany, Hamburg (Kantar TNS D21-Digital-Index 2016). Great opportunities are offered here for the company to expand its own networks, and for strengthened cooperation with the rural counties and communities.

Growth potential for premium TV

By international standards the premium TV market is noticeably underdeveloped in Germany. Pay television is admittedly continuing to increase its relevance, but still offers considerable potential for growth. With our products pureTV HD', advanceTV HD and advanceTV HD Interactive', we offer our customers attractive products in the premium TV segment and see here a good opportunity to continue the growth.

Upgrade of existing networks and expansion of the fibre optic network

Tele Columbus invests roughly one-third of its revenue in modernising its cable networks, and moreover makes its knowhow gathered over years available for community broadband projects throughout Germany – whether as an operator of municipal networks, as in Markt Indersdorf, Raunheim or the Elbmarsch, or, for expansion projects, using subsidies to close economic gaps, as in Münnerstadt, Soyen or Burtenbach. Expansion is also carried on in cooperation with municipal enterprises and utilities, as in Ismaning, Aschheim or Dorfen. In addition, there are expansion projects undertaken for the Group's own economic purposes, as a partner of municipalities and housing associations in Brandenburg, in the Spreewald, Prignitz and Calau.

So in a very short space of time the former television cable networks have been or are being transformed into high-performance fibre optic multimedia networks which in most cases manage without state or federal subsidies. These activities offer Tele Columbus the chance to expand its market share and reduce its dependence on other network providers. Above all, by rapid expansion of its own networks, it is able to market its own products such as broadband TV, fast internet and telephone more quickly and in larger volumes.

Entry under a new brand name

Since October 2017, Tele Columbus uses the new brand name “PŸUR”. PŸUR wishes to meet its customers on an equal footing and place more value in future on clarity and transparency with its products and services. The uniform name supports the Group in its position as the third-largest cable network operator in Germany.

Furthermore, not only the economic but also the social and technological domains have been changed significantly as a result of increasing digitisation. The simultaneous use of different media, for example television and internet, has by now become a part of everyday life for many users. The demand for compatible cables and connections and for high flexibility has risen accordingly. Tele Columbus is responding to these demands with new and simple contractual models and fee schedules. Thus, for example, the products cable TV, internet, telephone and mobile can be booked individually and in each case can, after a period of three months, be cancelled with one month’s notice. Speeds of up to 400 megabits per second are able to meet the demands made by a modern society. In these new pricing models Tele Columbus sees a great opportunity to win new customers.

Further development of B2B

In particular through our subsidiary HL komm, activities have been further expanded in B2B. This company is headquartered in Leipzig and is active as a wholesale provider for business customers (B2B) and as a specialist for individual carrier services and business solutions in the market. Major WLAN projects, such as the creation of WLAN hotspots in gastronomic establishments, hotels or shopping malls, are by now also a part of HL komm’s day-to-day business. The telecom provider has, for example, installed the WLAN hotspots for the Leipzig CITY-WLAN in the inner-city area. For this, so far 120 WLAN access points have been installed, for example on the inner-city ring road and at tram stops. As a local partner, the company is involved in attractive infrastructure projects in under-served regions. Tele Columbus sees further growth potential for the Group here, including for bandwidth services and fibre optics. In order to further build on the success of HL komm, we are currently investing in an ultra-modern third data centre which is modular in design and can be extended as required. Medium-sized enterprises can operate their IT infrastructure in a high-security environment and use storage capacities under German data sovereignty. Connecting HL komm to the fibre optic network, and with a high energy efficiency level and multiple-configuration air conditioning and electricity feeds, the centre is expected to match up to the most demanding standards. It is planned to complete the first module by the start of 2018.

6.3 General Statement on the Risk and Opportunities Position from the Point of View of Group Management

In the B2B in particular, applications such as video streaming in HD quality, interactive services, video conferencing or the multiple use of connected devices will lead to increased demand for bandwidth. The broadband strategy of the federal government and the Telecommunications Act prepare the political and regulatory framework conditions. It is not predicted that the network of Tele Columbus will be regulated by the Federal Network Agency. Due to the Group‘s excellent infrastructure, which allows faster download speeds than DSL / VDSL connections, as well as the expansion of the Group’s own network and product portfolio for mobile, community Wi-Fi and advanced TV services, there is reason to believe that Tele Columbus has good chances of further extending its market position.

New applications and functionalities in the digital industry, such as IoT internet of Things‘, Industry 4.0‘, Cloud Services or Machine-to-Machine Communication will dramatically increase the demand for IP services, especially in the B2B HL komm, as a subsidiary of Tele Columbus AG, offers these services and will benefit from these developments.

Combining the various subsidiaries under a new and modern brand name offers the possibility of reaching new target groups and placing new products. With the new "PŸUR" brand, the companies of Tele Columbus AG stand out clearly from the competition and have been able to achieve high recognition value in a short time. The Group regards the branding as a possibility for reaching an even broader target group, one that goes far beyond its previous radius of action.

The cable and internet sector are however subject to intense competition. Consequently, the identification and management of potential risks is just as important for our company as the recognition and exploitation of opportunities. Tele Columbus possesses effective monitoring systems for dealing with risks early on and consistently. In our assessment, no risks are detectable for the forecast years that on their own – or in conjunction with other risks – could have a decisive or lasting adverse impact on the earnings, financial and asset position. The risks identified are not such as to pose a risk to the company's existence, nor will they in the future. At the time this report was prepared, the Board of Management therefore continues to assess the overall risk position as limited and controllable. Compared with 31 December 2016 there has been no fundamental change to the overall risk position; we still classify the majority of the facts and circumstances presented in the last annual report as an insignificant risk.

On the basis of the monitoring system described, Tele Columbus AG has taken the steps required to counteract developments that would threaten its existence. In the view of the Board of Management of Tele Columbus AG, the Group's continued existence has not been endangered at any time. Furthermore, at the time of reporting no risks are known that could threaten the company's existence or have a lasting adverse impact on the earnings, financial and asset position and thus create such a threat to its existence. The Board of Management assesses the overall risk position as controllable and is convinced that in future, too, it will be able to use the opportunities and challenges presenting themselves without at the same time having to bear an unacceptably high level of risk.

7. Management declaration pursuant to Section 289a HGB

The declaration on corporate governance pursuant to section 289a HGB is available on the internet pages of Tele Columbus AG under the internet address https://www.telecolumbus.com/investor-relations/ in the Corporate Governance section.

8. Non-Financial Declaration (CSR Report) according to Section 289b HGB

The non-financial declaration (CSR report) of Tele Columbus AG is contained in a separate report and will be available after publication on the internet pages of Tele Columbus AG under the internet address https://www.telecolumbus.com/investor-relations/ in the Corporate Governance section.

9. Information on Possible Takeover Offers

9.1 Presentation and composition of share capital

As of the reporting date, the subscribed capital of Tele Columbus AG amounted to KEUR 127,556. It consists of 127,556,251 no-par value bearer shares with a pro rata amount of the share capital of EUR 1.00 each, with full profit-sharing rights from 1 January 2015. The subscribed capital of Tele Columbus AG is fully paid up. There are no different share classes; all shares are subject to the same rights and obligations, each arising in particular from sections 12, 53a, 186 and 188 et seq. of the German Stock Corporation Act (AktG). The shareholders right to securitise their shares is excluded pursuant to article 4 (3) of the Articles of Association. Each share grants one vote at the Annual General Meeting of the company. The shares of the shareholders in the company's profits are determined by their shares in the share capital (section 60 AktG).

The shares of Tele Columbus AG are admitted to trading in the regulated market on the Frankfurt Stock Exchange and, at the same time, to the section of the regulated market with further admission requirements (Prime Standard). The first trading day of the shares was 23 January 2015.

9.2 Restrictions on voting rights or on the transfer of shares

Restrictions on the voting rights of the shares may arise in particular from the provisions of the German Stock Corporation Act. Under certain conditions, shareholders are, for example, subject to a voting prohibition in accordance with section 136 AktG when voting on their own discharge, the assertion of claims against it or the waiving of claims.

The shares are registered shares. There are no transfer restrictions.

9.3 Direct or Indirect Shareholdings Exceeding 10 % of the Voting Rights

Under the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), investors whose share of direct and indirect voting rights in listed companies has reached, failed to reach, or exceeded certain thresholds are obliged to notify the company.

As of the reporting date, the following companies and persons reported to Tele Columbus AG that they had exceeded the voting rights threshold of 10 %:

- United Internet Ventures AG: 28.52 %
  This interest is attributed to the following companies and persons: United Internet AG, Montabaur; Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft, Montabaur; Ralph Dommermuth Verwaltungs GmbH, Montabaur; Ralph Dommermuth, Montabaur.

- Ameriprise Financial Inv.: 11.46 %
  This investment is accounted for by the following companies: Ameriprise Financial Inc., MN, USA; Ameriprise International Holdings GmbH, Zug, Switzerland; Threadneedle Asset Management Holdings SARL, Luxembourg, Luxembourg; Threadneedle Holdings Limited, London, England; TAM UK Holdings Limited, London, United Kingdom; Threadneedle Asset Management Holdings Limited, London, United Kingdom; TC Financing Limited, London, United Kingdom; Threadneedle Asset Management Limited, London, United Kingdom; Threadneedle Investment Services Limited.

United Internet Ventures AG and United internet AG announced on 23 March 2016, pursuant to section 43 WpHG (formerly section 27a WpHG), that the investment has strategic objectives, that the acquisition of additional shares is planned within the next 12 months but the shareholding should remain below 30 %, that influence on the composition of the Supervisory Board would be exercised but not on that of the Board of Management, that no change in the capital structure is planned, provided that the growth policy can be financed without such a change. If not, a change in the dividend policy is envisaged.

On 23 March 2016, Ralph Dommermuth and its affiliates reported that they were not pursuing their own strategic objectives and would not be acquiring further shares directly within the next 12 months, at best an acquisition by United Internet AG or United Internet Ventures AG.

Threadneedle Investment Funds and its affiliates to which voting rights are attributed announced on 27 July 2016 that the investment would not pursue strategic objectives but trading profits, that no further voting rights would be acquired within the next 12 months and that no influence would be exercised on the composition of the Board of Management and the Supervisory Board. No change in the capital structure is being sought.

9.4 Shares with Special Rights that Confer Powers of Control

There are no shares with special rights conferring powers of control.

9.5 Appointment and Dismissal of Members of the Board of Management and Supervisory Board / Amendments to the Articles of Association

The appointment and dismissal of members of the Board of Management of the company takes place in accordance with the provisions of sections 84 and 85 AktG. Pursuant thereto, members of the Board of Management are appointed by the Supervisory Board for a maximum of five years. Pursuant to article 6 (1) of the company's Articles of Association, the Board of Management consists of at least two members. The Supervisory Board determines the number of the Board of Management members. It may appoint a Chairman and a Deputy Chairman of the Board of Management in accordance with section 84 of the German Stock Corporation Act (AktG) and section 6 (3) of the Articles of Association.

The members of the Supervisory Board are elected by the Annual General Meeting by a simple majority of votes for a maximum period of 5 years. The Annual General Meeting may decide on shorter-term appointments for individual members it elects, or for the Supervisory Board as a whole. A renewed appointment or extension of the term of office, in each case for five years, is permitted. Supervisory Board members can be removed by a simple majority of votes.

Pursuant to section 179 (1) sentence 1 AktG, the Articles of Association are amended by resolution of the Annual General Meeting. Resolutions of the Annual General Meeting on amendments to the Articles of Association shall be passed by a simple majority of the votes cast and by a simple majority of the share capital represented at the time of the resolution, in accordance with section 23 of the Articles of Association of the company in conjunction with section 179 (2) sentence 2 AktG unless otherwise mandatorily provided by law. There is no use made in the Articles of Association of the possibility of determining a majority higher than the simple majority in other cases.

Pursuant to Article 10 (4) of the Articles of Association, the Supervisory Board is entitled to make amendments to the Articles of Association that concern only the wording.

9.6 Powers of the Board of Management, in Particular with Regard to the Possibility of Issuing or Repurchasing Shares

9.6.1 Authorised Capital

Pursuant to a resolution of the Annual General Meeting on 15 May 2015, the Board of Management is authorised, with the approval of the Supervisory Board, to increase the company's ordinary share capital through the issue of new registered shares against cash or non-cash contributions once or several times, and in total by a maximum of EUR 1,925,693 (Authorised Capital 2015/I). This corresponds to approximately 1.5 % of the current capital stock. This authorisation will apply from 15 September 2015 to 14 May 2020.

9.6.2 Contingent Capital

The company's ordinary share capital may be increased by up to EUR 28,345,833 by resolution of the Annual General Meeting of 15 May 2015, by issuing up to 28,345,833 new registered shares, contingent on the registered shares (Contingent Capital 2015/I). This authorisation expires at the end of 14 May 2020. The Board of Management and the Supervisory Board are authorised up to 14 May 2020 to issue convertible bonds, warrant-linked bonds and similar instruments which may be converted into shares of the company. These shares would then be issued from the contingent capital. At present, this authorisation has not been exercised.

9.7 Significant Agreements of the Company Subject to the Condition of a Change of Control as a Result of a Takeover Offer and the Following Effects

On 2 January 2015, Tele Columbus AG and some of its subsidiaries entered into a financing agreement with BNP Paribas, among others, as agent and securities trustee. The credit agreement has been amended several times since. This includes, for example, extending the duration of the Facility A until October 2024 and further reducing the interest rate of Facility A. This financing agreement provides, among other things, for the granting of a term loan of KEUR 1,305,000 (Facility A), a further term loan of KEUR 25,000 (Facility B / after a voluntary special redemption payment of KEUR 50,000) and a revolving working capital facility of KEUR 50,000. In the event of a change of control, the agreement provides for an individual right of termination by the lenders. A change of control occurs when a person, or persons acting in concert, (a) acquire(s) (directly or indirectly) more than 50 % of the ordinary shares of the company, (b) can exercise or control more than 50 % of the voting rights present at an Annual General Meeting, and/or (c) acquire(s) the necessary powers to appoint or dismiss the majority of the members of the Supervisory Board of the company elected by the shareholders. The termination results in an immediate claim to repayment on the part of the lenders. Their obligation to participate in future drawings under the loans (except in the case of rollover draws) ceases to apply.

9.8 Compensation Agreements of the Company made with the Members of the Board of Management or Employees in the Event of a Takeover Bid

If a shareholder holds more than 30 % of the voting rights, the directors have the right to terminate their service contracts within six months after the change of control. In the event of such termination, the members of the Board of Management shall be paid the compensation they are entitled to receive from their employment contract until the end of the term, a maximum of two years compensation, paid as a one-off severance payment. The calculation of the compensation is based on the total remuneration of the last completed financial year and where appropriate on the expected overall compensation for the current financial year. By means of an amendment agreement of 24 July 2017, the service contract of Ronny Verhelst was cancelled with effect from 31 January 2018. Ronny Verhelst resigned from his position as Chairman of the company's Board of

Management and as Managing Director of various subsidiaries with effect from 31 December 2017. The service contract of Timm Degenhardt (Board member since 1 September 2017 and Chairman of the Board of Management since 1 January 2018) ends in August 2020. The service contract of Frank Posnanski ends in September 2020.

10. Key Management Compensation Report

The Key Management Compensation Report is part of the Group Management Report of Tele Columbus AG. It explains the system of compensation structure for the Board of Management and the Supervisory Board of Tele Columbus AG in accordance with legal requirements and recommendations pursuant to the German Corporate Governance Code. The Key Management Compensation Report also contains mandatory information concerning the management positions required under the German Commercial Code (HGB) and IFRS (IAS 24). For the Consolidated Notes to the Financial Statements this information is presented pursuant to section 314 HGB and for the Management Report it is pursuant to section 315 HGB. The Notes to the Financial Statement summarise the information contained in the Key Management Compensation Report where required.

10.1 Compensation of the Board of Management

10.1.1 The Board of Management Compensation system

The Supervisory Board determines the appropriate compensation for the individual members of the Board of Management. The appropriateness of the compensation is determined according to tasks and performance as well as the overall situation of the companies of Tele Columbus AG. In this determination, the total compensation may not exceed the usual compensation without special reasons. The compensation structure is geared towards sustainable corporate development.

Members of the Board of Management in the 2017 financial year were Ronny Verhelst (Chief Executive Officer, CEO), Frank Posnanski (Chief Financial Officer, CFO) and Timm Degenhardt (Board member since 1 September 2017 and Chairman of the Board of Management since 1 January 2018). The compensation of the Board of Management is determined by taking the size of Tele Columbus AG, its economic and financial situation, its success and future prospects, the usual amount and structure of management compensation in comparable companies and the internal salary structure into account. In determining this, the Supervisory Board also took the ratio of the Board of Management compensation to the compensation of senior management and the workforce as a whole, including the development of this over time into account. Further criteria are the individual tasks and performance of the individual members of the Board of Management. The structure and appropriateness of the compensation of the Board of Management is reviewed regularly by the Supervisory Board.

The total compensation of the members of the Board of Management basically consists of three components: the basic salary plus fringe benefits, a short-term, performance-related compensation component relating to the financial year, and a long-term variable compensation component. In addition, the members of the Board of Management participate in the matching stock programme (MSP). In determining the variable compensation, care was taken to create incentives for sustainable and long-term corporate development. Both positive and negative developments were also taken into account. As opposed to the compensation principles applied for Ronny Verhelst and Frank Posnanski, no long-term compensation components were granted to Timm Degenhardt as a member of the Board of Management during the 2017 financial year.

10.1.2 Base Salary

Members of the Board of Management receive an annual fixed base salary, which is paid out in twelve equal monthly instalments regardless of performance and which represents the fixed compensation component.

In addition to this, the Board of Management members have a contractual entitlement to fringe benefits and non-cash benefits, which primarily include the use of a company car and the payment of premiums for accident and health insurance. In the case of the CEO, additional living expenses and the settlement of costs for tax consultancy services are also covered. These costs were assessed according to tax regulations.

10.1.3 Short-term Variable Compensation Component

The Board of Management members are entitled to a short-term, performance-related compensation component in the form of an annual bonus. This is due within one month following the approval of the Consolidated Financial Statements for the relevant financial year from the Supervisory Board. The maximum amount of the variable compensation component for a financial year is 75 % of the fixed annual salary of the respective Board of Management member, depending on the individual target achievement of the latter. The individual target achievement essentially refers to the following parameters: normalised EBITDA, CAPEX, customer loyalty, revenue, and cash flow. In addition, there is a discretionary component on the part of the Supervisory Board. Target achievement is based on a weighting of the assessment bases of 30 % for normalised EBITDA, 15 % for CAPEX and free cash flow, 20 % for revenue, and 10 % for customer loyalty and the discretionary component. The target values of the financial assessment bases are derived from the annual consolidated budget approved by the Supervisory Board. The customer loyalty component is determined by the Supervisory Board in good faith and after consultation with the respective Board of Management member. The discretionary component can be granted by the Supervisory Board at its own discretion.

In the event that a member of the Board of Management is not entitled to compensation for the whole financial year on which the settlement is based, a pro rata calculation is made.

10.1.4 Long-term Variable Compensation Component (LTIP)

Since 15 September 2014, the Board of Management members have participated in a long-term incentive plan (LTIP). The LTIP is part of the Board of Management's variable compensation, which focuses on sustainably positive corporate development and creates a long-term incentive for the Board of Management member to promote the success of the company. To this end, the members of the Board of Management are promised a gross amount (LTI tranche) in each financial year based on bonus percentages set out in their employment contract and subject to and depending on achievement of predefined performance targets. At the end of three financial years (i.e. the performance period), the assessment bases and the respective degree of target achievement are determined for the performance targets. The gross amount (LTI) corresponding to the degree of achievement to be paid to the Board of Management member is then determined. The performance targets and the bases of assessment are the average values of the annually calculated group EBITDA adjusted by the relative increase and decrease in CAPEX during the performance period.

A performance period begins on the first day of the financial year for which the LTI tranche is being awarded and ends at the end of the second financial year following the financial year for which the LTI tranche was awarded. The performance period for the 2015 LTI tranche therefore started on 1 January 2015 and ends on 31 December 2017. A claim to LTI payments is established with the approval by the Supervisory Board of the Consolidated Financial Statements for the last financial year of the performance period. Any LTI must be settled and paid out to the Board of Management member within one month after approval of the Consolidated Financial Statements. The maximum variable long-term compensation of each Board of Management member is limited to 150 % of his annual base salary. If the average adjusted EBITDA at the time of payment of the LTI falls below 85 % of the adjusted average target EBITDA, this compensation component will not be granted. The minimum compensation for an LTI tranche is therefore EUR 0.00 for each Board of Management member.

If a Board of Management member leaves his employment relationship before the end of 24 months of a performance period, there is no entitlement to an LTI. If the performance period of an LTI tranche has already lasted 24 months at the time of termination of employment, a pro rata entitlement to an LTI for this LTI tranche remains conditional upon satisfaction of the performance measurement conditions. If a Board of Management member joins Tele Columbus AG during the course of a financial year, the Supervisory Board decides if and to which extent the Board of Management member may be entitled to participate in the LTI tranche for the respective financial year.

10.1.5 Long-term Share-Based Variable Compensation Component (MSP)

The long-term share-based variable compensation is structured in the form of a matching stock programme (MSP). The MSP creates a long-term incentive for the Board of Management member to promote the success of the companies of Tele Columbus AG. To this end, the members of the Board of Management will be allocated a number of options in each financial year. These will be determined in advance by the Supervisory Board and will be subject to and depend on a corresponding personal investment by the Board of Management member into Tele Columbus AG. After the expiry of four financial years (i.e. the holding period), the Board of Management member may exercise these options under further conditions. This compensation component came into effect during the financial year 2015.

The number of shares to be held by the members of the Board of Management (i.e. qualifying shares) is 50,000 for the CEO and 25,000 for the CFO. The members of the Board of Management are obliged to hold these qualifying shares in a blocked custody account in their name for the duration of their participation in the MSP. During the term of the respective employment contract, the Board of Management member will receive from each of MSP's five annual tranches a specific number of options for each qualifying share held in the blocked custody account on the relevant reporting date. For the first tranche of the MSP (i.e. the 2015 tranche), the number of options per qualifying share is 4.3, for the 2016 tranche 4.5, and for the 2017 tranche 4.5. The Supervisory Board will determine the number of options per qualifying share for the future tranches in due course. The 2015 tranche was granted on the day of the IPO on 23 January 2015. The second MSP tranche was granted on 23 January 2016, and the vesting period ends on 22 January 2020. The remaining tranches will be allocated for the following years in each case on 23 January, provided the employment contract is still in existence at that time. Tranche 3, for Mr. Degenhardt, was granted on 1 September 2017 and the vesting period ends on 22 January 2019. The holding period for the first 2015 tranche ends on 22 January 2019. The holding period for each additional MSP tranche is four years. It begins on the day of allocation of an MSP tranche and ends at the end of four calendar years. The options of a tranche may be exercised after the holding period has elapsed, provided that the weighted average of the share price in the last 60 stock exchange trading days immediately prior to exercising the respective option is above the respective exercise threshold. The relevant exercise threshold is determined by the Supervisory Board when allocating the respective tranche and amounts to at least 130 % of the exercise price.

The options exercised in a tranche are converted into a euro amount, equal to the difference between the closing price on the last stock exchange trading day before receipt of the exercise notification and the exercise price of the respective tranche multiplied by the number of options exercised (i.e. gross profit on options). The net profit on options remaining to the Board of Management member after deduction of statutory fees and personal taxes is in turn ascribed to the respective Board of Management member in the form of shares. The Board of Management member is obliged not to sell the shares he has acquired in this way for a period of twelve months.

The gross profit on options for a member of the Board of Management determined after exercising the option is limited to a maximum of 400 % of his annual base salary at the time the respective MSP tranche is paid out.

The options of the MSP tranches will in principle become vested on each anniversary of the allotment at the amount of 25 % of the allotment.

If a Board of Management member leaves his/her services of Tele Columbus AG before the exercise or expiry of his/her options as a result of expiration of the contract term, death, permanent inability to work, retirement, or due to effective extraordinary termination on the part of the Board of Management member, he/her and/or his/her heirs may exercise the vested options in the event of his/her departure even after the he/she has departed. By contrast, all options that are not yet vested shall expire. If the employment contract for a member of the Board of Management is terminated for other reasons, all vested and non-vested options not exercised at the time of the legal termination of the employment relationship shall expire.

If a Board of Management member joins during the course of a financial year, the Supervisory Board decides whether and, if so, with what reduced tranche the Board of Management member may be entitled to participate in the MSP for the respective financial year.

10.1.6 Additional Financial Benefits

Tele Columbus AG maintains a Directors and Officers Liability Insurance Policy (D&O Insurance) for members of the executive bodies of Tele Columbus AG. It is concluded and/or renewed annually. The insurance covers the personal liability risk in the event that claims for financial losses are made against members of the executive bodies in the course of exercising their work. The policy for the 2017 financial year includes a deductible premium for members of the Board of Management and the Supervisory Board which complies with the provisions of the German Stock Corporation Act (AktG) and the German Corporate Governance Code.

The members of the Board of Management do not participate in the existing company pension plan. Ronny Verhelst therefore receives for the duration of his employment contract an annual amount of 7.5 % of his respective current annual salary either for life insurance in the form of direct insurance or for a provident fund in his favour. For Frank Posnanski, Tele Columbus AG pays the costs for pension insurance already taken out by him.

10.1.7 Termination Benefits

The employment contracts of both members of the Board of Management do not provide for severance agreements in the event of a premature termination of contract without good cause.

Pursuant to the German Corporate Governance Code, however, the contracts stipulate in the event that a payment for premature termination of the contract without good cause should be agreed, such a severance payment be limited to a maximum of two years compensation (i.e. a severance cap) and not exceed the value of the compensation for the remaining term of the respective employment contract. The calculation of the severance cap should be based on the total compensation for the past financial year and, if applicable, also on the total compensation expected for the current financial year. If the residual term of the Board of Management employment contract is less than two years, the severance payment must be calculated pro rata temporis.

If the employment contract is terminated for an important reason for which the member of the Board of Management is responsible, no payments shall be made to the Board of Management member.

In the event of premature termination of a Board of Management member as a result of a change of control, the following points have been regulated by contract. The Board of Management member has the right to terminate his employment contract within a period of six months after the occurrence of a change of control by giving six months' notice to the end of the month and to resign from his office as a member of the Board of Management (i.e. CoC termination). In the event of a CoC termination due to a change of control, the Board of Management member shall receive his contractual compensation for the remainder of the term of the employment contract in the form of a one-off payment (i.e. CoC severance), but no more than a maximum of two years annual compensation. For the calculation of the one-off severance payment, regard should be given to the total compensation for the past financial year and, if applicable, also to the total compensation expected for the current financial year.

The members of the Board of Management are in principle subject to a post-contractual non-compete clause for a period of 18 months after termination of their employment contract. During the period of the non-compete clause, the respective Board of Management member shall receive compensation amounting to 50 % of his most recent fixed annual compensation. Other actual and hypothetical income of the Board of Management member will be offset against this compensation, insofar as this income exceeds the amount of the most recently received annual fixed salary by more than 10 %.

In the event of a temporary inability to work, a Board of Management member shall receive the full fixed salary for six months, but no longer than until the end of the term of his employment contract.

If a member of the Board of Management dies during the term of his employment contract, his/her compensation, including the variable compensation, shall be settled until the termination of his/her employment contract as a result of the death and paid out to his/her heirs. In addition, his/her widow and his/her children under the age of 25 shall, as joint creditors, be entitled to the undiminished continued payment of the fixed annual salary for the remainder of the month of death and the subsequent five months, but no longer than until the end of the term of his/her employment contract.

These principles also give rise to the compensation that was contractually agreed with Ronny Verhelst when he handed over his duties in January 2018. In addition to the normal settlement of the contractual agreements for the 2017 financial year (i.e. no immediate exercise of the MSP or similar provisions), the agreement also includes compensation for non-compete and a severance payment for premature termination of the contract in the amount of KEUR 844.

10.1.8 Overview of the Total Compensation of the Board of Management

The following section contains information regarding the compensation of the Board of Management, which is prescribed in section 285 HGB, section 314 HGB, as well as in the German Accounting Standard No. 17 (GAS 17).

The total compensation granted to the members of the Board of Management for the 2017 financial year amounted to KEUR 2,622 (previous year: KEUR 2,613). Of this, KEUR 1,282 (previous year: KEUR 831) accounted for non-performance-related compensation components, KEUR 319 (previous year: KEUR 117) for other non-performance-related benefits, KEUR 106 (previous year: KEUR 387) for short-term performance-related compensation components, KEUR 150 (previous year: KEUR 592) for long-term variable compensation components (LTIP), KEUR 740 (previous year: KEUR 686) for the share-based compensation within the MSP, and KEUR 25 for services from other contracts (previous year: KEUR 0). A payment within the scope of the LTIP will be made for the first time in 2017.

All members of the Board of Management were also active in parent companies and/or subsidiaries of Tele Columbus AG. These activities are compensated with the remuneration granted for the activities of the Board of Management of Tele Columbus AG.

The individualised, overall compensation of the members of the Board of Management, divided into the respective components, is shown in the following overview for the 2017 financial year. The first table shows the target compensation for the 2017 financial year. The second table shows the actual payments made for the 2017 financial year.

TABLE 16

Value of benefits granted for the 2017 financial year

	Ronny Verhelst (CEO)			Frank Posnanski (CFO)		
Inflow	**2017**	**2017 (min)**	**2017 (max)**	**2017**	**2017 (min)**	**2017 (max)**
Fixed salary	750,000.00	750,000.00	750,000.00	332,291.67	332,291.67	332,291.67
Fringe benefits [1]	166,485.59	166,485.59	170,256.57	60,581.73	17,866.75	60,581.73
Subtotal	*916,485.59*	*916,485.59*	*920,256.57*	*392,873.40*	*350,158.42*	*392,873.40*
Year-specific variable compensation [2]	50,000.00	0.00	496,875.00	30,000.00	0.00	231,875.00
Multiple year compensation: LTIP (3 years) [3]	100,000.00	0.00	1,125,000.00	50,000.00	0.00	525,000.00
Equity-based compensation (MSP) [4]	343,355.33	0.00	343,355.33	192,123.78	0.00	192,123.78
Subtotal	*493,355.33*	*0.00*	*1,965,230.33*	*272,123.78*	*0.00*	*948,998.78*
Pension expenses	0	0	0	0	0	0
Total compensation	**1,409,840.92**	**916,485.59**	**2,885,486.90**	**664,997.18**	**350,158.42**	**1,341,872.18**

1) Fringe benefits include expenses and/or non-cash benefits, such as the provision of a company car, the conclusion of and payment of allowances for various insurance and pension benefits, the payment of living expenses, and the settlement of costs for tax consultancy services.

2) The year-specific variable compensation will be paid out in 2018. In 2017 corresponding allocations to provisions were made.

3) Current forecast and arithmetical pro-rata value for the 2017 financial year for the 2017 LTI tranche. No compensation was paid. Provisions were made in the 2017 financial year in the amount of the total arithmetical value stated.

4) The value of the grant here is not comparable with the information in the Notes to the Consolidated Financial Statements, as here the total option value of the third tranche is taken into account. For Ronny Verhelst, KEUR 96 relates to the 2017 financial year. The remainder is due to the automatic vesting of the pro rata annual values of tranches 1 to 3 due to the termination of the contract.

TABLE 17

Value of benefits granted for the 2017 financial year

	Timm Degenhardt		
Inflow	**2017**	**2017 (min)**	**2017 (max)**
Fixed salary	200,000.00	200,000.00	200,000.00
Fringe benefits [1]	91,455.69	91,455.69	91,455.69
Subtotal	*291,455.69*	*291,455.69*	*291,455.69*
Year-specific variable compensation	26,000.00	0.00	150,000.00
Multiple year compensation: LTIP (3 years)	0	0.00	0.00
Equity-based compensation (MSP) [2]	204,437.35	0.00	0.00
Subtotal	*230,437.35*	*0.00*	*150,000.00*
Pension expenses	0	0	0
Services from other contracts	25,000.00	25,000.00	25,000.00
Total compensation	**546,893.04**	**316,455.69**	**466,455.69**

1) Fringe benefits include expenses and/or non-cash benefits, such as the provision of a company car, the conclusion of and payment of allowances for various insurance and pension benefits, the payment of living expenses, and the settlement of costs for tax consultancy services.

2) The value of the grant is not comparable with the information in the Notes to the Consolidated Financial Statements, as here the total option value of the second tranche is taken into account.

TABLE 18

Inflow for the 2017 financial year

	Ronny Verhelst (CEO)	Frank Posnanski (CFO)	Timm Degenhardt
Inflow	**2017**	**2017**	**2017**
Fixed salary	750,000.00	332,291.67	200,000.00
Fringe benefits [1]	166,485.59	60,581.73	91,455.69
Subtotal	*916,485.59*	*392,873.40*	*291,455.69*
Year-specific variable compensation [2]	261,000.00	126,043.75	0
Multiple year compensation: LTIP (3 years)	394,500.00	197,250.00	0
Equity-based compensation (MSP)	0.00	0	0
Subtotal	*655,500.00*	*323,293.75*	*0*
Pension expenses	0	0	0
Services from other contracts [3]	0	0	25,000.00
Total compensation	**1,571,985.59**	**716,167.15**	**316,455.69**

1) Fringe benefits include expenses and/or non-cash benefits, such as the provision of a company car, the conclusion of and payment of allowances for various insurance and pension benefits, the payment of living expenses, and the settlement of costs for tax consultancy services.

2) The one-year variable remuneration for 2016 was paid in the first quarter of 2017.

3) The other service concerns a consulting contract before the start of the permanent employment.

TABLE 19

Value of benefits granted for the financial year 2016

	Ronny Verhelst (CEO)			Frank Posnanski (CFO)		
Inflow	**2016**	**2016 (min)**	**2016 (max)**	**2016**	**2016 (min)**	**2016 (max)**
Fixed salary	562,500.00	562,500.00	562,500.00	268,750.00	268,750.00	268,750.00
Fringe benefits [1]	99,203.55	99,203.55	99,203.55	17,866.75	17,866.79	17,866.79
Subtotal	*661,703.55*	*661,703.55*	*661,703.55*	*286,616.75*	*286,616.79*	*286,616.79*
Year-specific variable compensation [2]	261,000.00	0.00	421,875.00	126,043.75	0.00	201,562.50
Multiple year compensation: LTIP (3 years) [3]	394,500.00	0.00	843,750.00	197,250.00	0.00	403,125.00
Equity-based compensation (MSP) [4]	457,242.45	0.00	2,250,000.00	228,621.23	0.00	1,075,000.00
Subtotal	*1,112,742.45*	*0.00*	*3,515,625.00*	*551,914.98*	*0.00*	*1,679,687.50*
Pension expenses	0	0	0	0	0	0
Total compensation	**1,774,446.00**	**661,703.55**	**4,177,328.55**	**838,531.73**	**286,616.79**	**1,966,304.29**

1) Fringe benefits include expenses and/or non-cash benefits, such as the provision of a company car, the conclusion of and payment of allowances for various insurance and pension benefits, the payment of living expenses, and the settlement of costs for tax consultancy services.

2) The one-year variable remuneration was paid in the first quarter of 2017. Appropriate allocations to provisions were made in 2016.

3) A proportional value for the financial year 2016 for the LTI tranche 2016. No compensation was paid. Provisions in the amount of the total stated arithmetical value were made in the financial year 2016.

4) The value of the grant is not comparable with the information in the Notes to the Consolidated Financial Statements, as here the total option value of the second tranche is taken into account.

TABLE 20

Inflow for the financial year 2016

	Ronny Verhelst (CEO)	Frank Posnanski (CFO)
Inflow	**2016**	**2016**
Fixed salary	562,500.00	268,750.00
Fringe benefits [1]	728,203.58	319,866.75
Subtotal	*1,290,703.58*	*588,616.75*
Year-specific variable compensation [2]	229,000.00	102,000.00
Multiple year compensation: LTIP (3 years)	0.00	0.00
Equity-based compensation (MSP)	0.00	0.00
Subtotal	*229,000.00*	*102,000.00*
Pension expenses	0	0
Total compensation	**1,519,703.58**	**690,616.75**

1) Fringe benefits were paid for expenses or non-cash benefits such as the provision of a company car, subsidies for various insurance and pension benefits, living expenses, and costs for tax consultancy services. They also include the payment in January 2016 of the second half of the one-off special remuneration of EUR 250,000 to Ronny Verhelst and EUR 125,000 to Frank Posnanski. This was for special recognition and appreciation of the considerable additional workload of the the Board of Management members in the preparation phase of the IPO. The additional services include the bonus for the acquisition and integration of the PrimaCom and pepcom groups amounting to KEUR 150 for Ronny Verhelst and KEUR 75 for Frank Posnanski. The annual bonus 2015, which was paid in 2016, amounted to KEUR 229 for Ronny Verhelst and KEUR 102 for Frank Posnanski.

2) The one-year variable remuneration for 2015 was paid in the first quarter of 2016.

The Board of Management members have an interest in Tele Columbus AG's long-term success through the matching stock programme (MSP). The options granted in this framework are divided up as follows:

TABLE 21

Matching Stock Program (MSP)

	Ronny Verhelst (CEO)								
	Tranche 1			Tranche 2			Tranche 3		
	Weighted average exercise price	Fair value of options upon grant	Number of options	Weighted average exercise price	Fair value of options upon grant	Number of options	Weighted average exercise price	Fair value of options upon grant	Number of options
Outstanding options at 1 January	EUR 7.01	TEUR 280	215,000	EUR 8.60	TEUR 457	225,000	–	–	–
Granted options during the year	–	–	–	–	–	–	EUR 7.78	TEUR 384	225,000
Forfeited options during the year	–	–	–	–	–	–	–	–	–
Exercised options during the year	–	–	–	–	–	–	–	–	–
Expired options during the year	–	–	53,750	–	–	112,500	–	–	168,750
Outstanding options as of 31 December	EUR 7.01		161,250	EUR 8.60		112,500	EUR 7.78		56,250
Exercisable options as of 31 December	–	–	–	–	–	–	–	–	–

TABLE 22

Matching Stock Program (MSP)

	Frank Posnanski (CFO)								
	Tranche 1			Tranche 2			Tranche 3		
	Weighted average exercise price	Fair value of options upon grant	Number of options	Weighted average exercise price	Fair value of options upon grant	Number of options	Weighted average exercise price	Fair value of options upon grant	Number of options
Outstanding options at 1 January	EUR 7.01	TEUR 140	107,500	EUR 8.60	TEUR 229	112,500	–	–	–
Granted options during the year	–	–	–				EUR 7.78	TEUR 192	112,500
Forfeited options during the year	–	–	–	–	–	–	–	–	–
Exercised options during the year	–	–	–	–	–	–	–	–	–
Expired options during the year	–	–	–	–	–	–	–	–	–
Outstanding options as of 31 December	EUR 7.01		107,500	EUR 8.60		112,500	EUR 7.78		112,500
Exercisable options as of 31 December	–	–	–	–	–	–	–	–	–

TABLE 23

Matching Stock Program (MSP)

	Timm Degenhardt		
	Tranche 3		
	Weighted average exercise price	Fair value of options upon grant	Number of options
Outstanding options at 1 January	–	–	–
Granted options during the year	EUR 7.78	TEUR 204	78,889
Forfeited options during the year	–	–	–
Exercised options during the year	–	–	–
Expired options during the year	–	–	–
Outstanding options as of 31 December	EUR 7.78	–	78,889
Exercisable options as of 31 December	–	–	–

Pension benefits granted to Ronny Verhelst in the 2017 financial year amounted to KEUR 25 (previous year: KEUR 38) and for Frank Posnanski KEUR 9 (previous year: KEUR 9).

As in the previous year, no advances were paid to Board of Management members in the 2017 financial year, and there were no loans.

10.2 Compensation of the Supervisory Board

10.2.1 Compensation System of the Supervisory Board

The compensation of the Supervisory Board is governed by article 18 of the Articles of Association of Tele Columbus AG. Members of the Supervisory Board receive a fixed annual compensation in the amount of KEUR 33 (previous year: KEUR 33). The Chairman of the Supervisory Board receives KEUR 75 annually (previous year: KEUR 75).

Membership and chairmanship of committees are remunerated separately. Each member of the Audit Committee receives an additional KEUR 4 (previous year: KEUR 4). The Chairman of the Supervisory Board receives KEUR 12 (previous year: KEUR 12), annually. The Chairman of the Presidential Committee receives an additional KEUR 5 (previous year: KEUR 5). If a member of the Supervisory Board is not part of the Supervisory Board or a committee for the entire financial year, a pro rata reduction of the compensation takes place. For attending meetings of the Supervisory Board and its committees, the members of the Supervisory Board receive attendance fees in the amount of KEUR 1 (previous year: KEUR 1) per meeting day. Participation by way of video or telephone activation is considered participation in this sense.

Tele Columbus AG reimburses the members of the Supervisory Board for expenses incurred in the exercise of their Supervisory Board mandate as well as value added tax on their compensation.

The members of the Supervisory Board are also included in the company D&O insurance policy maintained by Tele Columbus AG with an appropriate deductible premium; this complies with the provisions of the German Stock Corporation Act (AktG) and the German Corporate Governance Code. The premiums are paid by Tele Columbus AG.

10.2.2 Overview of the total compensation of the Supervisory Board

The Supervisory Board of Tele Columbus consists of eight members. The Articles of Association of Tele Columbus AG were amended by a resolution of the Ordinary General Meeting on 10 July 2016. This was to increase the number of Supervisory Board members from the previous six to eight in order to enable United Internet, the largest shareholder, the required representation on the Supervisory Board. The members were elected by resolution of the Annual General Meeting on 10 September 2014. In addition, by resolution of 21 June 2017, the three new members of the Supervisory Board were elected in accordance with section 101 (1) AktG. These were Dr. Susan Hennersdorf, who had already been appointed as a substitute for Robin Bienenstock since the court order from 22 February 2016, as well as Mr. Frank Krause and Dr. Ing. Volker Ruloff.

The short appointment period is intended to ensure that the term of office of all eight members of the Supervisory Board ends at the same time. This enables greater flexibility in the context of a new appointment or a new election of the members to better meet the requirements with regard to diversity, the number of independent members, as well as the goals for the amount of women on the Supervisory Board.

The total compensation of the members of the Supervisory Board in the 2017 financial year amounted to KEUR 353 (previous year: KEUR 329) (without withheld VAT). Of this, KEUR 276 (previous year: KEUR 240) accounted for fixed compensation for the activity of the Supervisory Board. Compensation for work in committees amounted to KEUR 25 (previous year: KEUR 25).

In the 2017 financial year as well as 2016, the companies of Tele Columbus AG did not pay or grant any compensation or other benefits to members of the Supervisory Board for personally rendered services, in particular advisory and agency services. Nor were members of the Supervisory Board granted any advances or loans. The compensation of the members of the Supervisory Board for the 2017 financial year and 2016 is shown in the following tables:

TABLE 24

Compensation of Members of the Supervisory Board 2017

	Fixed compensation	Compensation for committee work	Attendance fees	Total compensation
Franck Donck (Chairman)	75,000.00	5,000.00	8,500.00	88,500.00
Christian Boekhorst	33,000.00	4,000.00	8,000.00	45,000.00
Dr. Susan Hennersdorf	30,250.00	2,666.00	5,000.00	37,916.00
André Krause	33,000.00	12,000.00	7,000.00	52,000.00
Frank Krause	19,250.00	0.00	2,000.00	21,250.00
Yves Leterme	33,000.00	0.00	8,000.00	41,000.00
Catherine Mühlemann	33,000.00	0.00	8,500.00	41,500.00
Dr. Volker Ruloff	19,250.00	1,333.00	5,000.00	25,583.00
Total	**275,750.00**	**24,999.00**	**52,000.00**	**352,749.00**

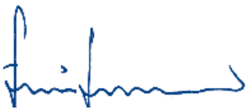
TABLE 25

Compensation of Members of the Supervisory Board 2016

	Fixed compensation	Compensation for committee work	Attendance fees	Total compensation
Franck Donck (Chairman)	75,000.00	5,000.00	11,500.00	91,500.00
Christian Boekhorst	33,000.00	4,000.00	11,000.00	48,000.00
Robin Bienenstock	33,000.00	4,000.00	8,500.00	45,500.00
Yves Leterme	33,000.00	0.00	11,000.00	44,000.00
André Krause	33,000.00	12,000.00	10,500.00	55,500.00
Catherine Mühlemann	33,000.00	0.00	11,500.00	44,500.00
Total	**240,000.00**	**25,000.00**	**64,000.00**	**329,000.00**

Berlin, 11 April 2018

Tele Columbus AG, Berlin



Timm Degenhardt
Board of Management member

Frank Posnanski
Board of Management member

Consolidated Financial Statements 2017

I. Consolidated Income Statement

TABLE 26

KEUR	Note	2017	2016
Revenue	E.1	495,756	476,751
Own work capitalised	E.2	16,864	18,350
Other income	E.3	20,545	28,197
Total operating income		533,165	523,298
Cost of materials	E.4	−159,150	−146,224
Employee benefits	E.5	−81,469	−84,065
Other expenses	E.6	−95,541	−76,667
EBITDA		**197,005**	**216,342**
Depreciation and amortisation	E.7	−155,610	−154,653
EBIT		**41,395**	**61,689**
Equity method income (+) / loss (-)	B.4	53	59
Interest income	E.8	137	260
Interest expense	E.8	−57,614	−75,410
Other financial income (+) / loss (-)	E.9	−12,348	2,852
Profit (+) / loss (-) before tax		*−28,377*	*−10,551*
Income taxes	E.10	12,027	−208
Net loss		**−16,350**	**−10,759**
attributable to shareholders of Tele Columbus AG		−18,802	−13,289
attributable to non-controlling interests		2,452	2,530
Basic earnings per share in EUR	F.5	−0.15	−0.10
Diluted earnings per share in EUR	F.5	−0.15	−0.10

II. Consolidated Statement of Other Comprehensive Income

TABLE 27

KEUR	Note	2017	2016
Net loss		*–16,350*	*–10,759*
Other comprehensive income			
Expenses and income which will not be reclassified subsequently to profit or loss			
Remeasurement of gains (+) / losses (-) on defined benefit plans (after net of tax)	E.17	–110	–41
Total comprehensive income		**–16,460**	**–10,800**
of which attributable to:			
Shareholders of Tele Columbus AG		–18,912	–13,330
Non-controlling interests		2,452	2,530

III. Consolidated Statement of Financial Position

TABLE 28

Assets in KEUR	Note	31 December 2017	31 December 2016
Non-current assets			
Property, plant, and equipment	E.11	609,869	604,690
Intangible assets	E.12	1,389,953	1,402,134
Investments accounted for using the equity method	B.4	416	381
Trade receivables	E.14.1	80	193
Other financial receivables	E.14.2	1,605	2,046
Accruals and deferrals	E.14.2	3,246	3,727
Deferred tax assets	E.10	2,010	2,685
Derivative financial instruments	E.14.2	1,521	3,630
		2,008,700	**2,019,485**
Current assets			
Inventories	E.13	10,928	4,224
Trade receivables	E.14.1	54,728	48,251
Receivables due from related parties	F.2.2	12	88
Other financial receivables	E.14.2	2,020	4,230
Other assets	E.14.2	17,485	6,126
Current tax assets	E.10	4,022	2,963
Cash and cash equivalents	F.4	31,767	55,223
Accruals and deferrals	E.14.2	2,917	6,310
Assets held for sale	E.15	607	229
		124,486	**127,643**
Assets		**2.133.186**	**2.147.128**

TABLE 29

Liabilities in KEUR	**Note**	**31 December 2017**	**31 December 2016**
Equity			
Share capital	E.16	127,556	127,556
Capital reserve		620,838	620,838
Other components of equity		−239,165	−220,770
Equity attributable to shareholders of Tele Columbus AG		*509,229*	*527,624*
Non-controlling interests		7,958	7,558
		517,187	**535,182**
Non-current liabilities			
Pensions and other long-term employee benefits	E.17	9,833	9,813
Other provisions	E.19	463	4,061
Liabilities to banks	E.20	1,297,685	1,234,702
Trade payables	E.21	827	1,210
Other financial liabilities	E.23	37,615	88,387
Deferred revenue	E.22	5,285	5,232
Deferred tax liabilities	E.10	44,876	66,120
Derivative financial instruments	E.22	3,091	6,126
		1,399,675	**1,415,652**
Current liabilities			
Other provisions	E.19	18,626	30,114
Liabilities to banks	E.20	43,393	25,955
Trade payables	E.21	94,371	87,333
Payables due to related parties	F.2.2	861	604
Other liabilities	E.23	27,846	23,811
Other financial liabilities	E.23	11,925	12,094
Income tax liabilities	E.10	15,572	11,719
Deferred revenue	E.22	3,730	4,664
		216,324	**196,294**
Total equity and liabilities		**2,133,186**	**2,147,128**

IV. Consolidated Statement of Cash Flows

TABLE 30

KEUR	Note	2017	2016
Cash flow from operating activities			
Net loss		*–16,350*	*–10,759*
Net financial income or expense		69,825	72,298
Income tax		–12,027	208
Equity method income / loss		–53	–59
Earnings before interest and taxes (EBIT)		*41,395*	*61,689*
Depreciation and amortisation	E.7	155,610	154,653
Equity-settled, share-based employee benefits		517	444
Loss (+) / gain (-) on disposal of property, plant, and equipment		–1,151	–123
Increase (-) / decrease (+) in:			
Inventories	E.13	–6,681	1,924
Trade receivables and other assets not classified as investing or financing activities	E.14.1 E.14.2	–12,818	–11,404
Accruals and deferrals	E.14.2	3,874	466
Increase (-) / decrease (+) in:			
Trade accounts payables and other liabilities not relating to investment or financing activities	E.21 E.23	1,896	14,092
Provisions	E.19	–15,366	–15,476
Deferred revenue	E.22	–881	3,237
Income tax paid		–6,841	–10,871
Cash flow from operating activities		**159,554**	**198,631**
Cash flow from investing activities			
Proceeds from sale of property, plant, and equipment		1,667	9,667
Acquisition of property, plant, and equipment	E.11	–97,397	–105,942
Acquisition of intangible assets	E.12	–30,000	–34,634
Interest received		85	130
Acquisition of subsidiaries, net of cash acquired		–14,665	–5
Cash flow from investing activities		**–140,310**	**–130,785**

TABLE 31

KEUR	Note	2017	2016
Cash flow from financing activities			
Other changes in consolidated equity		110	41
Payment of finance lease liabilities		−10,296	−9,545
Dividends paid		−2,053	−1,415
Proceeds from loans, bonds, and short or long-term borrowings from banks		96,000	129,500
Repayment of borrowings [1]		−14,435	−173,495
Interest paid		−55,094	−45,427
Acquisition of non-controlling interests		−58,100	-
Cash flow from financing activities		**−43,868**	**−100,341**
Cash and cash equivalents for the period			
Net increase (+) / decrease (-) in cash and cash equivalents		−24,624	−32,495
Cash and cash equivalents at the beginning of the period		55,223	85,178
Cash and cash equivalents as of the end of the period		30,599	52,683
Increase (+) / decrease (-) from release of restricted cash and cash equivalents during the period		1,168	2,540
Unrestricted cash and cash equivalents at end of period		**31,767**	**55,223**

1) This line item includes incurred transaction costs in the amount of KEUR 11,376 (2016: KEUR 8,576).

V. Consolidated Statement of Changes in Equity

TABLE 32

For the 2017 financial year in KEUR	Note	Share capital	Capital reserve
1 January 2017	E.16	*127,556*	*620,838*
Profit (+) / loss (-) for the period			
Other comprehensive income			
Total comprehensive income		–	–
Dividends			
Equity-settled, share-based payments			
31 December 2017	E.16	**127,556**	**620,838**

For the 2016 financial year in KEUR	Note	Share capital	Capital reserve
1 January 2016	E.16	*127,556*	*620,838*
Profit (+) / loss (-) for the period			
Other comprehensive income			
Total comprehensive income		–	–
Dividends			
Equity-settled, share-based payments			
31 December 2016	E.16	**127,556**	**620,838**

	Other changes in equity	Retained earnings	Revaluation reserve IAS 19	Equity attributable to shareholders of Tele Columbus AG	Non-controlling interests	Total equity
	−113,647	*−105,075*	*−2,049*	*527,624*	*7,558*	*535,182*
		−18,802		−18,802	2,452	−16,350
			−110	−110		−110
	–	*−18,802*	*−110*	*−18,912*	*2,452*	*−16,460*
				–	−2,052	−2,052
	517			517		517
	−113,130	**−123,877**	**−2,159**	**509,229**	**7,958**	**517,187**

	Other changes in equity	Retained earnings	Revaluation reserve IAS 19	Equity attributable to shareholders of Tele Columbus AG	Non-controlling interests	Total equity
	−114,091	*−91,786*	*−2,008*	*540,510*	*6,444*	*546,954*
		−13,289		−13,289	2,530	−10,759
			−41	−41		−41
	–	*−13,289*	*−41*	*−13,330*	*2,530*	*−10,800*
				–	−1,416	−1,416
	444			444		444
	−113,647	**−105,075**	**−2,049**	**527,624**	**7,558**	**535,182**

VI. Notes to the Consolidated Financial Statements

A. General Information

A.1 Introduction

Tele Columbus AG, headquartered at Kaiserin-Augusta-Allee 108, Berlin 10533 (previously, Goslarer Ufer 39, Berlin 10589), has been listed on the Frankfurt Stock Exchange in the Xetra Frankfurt (Prime Standard) market segment since 23 January 2015.

A.2 Description of business activities

The companies of Tele Columbus AG primarily operate in the eastern part of the Federal Republic of Germany. The operation and management of broadband cable networks constitutes the companies' basic operational activities. These activities also include the use of the companies' own satellite reception systems to supply residential housing facilities, housing companies, and housing tenants with television, radio, internet, and telephone signals. The latter is comprised of service activities, equipment maintenance, customer service, and debt collection. The companies of Tele Columbus AG are also active in B2B and construction services sector. B2B encompasses products for supplying carrier companies with bandwidth services, as well as business-customer-networking products for supplying business customers with internet and telephone, and network monitoring and marketing of datacentres. The activities within the construction services sector include the construction of glass fibre city networks as well as the connecting of residential areas to their own backbone.

A.3 Basis of preparation

The Consolidated Financial Statements of Tele Columbus AG as of 31 December 2017 have been prepared pursuant to section 315a of the German Commercial Code (HGB) in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The Consolidated Financial Statements include the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, and the Notes to the Consolidated Financial Statements for the 2017 financial year as well as the comparative period 2016.

The functional currency for the financial statements is euro. Unless otherwise indicated, all values are rounded to the nearest thousand euros (KEUR). As the figures in this report are disclosed in thousand euros, there may be rounding differences. In some instances, such rounded figures and percentages might not add up to 100%. Subtotals in tables may also therefore differ slightly from unrounded figures stated elsewhere in the Consolidated Financial Statements.

With regard to the financial data set out in the Consolidated Financial Statements, a dash (–) indicates that the relevant item is not applicable and a zero (0) indicates that the relevant number has been rounded to or equals zero.

The Consolidated Financial Statements were prepared on 11 April 2018 by the Board of Management of Tele Columbus AG, Berlin, and approved on 11 April 2018 by the Supervisory Board.

The Consolidated Financial Statements are based on the going concern assumption.

The Consolidated Financial Statements and the Management Report are published in the German Federal Gazette (Bundesanzeiger).

A.4 Changes in accounting policies and disclosures

There were no significant changes to the accounting and measurement methods during the 2017 financial year compared with the uniform accounting and measurement methods applied in the same period of the previous year. Compared to the accounting and measurement principles presented in the previous year, the presentation of measurement changes for liabilities from the acquisition of non-controlling interests has been adjusted. Whereas in the previous year, these measurement changes had to be recognised in Other income or Other expenses, in the current financial year they are recognised under financial income or expenses. The corresponding adjustment to the figures shown does not lead to an adjustment of previous year's figures.

Compared to the previous financial year, Tele Columbus AG has revised its materiality assessment for the Notes to the Consolidated Financial Statements. Within this context, simplifications and summaries have been made in various places. However, these changes have no significant impact on comparability.

Reference is made in section D.3 Compliance with IFRS regarding changes in the accounting and measurement methods due to new or revised IFRS standards as well as interpretations prepared by IFRIC.

B. Basis of Consolidation

B.1 Consolidation methods

B.1.1 Subsidiaries

Subsidiaries are defined as companies that are controlled by Tele Columbus AG. Tele Columbus AG controls a company when it is exposed to or has the rights to fluctuating returns from its involvement with the company and has the ability to influence those returns through its power over the company. A subsidiary's financial statements are included within the Consolidated Financial Statements from the date which control is gained until the date when control has ended.

As part of the consolidation process, all intercompany balances, income and expenses, and all unrealised gains and losses on related party transactions are eliminated when preparing the financial statements. The acquisition costs for shares in subsidiaries in the context of company acquisitions are allocated proportionately in terms of the fair value of the acquired assets and liabilities at the time of acquisition. Any positive differences resulting from the afore-mentioned allocation are recognised as goodwill and capitalised at the amount of the acquired interest in the respective subsidiary.

B.1.2 Non-controlling interests

Non-controlling interests are measured at the time of their acquisition with a corresponding share of the net assets of the acquired subsidiary.

Changes in Tele Columbus AG's share in a subsidiary that do not result in a loss of control are treated as equity transactions.

B.1.3 Loss of control

When Tele Columbus AG loses control over a subsidiary, it derecognises assets and liabilities of the subsidiary and all related non-controlling interests and other equity components. Any gain or loss is recognised in profit or loss. Any retained interest in the former subsidiary is recognised at fair value on the date when control was lost.

B.1.4 Financial assets accounted for using the equity method

Shares belonging to Tele Columbus AG that are accounted for using the equity method include investments in associated companies and joint ventures.

Associated companies are entities in which Tele Columbus AG has significant influence, but no control or governance over its financial and operating policies. A joint venture is an arrangement by which Tele Columbus AG exercises joint governance with rights to its net assets, but not to the assets' value or the obligation for the venture's liabilities.

Associated companies and joint ventures are initially recognised at the cost of the acquisition, including transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include Tele Columbus AG's share in profit or loss and other comprehensive income until the date on which significant influence or joint control ends.

B.2 Changes in consolidated entities

B.2.1 Acquisition of the kabel.digital.service group

On 1 January 2017, Tele Columbus AG acquired all of the shares in kabel.digital.service. GmbH based in Frankfurt (Oder), Germany. The entity owns 100 % of the shares of Lehmensiek Kabelnetze & Antennentechnik GmbH, based in Lübeck, Germany. Operational activities of the acquired group include the planning, assembling, maintaining, selling, and troubleshooting of antenna and broadband distribution systems, as well as arranging and concluding contracts relating to the aforementioned activities. The acquisition's main purpose was to complete Tele Columbus AG's range of services surrounding the infrastructure of broadband cable networks. The acquisition costs amounted to KEUR 7,532 and were settled in cash.

The acquisition costs were allocated to the acquired assets and liabilities as of the acquisition date as follows:

TABLE 33

KEUR	Book value after acquisition
Long-term assets	4,221
Short-term assets	55
Financial resources	1,381
Long-term liabilities	1,983
Short-term liabilities	242
Net assets	***3,432***
Acquisition cost	7,532
Goodwill	***4,100***

The non-tax-deductible goodwill can mainly be attributed to expected synergy effects as well as the value of the acquired business model. The goodwill was allocated to the TV segment.

The gross amount of the acquired receivables was KEUR 12. None of the receivables have been impaired.

From the date of the acquisition, the acquired companies have contributed KEUR 986 of group revenues, KEUR 585 to EBITDA, as well as a loss for the period of KEUR -95.

B.2.2 Acquisition of the Tele Columbus NRW group

On 29 September 2017, Tele Columbus AG acquired 74.9 % interest in MKG-Medienkommunikationsgesellschaft mbH based in Essen, Germany as well as 74.9 % interest in Kabelcom.digital GmbH based in Lippstadt, Germany. On 28 December 2017, a third acquisition was made where Tele Columbus AG acquired 74.9 % interest in the Net Netzbetrieb GmbH, also based in Lippstadt, Germany. In addition to the acquisition of shares, Tele Columbus AG also acquired specific assets and liabilities belonging to each company. All three companies were obtained via Tele Columbus AG's subsidiary Tele Columbus NRW GmbH, based in Berlin, Germany. The acquisition of the three companies was executed for the purpose of expanding the broadband cable network of the companies of Tele Columbus AG. The acquired companies operate broadband cable networks that serve housing construction companies. As the acquisition of the shares as well as the acquisition of the individual assets and liabilities is to be seen within a uniform, economic context, the entire transaction was classified as a business acquisition.

The acquisition costs amounted to KEUR 4,861, including a cash component of KEUR 3,405 as well as a conditional purchase price component of KEUR 985, constituting agreed terms relating to option rights to shares not owned by Tele Columbus AG. The option rights can be exercised after four years at a selling price of KEUR 1,130. Earn-out agreements were also included in the transaction which will result in additional acquisition costs of KEUR 471.

As some parts of the acquisition were completed close to the reporting date, the determination of the carrying values was limited by timing restrictions; therefore, the cost of the business combination was allocated using preliminary determined values. These values were allocated to the acquired assets and liabilities at the acquisition date as follows:

TABLE 34

TEUR	Book value after acquisition
Long-term assets	1,905
Short-term assets	111
Financial resources	41
Long-term liabilities	463
Short-term liabilities	378
Net assets	***1,216***
Acquisition cost	4,861
Goodwill	***3,645***

The non-tax-deductible goodwill can mainly be attributed to expected synergy effects as well as the value of the acquired business model. The goodwill was allocated to the TV segment.

The gross amount of the acquired receivables was KEUR 36. None of the receivables have been impaired.

From the date of the acquisition, the acquired companies have contributed KEUR 343 to Group revenues, KEUR 94 to EBITDA, as well as a profit for the period of KEUR 43.

If the company had already been acquired as of 1 January 2017, consolidated revenue would have changed by KEUR 1,443 for the 2017 financial year, and the consolidated net loss is expected to have changed by KEUR 161.

B.2.3 Acquisition of WWcon Wärme-Wohnen Contracting GmbH

On 11 December 2017, Tele Columbus AG acquired 100 % interest in WWcon Wärme-Wohnen Contracting GmbH based in Berlin, Germany, to help obtain the companies of Tele Columbus AG's goal of expanding their broadband cable network. The acquired firm's basic operations lies in the supply of television and internet connections to households in Berlin. The acquisition costs amounted to KEUR 5,513 and were paid via a bank wire transfer.

As the acquisition was completed close to the reporting date, the determination of the book value was limited by timing restrictions; therefore, the cost of the business combination was allocated using preliminary determined values. These values were allocated to the acquired assets and liabilities as of the acquisition date as follows:

TABLE 35

TEUR	**Book value after acquisition**
Long-term assets	4,068
Short-term assets	19
Financial resources	119
Long-term liabilities	1,969
Short-term liabilities	172
Net assets	***2,065***
Acquisition cost	5,513
Goodwill	***3,448***

The non-tax-deductible goodwill can mainly be attributed to expected synergy effects as well as the value of the acquired business model. The goodwill was allocated to the Internet & Telephony segment.

The gross amount of the acquired receivables was KEUR 1. None of the receivables have been impaired.

From the date of the acquisition, the acquired company has contributed KEUR 41 to Group revenues, KEUR 37 to EBITDA, as well as a profit for the period of KEUR 2. If the company had already been acquired as of 1 January 2017, consolidated revenue would have changed by KEUR 686 for the 2017 financial year, and the consolidated net loss is expected to have changed by KEUR -127.

B.2.4 Increase of the majority share in KMS and KMB

On 26 October 2017, Tele Columbus AG acquired an additional 30.22 % interest in Kabelfernsehen München ServiCenter GmbH & Co. KG (KMS) based in Munich, Germany, as well as an additional 24% interest in Kabelfernsehen München ServiCenter GmbH- Beteiligungsgesellschaft, i.e. holding company (KMB), also based in Munich, Germany. As a result of the acquisition, both companies became 100 % owned subsidiaries belonging to Tele Columbus AG.

The total purchase price for the acquisition amounted to EUR 67.1 million. The difference between the total purchase price and the long-term liabilities recognised for the non-controlling interest in KMS (EUR 51.3 million) of EUR 15.8 million was recognised in financial income and expenses.

Of the total purchase price, a partial amount of EUR 58.1 million was settled in cash during the financial year. The remaining purchase price payment is recognised as a current liability. The total purchase price was refinanced in the amount of EUR 75 million through the use of credit facilities under the Senior Facilities Agreement.

B.2.5 Liquidation of BMB Geschäftsführung GmbH

As stated in the shareholder resolution dated 23 March 2017, the BMB Geschäftsführung GmbH based in Essen, Germany, was liquidated. The dissolution of the company was published in the German Federal Gazette (Bundesanzeiger) on 10 April 2017. The call for creditors that begins with a one year suspension was published in the German Federal Gazette (Bundesanzeiger) on 13 April 2017. Until the company is liquidated, it will operate under the name of i.L. (in liquidation).

During the reporting period, there were no further changes in the scope of consolidation other than those described above.

B.3 Details of the consolidated entities

In the Consolidated Financial Statements of Tele Columbus AG, Tele Columbus AG and the subsidiaries listed below are fully consolidated, whereby the respective capital shares correspond to the share of voting rights:

TABLE 36

Capital share in %	2017	2016
ANTENNEN-ELECTRONIC in Berlin und Brandenburg GmbH, Cottbus [1]	100.00	100.00
BBcom Berlin-Brandenburgische Communikations-gesellschaft mbH, Berlin	51.00	51.00
BIG Medienversorgung GmbH, Mönchengladbach	100.00	100.00
BMB Geschäftsführung GmbH, Essen [1]	100.00	100.00
Cable Plus GmbH, Cottbus [1]	100.00	100.00
Cabletech Kabel- und Antennentechnik GmbH, Unterföhring [1]	100.00	100.00
Cabletechnics GmbH, Unterföhring [1]	100.00	100.00
Cablevista GmbH, Unterföhring [1]	100.00	100.00
FAKS Frankfurter Antennen- und Kommunikationsservice GmbH, Frankfurt (Oder) [1]	100.00	100.00
Funk und Technik GmbH Forst, Forst [1]	100.00	100.00
HL komm Telekommunikations GmbH, Leipzig [1]	100.00	100.00
kabel.digital.service gmbH, Frankfurt (Oder) [1]	100.00	n / a
Kabelcom Rheinhessen GmbH, Nierstein [1]	100.00	100.00
Kabelcom Rhein-Ruhr GmbH, Unterföhring	90.00	90.00
Kabelfernsehen München ServiCenter GmbH - Beteiligungs-gesellschaft, Munich [1]	100.00	76.00
Kabelfernsehen München ServiCenter GmbH & Co. KG, Munich [1]	100.00	69.78
Kabelcom.Digital GmbH, Lippstadt [1]	100.00	n / a
KABELMEDIA GmbH Marketing und Service, Essen [1]	100.00	100.00
KKG Kabelkommunikation Güstrow GmbH, Güstrow [1]	100.00	100.00
KSP-Kabelservice Prenzlau GmbH, Prenzlau	90.00	90.00
Lehmensiek Kabelnetze & Antennentechnik GmbH, Lübeck [1]	100.00	n / a
Martens Deutsche Telekabel GmbH, Hamburg [1]	100.00	100.00
MDCC Magdeburg-City-Com GmbH, Magdeburg	51.02	51.02
Mediacom Kabelservices GmbH, Offenbach am Main	98.96	98.96
Mediaport GmbH, Munich [1]	100.00	100.00
Medienwerkstatt GmbH, Mönchengladbach [1]	100.00	100.00

TABLE 36

Capital share in %	2017	2016
Mietho & Bär Kabelkom Kabelkommuniktions-Betriebs GmbH, Gablenz [1]	100.00	100.00
MKG-Medienkommunikationsgesellschaft mbH, Essen [1]	100.00	n / a
NEFtv GmbH, Nuremberg [1]	100.00	100.00
Netzbetrieb GmbH, Lippstadt [1]	100.00	n / a
Netzpool Berlin GmbH, Berlin [1]	95.45	95.45
pepcom GmbH, Unterföhring [1]	100.00	100.00
pepcom Mitteldeutschland GmbH, Leipzig [1]	100.00	100.00
pepcom Nord GmbH, Unterföhring [1]	100.00	100.00
pepcom Projektgesellschaft mbH, Unterföhring [1]	100.00	100.00
pepcom Süd GmbH, Unterföhring [1]	100.00	100.00
pepcom West GmbH, Unterföhring [1]	100.00	100.00
PrimaCom Berlin GmbH, Leipzig [1]	100.00	100.00
PrimaCom Holding GmbH, Leipzig [1]	100.00	100.00
REKA Regionalservice Kabelfernsehen GmbH, Kamenz [1]	100.00	100.00
RFC Radio-, Fernseh-u. Computertechnik GmbH, Chemnitz [1]	100.00	100.00
Tele Columbus Berlin-Brandenburg GmbH & Co. KG, Berlin [1]	100.00	100.00
Tele Columbus Betriebs GmbH, Berlin [1]	100.00	100.00
Tele Columbus Cottbus GmbH, Cottbus [1]	100.00	100.00
Tele Columbus Hessen GmbH, Berlin [1]	100.00	100.00
Tele Columbus Kabel Service GmbH, Berlin [1]	100.00	100.00
Tele Columbus Multimedia GmbH, Berlin [1]	100.00	100.00
Tele Columbus Netze Berlin GmbH, Berlin [1]	100.00	100.00
Tele Columbus NRW GmbH, Berlin [2]	74.90	n / a
Tele Columbus Ost GmbH, Berlin [1]	100.00	100.00
Tele Columbus Sachsen-Anhalt GmbH, Köthen [1]	100.00	100.00
Tele Columbus Sachsen-Thüringen GmbH, Jena [1]	100.00	100.00
Tele Columbus Vertriebs GmbH, Berlin [1]	100.00	100.00
Tele Columbus Verwaltungs GmbH, Berlin [1]	100.00	100.00
Teleco GmbH Cottbus Telekommunikation, Cottbus [1]	100.00	100.00
Tele-System Harz GmbH, Blankenburg [1]	100.00	100.00
TKN Telekabel-Nord GmbH, Wittenberge [1]	100.00	100.00
WTC Wohnen & TeleCommunication GmbH & Co. KG, Unterföhring [1]	100.00	100.00
WTC Wohnen & TeleCommunication Verwaltung GmbH, Hamburg [1]	100.00	100.00
WWcon Wärme-Wohnen-Contracting GmbH, Berlin [1]	100.00	n / a

1) The company used the exemption provided in section 264 Abs. 3, 264b HGB for its 2017 financial statements.

2) The acquisition of the company was accounted for using the anticipated purchase method, as there are symmetrical option rights for the outstanding shares of other shareholders.

Regarding the list of shareholdings in accordance with section 313 II No. 4 HGB, we refer to the Annex of the 2017 Financial Statements of Tele Columbus AG.

The following table presents information about Tele Columbus AG's subsidiaries along with material entities before intercompany elimination:

TABLE 37

For the 2017 financial year in KEUR

For the 2017 financial year in KEUR	MDCC Magdeburg City-Com GmbH, Magdeburg	Other non-controlling interests	Total
Non-controlling interests in %	*48.98*	–	
Non-current assets	13,319	221	
Current assets	2,953	778	
Long-term debt	−5,480	−110	
Short-term debt	−4,615	−462	
Net assets	*6,177*	*427*	*6,604*
Carrying amount of non-controlling	**2,911**	**237**	**3,148**
Revenue	26,273	4,975	
EBITDA	12,369	2,268	
Expenses and income not considered in EBITDA	−8,249	−2,268	
Total comprehensive income	**4,120**	**0**	**4,120**
Non-controlling interests allocated to EBITDA	6,058	473	6,531
Income and expenses not considered in EBITDA attributable to non-controlling interests	−4,040	−282	−4,322
Cash flow from operating activities	13,762	−1,127	
Cash flow from investing activities	−6,180	−92	
Cash flow from financing activities	−5,643	585	
of which dividends to non-controlling interests	−1,862	−191	
Net increase (+) / decrease (-) in cash and cash equivalents	**1,939**	**−634**	**1,305**

TABLE 38

For the financial year 2016 in KEUR

	MDCC Magdeburg City-Com GmbH, Magdeburg	Kabelfernsehen München ServiCenter GmbH & Co. KG, Munich1 [1]	Kabelfernsehen München ServiCenter GmbH – Beteiligungsgesellschaft, Munich	Non-controlling interests	Total
Non-controlling interests in %	*48.98*	*30.22*	*24.00*	–	
Non-current assets	13,304	47,775	368	236	
Current assets	2,737	8,440	355	671	
Long-term debt	−5,834	−6,495	–	−5	
Short-term debt	−4,186	−5,938	−71	−472	
Net assets	*6,021*	*43,782*	*652*	*430*	*50,885*
Carrying amount of non-controlling interests	**2,911**	**14,327**	**516**	**237**	**17,991**
Revenue	25,696	52,986	5	5,371	
EBITDA	12,173	28,930	−27	2,231	
Expenses and income not considered in EBITDA	−8,059	−23,168	915	−2,007	
Total comprehensive income	**4,114**	**5,762**	**888**	**224**	**10,988**
Non-controlling interests allocated to EBITDA	5,962	8,743	−6	435	15,134
Income and expenses not considered in EBITDA attributable to non-controlling interests	−3,948	−7,002	220	−253	−10,983
Cash flow from operating activities	9,420	29,970	785	1,639	
Cash flow from investing activities	−10,533	−7,538	–	−145	
Cash flow from financing activities	−275	−26,230	−137	−1,401	
of which dividends to non-controlling interests	−1,225	–	–	−190	
Net increase (+) / decrease (-) in cash and cash equivalents	**−1,388**	**−3,798**	**648**	**93**	**−4,445**

1) Non-controlling interests of third-party shareholders in the partnership Kabelfernsehen München ServiCenter GmbH & Co. KG, Munich, Germany, are accounted for as non-current other financial liabilities due to the existing right of termination of the non-controlling interests against the partnership in conjunction with IAS 32.AG29A. The non-controlling interests are measured in accordance with the anticipated acquisition method.

B.4 Investments accounted for using the equity method

The investments owned in associates and joint ventures have an immaterial effect on the Consolidated Financial Statements of Tele Columbus AG, both individually and in aggregate.

TABLE 39

Investments in associates

Capital share in %	31.12.2017	31.12.2016
AproStyle AG, Dresden	25.10	25.10
Deutsche Netzmarketing GmbH, Köln	20.00	20.00
TV Produktions- und Betriebsgesellschaft GmbH & Co. KG, Jena	40.00	38.00
TV Produktions- und Betriebsverwaltungs GmbH, Jena	40.00	38.00

The carrying amount of investments in associates amounted to KEUR 411 (2016: KEUR 356) and was mainly a result of the investment held in APROSTYLE AG situated in Dresden, Germany.

The investment owned in Deutsche Netzmarketing GmbH situated in Cologne, Germany, was separately disclosed in the previous period. Due to materiality reasons, a summary of the two items are disclosed in investments in other companies and investments in associates and joint ventures for the 2017 financial year.

During the 2017 financial year, income made from the investment in AproStyle AG that was accounted for using the equity method amounted to KEUR 60 (2016: KEUR 59).

TABLE 40

Joint ventures

Capital share in %	31.12.2017	31.12.2016
GlasCom Salzlandkreis GmbH, Staßfurt-Brumby	50.00	50.00
JVA Media GmbH, Magdeburg	50.00	50.00

The carrying amount of shares in joint ventures amounted to KEUR 5 (2016: 25)

Tele Columbus AG has residual interest rights relating to the net asset value of GlasCom Salzlandkreis GmbH situated in Staßfurt-Brumby, Germany. The firm is therefore classified as a joint venture.

Tele Columbus AG also has residual interest rights relating to the net asset value of JVA Media GmbH situated in Magdeburg, Germany. The rights were sold during the 2017 financial year. Because the transmission of the shareholder rights had not yet taken place by 31 December 2017, the equity holding was disclosed at its carrying amount in assets held for sale.

As in the previous period, there were no significant income or expenses incurred from joint ventures during the 2017 financial year.

C. Accounting principles

Disclosure and measurement

The entities included in the Consolidated Financial Statements of Tele Columbus AG are presented uniformly in accordance with IFRS for all reporting periods. The Consolidated Income Statement was prepared in accordance with the nature of expense method. The Consolidated Financial Statements were prepared on the basis of historical and continued acquisition and material costs, with the exception of the net liability for defined benefit plans and derivative financial instruments. The recognised net liability for defined benefit plans is the present value of the defined benefit plans less the fair value of the plan assets. Derivative financial instruments were measured at fair value through profit or loss.

D. Accounting and Measurement Policies

D.1 Significant accounting judgements, estimates and assumptions

The preparation of the Consolidated Financial Statements in accordance with IFRS, requires assessments, estimates, and assumptions that have a direct effect on the application of accounting and measurement methods. Consequently, the reported amounts of assets and liabilities, the disclosure of contingent receivables and liabilities at the reporting date, and the reported revenue and expenses during the reporting period are affected. Although Board of Management has formulated the estimates to the best of their knowledge as well as taken the most recent results into consideration, the actual results may differ.

Estimates and their underlying assumptions are reviewed regularly. Revisions of estimates are recognised prospectively.

An explanation of the most important forward-looking assumptions and other major decisive factors of estimate uncertainty as of the reporting date, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is provided in the following notes. The carrying amounts are presented in the Consolidated Statement of Financial Position or in the additional disclosures regarding the relevant assets and liabilities.

- Impairment of non-financial assets (2017: KEUR 1,178,050, 2016: KEUR 1,165,057):
  At the end of each reporting period, the companies of Tele Columbus AG assess whether there is an indication that non-financial assets are impaired. Goodwill and assets under construction were not amortised, but instead, underwent an impairment test. According to IFRS 36, the fair value less costs of disposal per cash-generating unit was used as the recoverable amount for goodwill as of 31 December 2017. The fair value less costs of disposal was measured in accordance with IFRS 13 based on unobservable inputs (Level 3).

- Definition of the measurement parameters for the recognition of and subsequent measurement of property, plant, and equipment (2017: KEUR 609,869, 2016: KEUR 604,690):
  The companies of Tele Columbus AG apply different measurement parameters for the recognition and subsequent measurement of property, plant, and equipment. A distinction is made between maintenance and investment measures, capitalisation of own resources, allocation of asset classes, summary of units of use, delineation of valuation units, assessment of future demolition measures, determination of useful lives, and identification of events leading to an impairment test. When determining the measurement

parameters, estimates from the Board of Management, based on technical and economic experience, are required. If individual assets were to be valued as part of these estimates, the fair value less costs of disposal is measured in accordance with IFRS 13 based on unobservable inputs (Level 3).

- Recognition of deferred tax assets (2017: KEUR 2,010, 2016 KEUR 2,685):
  Deferred tax assets are capitalised if it is probable that sufficient taxable profits will accrue in the future that can be offset against the deductible temporary differences. The calculation of deferred tax assets requires estimates by the Board of Management regarding the amount and timing of future taxable income and future tax planning strategies.
  Based on the companies of Tele Columbus AG's current planning, deferred tax assets arising from temporary differences are recognised in the amount of deferred tax liabilities. Subsidiaries that are considered independent taxable entities recognise deferred tax assets only if it is probable that sufficient taxable profit will be available in future years.

D.2 Summary of significant accounting and measurement policies

D.2.1 Intangible assets

Acquired intangible assets are measured at their acquisition costs. Internally generated intangible assets are recognised at their manufacturing costs if they comply with the requirements of IAS 38.

Intangible assets with a finite useful life are amortised over their estimated useful life (between 3 and 15 years) generally using the straight-line method from the time of their operational readiness. Customer bases, which are acquired through a business combination or asset deal, are depreciated over their useful lives, with consideration of the minimum contract period and according to the residual value method.

Development expenses for improving and enhancing internally generated software are capitalised if recognition requirements are met. Capitalised development expenses are amortised over a period of two years.

Expenses for the acquisition of new customers are capitalised as intangible assets if they are payments to external third parties directly related to an agreement and if they comply with the recognition and measurement criteria for intangible assets pursuant to IAS 38. Such expenses are amortised over an initial minimum contract term of one to two years.

Goodwill and intangible assets with indefinite useful lives are not amortised on a systematic basis, but instead tested for any need of devaluation in the course of an annual impairment test. Further assessments are performed if there is any indication of impairment. The impairment test is performed based on the cash-generating unit.

An impairment expense is recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset, in this respect, is the amount that is the higher of fair value less costs of disposal and the value in use. The impairment test is performed based on the relevant cash-generating unit and is respectively attributed to goodwill.

Estimated useful lives are reviewed at each reporting date and adjusted if necessary.

Expenses for scheduled depreciation and amortisation as well as impairments are recognised in the line item depreciation and amortisation in the Consolidated Income Statement.

Profit and loss from disposals are recognised in the line item other income or other expenses.

D.2.2 Business combinations

Business combinations are consolidated according to the purchase method pursuant to IFRS 3. In the course of the preparation of the opening balance, the identified assets and liabilities of the acquired subsidiaries are recognised and measured at fair value or in accordance with the respective IFRS regulations. This also includes identifiable intangible assets and contingent liabilities. The remaining difference corresponds to goodwill. Acquired non-controlling interests are provisionally recognised at fair value.

D.2.3 Property, plant, and equipment

Property, plant, and equipment are recognised at their acquisition cost and manufacturing costs less accumulated depreciation and accumulated impairment. Impairments are reversed when their reasons are no longer given or if the impairment has decreased.

Acquisition costs include the purchase price and all directly attributable costs incurred in order to bring the asset to its final location as well as into a state where it is ready-for-use as prescribed by the Board of Management.

Property, plant, and equipment are generally depreciated using the straight-line method over a period of 3 to 15 years. The cable network infrastructure includes technical facilities with estimated useful lives between 8 and 15 years. If a licence agreement exists, the remaining term of the licence agreement forms the upper limit for the useful life. Borrowing costs are capitalised if they are directly attributable to the acquisition of a qualifying asset that takes more than 12 months to get ready for its intended use. If they are not directly attributable, they are entered as an expense in the period incurred.

Customer devices in the form of modems and receivers not sold to the customer under a contract, are recognised as part of the network infrastructure under technical equipment and are depreciated over their estimated useful lives (3 years for modems and 2 years for receivers). If returned before the anticipated end of the contract, the customer device is written down to EUR 1 and allocated to inventories. Estimated useful lives are reassessed at each reporting date.

Estimated useful lives are reviewed at each reporting date. Adjustments are made in accordance with the new basis for assessment.

If there are any indications of impairment and if the recoverable amount is lower than the amortised purchase and manufacturing costs, an impairment expense is recognised for property, plant, and equipment. The recoverable amount of an asset, in this respect, is the amount that is the higher of fair value less costs of disposal and the value in use. The impairment test is generally conducted at the level of an individual asset. An appropriate portfolio is created under certain circumstances.

Costs for maintenance and repair are recognised in the period in which they are incurred. The costs for property, plant, and equipment are recognised as an asset if it is probable that the associated future economic benefits to be received by the company will exceed the benefit that would have been attainable without the purchase.

Straight-line depreciation and amortisation expenses as well as impairments are recognised as depreciation and amortisation in the income statement.

Profit and loss from disposals of assets are recognised through profit or loss under other income or other expenses'.

D.2.4 Leases

According to IAS 17, a distinction is made between operating and finance leases.

A finance lease is a lease that substantially transfers all the risks and rewards incidental to ownership of an asset so that the leased asset must be capitalised in the balance sheet of the lessee. Finance lease assets are measured in the beginning of the lease term at the lower of the asset's fair value and the present value of the minimum lease payments. The asset is amortised using the straight-line method over its estimated useful life or the shorter lease term. Future lease payments are recognised as a lease liability. Each lease payment is apportioned between the lease payment and interest, so that a steady interest rate is incurred for the remaining lease liability.

There are also finance leases within the scope of sale and lease back agreements. Accordingly, sales transactions under Germany Civil Law do not result in the disposal of assets if the assets are leased back under a finance lease and therefore have to be capitalised. Any excess of sales proceeds over the carrying amount are deferred and amortised over the lease term.

Leases in which a significant portion of the risks and opportunities associated with the ownership of the leased asset are retained by the lessor, are classified as operating leases. Lease payments under an operating lease are recognised as an expense in the Consolidated Income Statement on a straight-line basis over the lease term.

The companies of Tele Columbus AG also lease Customer Premises Equipment (CPE) to their customers, which is required for receiving digital television and broadband transmission offers. Such lease agreements in which one of the companies of Tele Columbus AG is the lessor, are classified as operating leases. Consequently, the companies of Tele Columbus AG capitalise CPEs at cost in property, plant, and equipment.

D.2.5 Inventories

Inventories are recognised at the lower of cost and net realisable value. The purchase costs of inventories are measured on the basis of weighted average cost. Net realisable value is measured on the basis of appropriate reductions in selling price in the ordinary course of business based on marketability.

D.2.6 Financial instruments

A financial instrument is any contract that simultaneously creates a financial asset for one of the parties and a financial liability or equity instrument for the other party. As defined in IAS 32 and IAS 39, financial instruments include both non-derivative financial instruments (e.g. receivables, liabilities, and shares) as well as derivative financial instruments.

Financial assets and liabilities are recognised when an entity becomes a party to the contract for the financial instrument.

A financial asset is derecognised when the contractual rights in relation to this financial asset has expired or rights to the financial asset have been transferred to another party.

A financial liability is derecognised from the statement of financial position when it is repaid, i.e. when the obligation under the liability is discharged or cancelled, or when the financial liability has expired.

If the terms of existing financial liabilities are changed significantly, the existing financial liability is derecognised on the basis of the current conditions. The financial liability is recognised at fair value on the basis of the changed terms.

Fair value is determined by discounting contractual cash flows using an interest rate in line with the market. If the assessed fair value deviates from the transaction price, the difference is amortised over the term of the contract.

Financial assets within the scope of IAS 39 are classified as financial assets, which are measured at fair value through profit or loss as loans and receivables, as investments held to maturity, or as financial assets available for sale.

The companies of Tele Columbus AG determine the classification of financial assets on initial recognition and review this classification at the end of each financial year to the extent permitted and appropriate.

Financial assets are initially measured at fair value. If recognised financial investments measured at fair value have an effect on profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset are additionally taken into account. All purchases and sales of financial assets that are customary in the market are recognised on the trading date, i.e. the day on which one of the companies of Tele Columbus AG commits to purchasing the asset. Purchases or sales that are customary in the market are purchases or sales of financial assets under a contract with terms that require delivery of the assets within a period of time that is commonly determined by regulations or conventions of the respective market.

The following table provides an overview of the recognition and measurement of various financial instruments:

TABLE 41

Financial assets

Financial assets	Measurement category	Initial measurement	Subsequent measurement	Recognition of changes in measurement
1. Derivative Financial assets	At Fair value through profit or loss	Fair value	Fair value	Finance income / costs
2. Trade and other receivables, receivables from related parties and other financial assets	Loans and receivables	Fair value	Amortised cost	Other income/ other expenses
3. Cash and cash equivalents	Loans and receivables	Fair value	Fair value	Finance income / costs

Financial liabilities

Financial liabilities	Measurement category	Initial measurement	Subsequent measurement	Recognition of changes in measurement
1. Derivative financial liabilities	At Fair value through profit or loss	Fair value	Fair value	Finance income / costs
2. Borrowings from banks as well as liabilities from the purchase of non-controlling interests	Financial liabilities measured at amortised cost	Fair value less transaction costs	Amortised cost [1]	Finance income / costs
3. Trade and other payables, payables to related parties and other financial liabilities [2]	Financial liabilities measured at amortised cost	Fair value	Amortised cost	Other income / other expenses

1) The amortised purchase cost including transaction costs is determined by means of the effective interest method.

2) Lease liabilities are not classified in a measurement category pursuant to IAS 39.2 (b). They are accounted for pursuant to IAS 17.

Financial assets valued at amortised cost are impaired if the amortised costs exceed the present value assessed on the basis of the original effective interest rate.

Cash and cash equivalents include cash and savings and checking accounts.

Financial assets and liabilities, which are measured at fair value through profit or loss, are derivative financial instruments. The calculation of fair value is based on market parameters as well as calculation models that are also based on market parameters.

Impairment of financial assets

All financial assets are reviewed for potential impairment. If there is an objective indication that an impairment of assets carried at amortised cost has occurred, the impairment loss is recognised as the difference between the carrying amount of the asset and the present value of expected future cash flows (excluding future credit losses not yet incurred), discounted at the original effective interest rate of the financial asset, i.e. the effective interest rate determined on initial recognition.

The carrying amount of the asset is reduced by means of an allowance account (provision for impairment). The impairment loss is recognised in profit or loss. Trade receivables with similar risk exposures are checked for non-recoverability on a portfolio basis. A portfolio combines receivables with similar risk exposures. Lump-sum provisions for specific loan losses are determined based on the age structure of receivables as well as experience with credit losses in the past.

If, in one of the following reporting periods, the amount of the impairment loss decreases and this decrease can be objectively attributed to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. However, at the time of the reversal, this transaction may not result in a carrying amount of the financial asset that exceeds the amount of the amortised cost that would have resulted if the impairment had not been recognised. The reversal is recognised in profit or loss.

If, in the case of trade receivables, there is objective evidence that not all amounts due are received in accordance with the originally agreed invoicing terms, an impairment is recognised by means of an allowance account (provision for impairment). A write-off of the receivables takes place if they are classified as uncollectible.

Embedded derivatives are separated from the respective underlying contracts according to IAS 39 and maintained as independent instruments in the category fair value through profit or loss. The embedded derivatives of the companies of Tele Columbus AG exist in connection with credit agreements.

D.2.7 Employee benefits

Besides benefits due in the short-term, employee benefits also include benefits due after the termination of the employment, other long-term benefits, and benefits for reason of the termination of employment.

Post-employment benefits plans are classified either as defined benefit or defined contribution plans depending on their economic content, which results from the basic performance conditions and prerequisites laid out in the plan.

Short-term employee benefits

Short-term employee benefits are recognised as expenses in the period in which the benefit is paid. A liability for the expected payable amount arises when the companies of Tele Columbus AG have a legal or factual obligation to pay the amount based on the past performance of the employee and if the value of the obligation can be reliably estimated.

Share-based payment arrangements

The fair value of the share-based payment programmes with settlement by means of equity instruments on the granting date is generally recognised as an expense over the vesting period. Equity is increased accordingly. The amount recognised as an expense is adjusted according to the number of claims for which it is expected that the related employment conditions and non-market-oriented performance conditions will be fulfilled, so that the ultimately recognised amount is based on the number of claims for which the related employment conditions and non-market-oriented performance conditions are fulfilled on the first vested day. For share-based payments with non-vesting conditions, the fair value of the share-based payment will be assessed on the granting date in order to take these conditions into account. Differences between the expected and actual results will not be adjusted.

Defined contribution plans

Defined contribution plans are post-employment benefit plans in which an entity pays fixed contributions to a standalone unit (e.g. a fund) and is not legally or factually required to pay any outgoing contributions if the fund does not have sufficient assets to provide all employee benefits related to performance in the current and prior periods.

Defined benefit plans

Defined benefit plans are post-employment benefit plans that do not fall under the definition of defined contribution plans, i.e. the providing company is obligated to pay the promised benefits to current and former employees.

Defined benefit plans are measured by using the projected unit credit method, which is based on various assumptions and expectations regarding future increases in salaries and pension payments as well as employee turnover and mortality. The obligations are measured by independent qualified actuaries once a year. The accumulated defined benefit obligations are recognised under personnel expenses, interest expenses, and in other comprehensive income.

If plan assets exist exclusively to hedge the pension benefits for a defined benefit plan, they are measured at fair value and netted against the value of the pension provisions on the basis of the projected unit credit method. Plan assets that are not netted are disclosed as other financial receivables.

Actuarial gains and losses resulting from changes in actuarial assumptions as well as the difference between standard and actual interest rates on plan assets are recognised in other comprehensive income.

Agreements for partial retirement benefits

In certain cases, employees of some of the companies of Tele Columbus AG are offered agreements for partial retirement benefits. Such provisions are measured at their present value with consideration of benefit entitlements of employees based on the number of years served.

Anniversary obligations

Employees of some of the companies of Tele Columbus AG are paid anniversary benefits upon having served the company as an employee for a certain number of years. Such provisions are measured at their present value with consideration of employee entitlements based on the number of years served.

Termination benefits

Termination benefits are recognised as expenses when the companies of Tele Columbus AG can no longer withdraw the offer of those benefits. The benefits are discounted if it is expected that they will not be completely fulfilled within twelve months after the reporting date.

D.2.8 Other provisions

According to IFRS, a provision is recognised when a present, legal, or factual obligation as a result of a past event exists, or when an outflow of resources of economic benefits is probable to settle the obligation, and if a reliable estimate can be made of the amount of the obligation. If the companies of Tele Columbus AG expect that the expenses required for the fulfilment of an obligation that has been recognised as a provision will be reimbursed in full or in part, the reimbursement will be recognised as a separate asset if the receipt of the reimbursement is virtually certain. If the interest effect resulting from discounting is substantial, provisions will be discounted through discounting of the expected future cash flows at an interest rate before taxes that reflects current market expectations regarding the interest effect and, if required, reflects the risks specific to the debt.

D.2.9 Deferred revenue

Private grants and prepayments from customers are recognised as deferred revenue. These funds are recognised in accordance with contractually agreed terms in revenue or other income.

D.2.10 Recognition of Revenue

Revenue is the gross inflow of economic benefits during the period arising in the course of ordinary operational activities of the companies of Tele Columbus AG. It is to be measured at the fair value of the consideration received or to be claimed. Revenue is shown net of value added tax, returns, rebates, discounts, and intercompany eliminations.

Revenue is recognised when it is probable that the economic benefits will flow to the companies of Tele Columbus AG, that these benefits can be measured reliably, and if the benefits meet certain criteria as specified below.

Revenue

The companies of Tele Columbus AG earn revenue in the following key segments: analogue and digital cable television, additional digital services, internet, telephone and transmission fees, construction services, as well as the implementation of other projects including infrastructure projects.

Current revenue from base contract fees are recognised on a straight-line basis over the individual contract period.

New customers are partially acquired through advertising campaigns, such as a certain number of free months for a contract period of one to two years. If a customer has signed a contract for a minimum term, the subscription fees are recognised according to the straight-line method over the minimum term including months free of charge.

Revenue from installation fees is recognised when it is incurred. This is shown alongside corresponding internal and external processing costs for new customers.

Revenue from the sale of hardware is realised, as soon as there are no unfulfilled obligations anymore that affect final customer acceptance.

For multi-component contracts, the share of each significant component in Revenue is determined separately (generally on the basis of comparative offers or individual sales prices). Based on this, the revenue are allocated to the components and assessed according each component's realisation date.

Interest income

Interest income contains interest from pro rata development from using the effective interest method. If a receivable item is impaired, its carrying amount is reduced to its recoverable amount. The recoverable amount is estimated by discounting future cash flows at the effective interest rate. The compound effect is recognised as net interest income on loan impairments using the effective interest rate.

Licence fee income

Licence fee income is deferred as specified in each underlying agreement.

D.2.11 Impairment of non-financial assets

An intangible asset or a tangible asset is considered impaired if the carrying amount of the respective cash-generating unit exceeds the recoverable amount. The recoverable amount of an asset is the higher of the fair value less costs of disposal and the value in use.

D.2.12 Fair value measurement according to IFRS 13

The companies of Tele Columbus AG measure derivative financial instruments at fair value. The valuation model used is based on a calculation of the fair value on the basis of different yield curves as well as assumed decision trees in order to take various scenarios into account.

All other assets and liabilities are only recognised at fair value if there are any impairment losses or indications of impairment. In these cases, the fair value is determined on the basis of a corresponding valuation procedure.

The fair value of financial assets and liabilities measured at amortised cost is disclosed in section F.3.1 Carrying amounts and net income from financial instruments.

The general responsibility for monitoring all significant fair value measurements, including Level 3 inputs to measure fair value, lies directly within the finance and accounting department of the company preparing the statements. The respective department reports directly to the Board of Management. The respective department regularly reviews the most important inputs and valuation parameters. If information from third parties such as foreign exchange quotations from exchange rate services is used to determine fair value, the respective department assesses the evidence obtained from third parties in terms of compliance of such measurements with IFRS requirements, including the fair value hierarchy level to which these measurements are assigned.

In determining the fair value of an asset or liability, the companies of Tele Columbus AG use data that is most possibly observable in the market. The inputs used to measure fair value are categorised into different levels of the fair value hierarchy, in accordance with the valuation technique used:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs are unobservable inputs for the asset or liability.

If the input factors used to measure the fair value of an asset or a liability can be classified into different levels of the fair value hierarchy, then the measurement of the fair value is assigned in its entirety to the same level of the fair value hierarchy as the lowest level input that is relevant for the overall measurement.

D.2.13 Income taxes

Current income taxes

Current tax assets and liabilities arising from income taxes are measured at the amount expected to be refunded by or paid to the taxation authority. They are not discounted. The calculation of the respective amount is based on the tax rates and legal regulations valid or adopted as of the reporting date. The group is exclusively active in Germany and therefore earns the respective taxable income.

Current taxes relating to items that are recognised directly in equity are not recognised in the income statement, but in equity. Management regularly assesses individual tax issues as to whether there is room for interpretation in current tax regulations. If necessary, tax provisions are recognised.

Deferred taxes

According to IFRS, deferred tax assets and liabilities are recognised, using the liability method, as temporary differences between the carrying amount of assets and liabilities as reported under IFRS and the statutory amounts assessed for tax purposes.

Deferred tax liabilities for temporary differences are recognised for all taxable temporary differences, with the exception of deferred tax liabilities from the initial recognition of goodwill, an asset, or a liability in a transaction that does not constitute a business combination and that had no influence on either the net income for the period nor the taxable profit. Deferred tax liabilities from taxable temporary differences related to investments in subsidiaries, associates, and joint ventures are also not recognised if the timing of the reversal of temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets from deductible temporary differences and from tax loss carry-forwards are assessed only to the extent that it can be assumed with sufficient certainty that the respective taxed entity (company or tax group) will achieve sufficient taxable profits against which the deductible temporary difference can be used. This does not apply to deferred tax assets from deductible temporary differences arising from the initial recognition of an asset or liability in the context of a transaction that does not constitute a business combination, which at the time of the transaction neither the net income for the period nor the taxable profit is influenced. The same applies to deferred tax assets arising from deductible temporary differences related to investments in subsidiaries, associates, and joint ventures where it is probable that the temporary differences will not reverse in the foreseeable future or will not provide sufficient taxable income against which the temporary differences can be used.

The value of deferred tax assets and liabilities is based on future taxable income generated by the taxable entity (company or tax group) and is reviewed annually. If it is not probable that sufficient taxable income will be available in the future against which the deferred tax asset can be used at least in part, an adjustment of the deferred tax assets is made in the appropriate amount.

Deferred tax assets and liabilities are measured using the tax rates expected to be valid for the period in which an asset is realised or a liability is settled. The tax rates (and tax regulations) that are valid or legally announced on the reporting date are used. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are disclosed under non-current assets or liabilities. If changes in assets and liabilities are recognised in other comprehensive income or directly in equity, the change in the corresponding deferred tax assets or liabilities is also recognised in other comprehensive income or separately in equity.

Deferred tax advantages acquired within the context of a business combination that do not meet the criteria for a separate recognition at the time of acquisition are recognised in subsequent periods, if the advantages result from new information on facts and circumstances existing at the time of acquisition. The adjustment is either treated as a reduction in goodwill (provided that the adjustment does not exceed goodwill), if it arises during the measurement period or it is recognised in profit or loss for the period.

Deferred tax assets and liabilities are only netted if the group has a legally enforceable right to offset current tax refund claims against current tax liabilities. They are also only netted if the deferred tax assets and liabilities relate to income taxes paid by the same tax authority either for the same taxable entity or for different, separate taxable entities that intend in every period within which the repayment or realisation of significant amounts of deferred tax liabilities or claims is to be expected, to either offset the current tax debts and reimbursement claims on a net basis or, at the same time as the realisation of the claims, to replace the obligations.

D.2.14 Assets held for sale

Assets held for sale are classified as such if their carrying amount will be recovered principally through a sales transaction that is highly probable within the next 12 months rather than through continued use. They are measured at the lower of the carrying amount and fair value less costs of disposal. For such assets, no further scheduled depreciation or amortisation is applied. An impairment is recognised for these assets if fair value less costs of disposal is below the carrying amount. In the event of a later increase in fair value less costs of disposal, the previously recognised impairment will be reversed. The appreciation in value is limited to the impairment previously recognised for the assets concerned. If the requirements for the classification of assets as held for sale are no longer met, the assets may no longer be classified as held for sale. In the reporting period, the assets held for sale were assessed at the lower of carrying value and fair value less costs of disposal in the beginning of the active search for a buyer. The assets are available for immediate sale on terms that are common and customary in the industry; a sale is therefore highly probable.

D.3 Compliance with IFRS

Tele Columbus AG has complied with all IFRS and IFRIC interpretations in the Consolidated Financial Statements for the year ended 31 December 2017, as endorsed by the EU, that are effective for financial years beginning on or after 1 January 2017.

The following accounting standards and interpretations were therefore applied for the first time in these financial statements:

TABLE 42

Standard / Interpretation		Mandatory application	Publication of endorsement by the EU Commission
Amendments to IAS 7	Disclosure Initiative	01.01.2017	09.11.2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	01.01.2017	09.11.2017

The above standards and interpretations had no significant impact on the Consolidated Financial Statements as of 31 December 2017.

The following table shows the main new or revised standards (IAS/IFRS) or interpretations (IFRIC) that are mandatory only for future financial years and for which no early adoption is planned by Tele Columbus AG. Unless otherwise stated, the impact on the Consolidated Financial Statements of Tele Columbus AG is currently being assessed. The overview is divided into requirements that have already been endorsed by the EU and requirements that have not yet been endorsed. The mandatory application date, unless otherwise stated, refers to the effective date as specified in the EU endorsement:

TABLE 43

Standard / Interpretation		**Mandatory application [1]**	**Publication of endorsement by the EU Commission [2]**
EU endorsement given by the date of publication			
Amendments to IFRS 4	Application of IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts [3]	01.01.2018	09.11.2017
IFRS 10/ IAS 28	Sales or contributions of assets between an investor and its associate/joint venture	Pending	Pending
IFRS 9	Financial instruments	01.01.2018	29.11.2016
IFRS 15	Revenue from Contracts with Customers	01.01.2018	29.10.2016
Amendments to IFRS 15	Clarifications regarding IFRS 15	01.01.2018	09.11.2017
IFRS 16	Leases	01.01.2019	09.11.2017
EU Endorsement pending [2]			
AIP 2014 - 2016	Annual Improvement Project, annual improvements to IFRS 12	01.01.2017	
AIP 2014 - 2016	Annual Improvement Project, annual improvements to IFRS 1 and IAS 28	01.01.2018	
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	01.01.2018	
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01.01.2018	
Amendments to IAS 40	Transfer of Investment Property	01.01.2018	
Amendments to IFRS 9	Prepayment Features with Negative Compensation	01.01.2019	
IFRIC 23	Uncertainty over Income Tax Treatments	01.01.2019	
Amendments to IAS 28	Long-term Investments in Associates and Joint Ventures	01.01.2019	
AIP 2015 - 2017	Annual Improvement Project, annual improvements to IFRS 3, IFRS 11, IAS 12 and IAS 23	01.01.2019	
IFRS 17	Insurance Contracts	01.01.2021	

1) Financial years beginning on or after the date indicated.

2) As the EU endorsement is still outstanding, the date of mandatory initial adoption according to the IASB is provided.

3) No impact on the Consolidated Financial Statements.

Except for the amended or new standards described below, it is not expected that any other IFRS changes will have a material impact on the financial reporting of the companies of Tele Columbus AG.

IFRS 9 Financial Instruments

The new IFRS standard, IFRS 9 Financial Instruments, was first issued by the IASB on 24 July 2014 and replaces the previous standard IAS 39. IFRS 9 consists of three phases: classification and measurement, impairment, and hedge accounting. Application is mandatory for all financial years beginning after 1 January 2018. Prior use is also permitted. With the exception of hedge accounting, retrospective application is mandatory but does not include the corresponding comparative period. In the context of hedge accounting, the rule applies for the first time from the date of introduction, but with limited exceptions.

Tele Columbus AG plans to implement IFRS 9 by the date of the standard‘s mandatory implementation. The comparative period has not been adjusted. Tele Columbus AG does not expect the implementation to have any significant impact on the balance sheet, income statement, or equity.

Classification and evaluation

Tele Columbus AG does not expect any significant impact on the balance sheet or equity with regard to the implementation of IFRS 9. Instead, it is assumed that the financial instruments recognised at fair value must continue to be measured in this way.

Issued loans and trade receivables are generally held to generate contractual cash flows consisting of interest and redemption portions. An internal investigation showed that such assets meet the cash flow criteria and can therefore be recognised at amortised cost in accordance with IFRS 9. They are therefore not reclassified.

Impairment

Within the context of impairment, the expected credit loss model under IFRS 9 replaces the previous incurred loss model under IAS 39. The IAS 39 model was based on actual circumstances that led to an impairment. In accordance with IFRS 9, impairment losses are now included in the accounting treatment of financial assets from the outset and are constantly adjusted to changes in expected impairment losses. Tele Columbus AG uses the simplified approach with respect to trade receivables on the basis of business transactions and measures these on an ongoing basis with respect to the total term. Due to the new model for recording loan defaults, an increased but only insignificantly changed level of valuation allowances is expected in the area of the measurement of financial assets.

Hedge accounting

As Tele Columbus AG has not yet applied the rules of hedge accounting in accordance with IAS 39, the conversion from IAS 39 to IFRS 9 does not result in any changes. The new accounting standard merely opens up new possibilities for the future presentation of hedges as a hedging relationship in the balance sheet.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 defines a comprehensive framework for revenue recognition. It specifically clarifies the conditions which lead to revenue recognition, the amount of revenue, and the point in time revenue is recognised. The standard replaces existing guidelines for revenue recognition, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The group is required to apply IFRS 15 Revenue from Contracts with Customers as of 1 January 2018.

The companies of Tele Columbus AG plan to adopt IFRS 15 using the modified retrospective method under which the cumulative adjustment amounts are recognised starting 1 January 2018. The companies of Tele Columbus AG will not apply IFRS 15 to every presented comparative period, but instead will disclose the changes resulting from the initial adoption of the standard in the Consolidated Statement of Financial Position and the Consolidated Statement of Income in the current period. The companies of Tele Columbus AG will apply IFRS 15 only to contracts that were completed as of 31 December 2017 as well as those that were not completed by the date of initial application (i.e. 1 January 2018).

During the financial year 2015, Tele Columbus AG started a project with the purpose of applying IFRS 15 requirements and the consequential changes to the companies of Tele Columbus AG. Within the scope of the project, contract analyses were conducted and required process as well as IT system adjustments were identified. An IT tool was implemented to calculate the necessary adjustments.

The identified effects from applying IFRS 15 as of 1 January 2018 are based on a current assessment. The actual effects resulting from the application of IFRS 15 as of 1 January 2018 may deviate from the evaluations for the following reasons:

- New reporting and accounting methods may be subject to change when the first consolidated financial statement is published in line with the initial application of the standard.

- Due to the incomplete migration project to harmonise the IT landscape and an outstanding review of controls that ensure the system-supported calculation assessment of IFRS 15 conformity, differences in conformity may exist.

Current analyses within the scope of the implementation of IFRS 15 support the previous assessment of the companies of Tele Columbus AG. Accordingly, the companies of Tele Columbus AG expect only minor changes due to the application of IFRS 15. These minor changes are described below.

No material effect in consolidated equity was identified as of 1 January 2018.

The minor changes are due in particular to the fact that the companies of Tele Columbus AG are not affected by circumstances that are typically associated with the sale of Customer Premise Equipment within the framework of IFRS 15. This is because the companies of Tele Columbus AG lease such equipment to their customers. Also, the previous accounting practice for commissions already complies with the requirements of IFRS 15, in which context the Group capitalises commissions already accrued and depreciates them over the estimated customer retention period.

Previously, revenue from facility fees from B2C customers were recognised on a time-related basis. Setup fees will now be categorised as non-refundable upfront fees. In accordance with IFRS 15, these are recognised as prepayments and recognised as revenue over the minimum contract term.

Due to the distribution of facility fees over the term of B2C contracts, the companies of Tele Columbus AG expect revenue postponements to offset each other over time and not to have a material effect on equity as of 1 January 2018.

Due to the individual sale price logic introduced by IFRS 15, allocation adjustments are made between product segments to which revenue shares are distributed as part of product packages.

This results in expected revenue shifts between product segments of less than 1.00 % of total revenue for 2017. These shifts are also expected to occur in 2018.

- An increase is expected in the following product segments: Analogue, Additional Digital Services (revenue from TV products), and Receiver Leasing (lease revenue).

- A decrease is expected in the Internet and Telephony product segments (revenue from Internet and Telephony).

Operating revenue disclosure is divided into revenue share from customer contracts and leases.

IFRS 16 Leases

IFRS 16 introduces a uniform accounting model, which requires all lease contracts to be recorded on the lessee's balance sheet. A lessee recognises a right to use (right-of-use asset), which represents its right to the use of the underlying asset, and a liability under the lease, which represents its obligation for lease payments. There are exceptions for short-term leases and leases relating to low-value economic goods. The accounting treatment of the lessor is comparable to that according to the current standard, i.e. lessors continue to classify leases as financing or operating leases.

IFRS 16 replaces the current guidelines on lease terms, such as IAS 17 Leases, IFRIC 4 determining whether an arrangement contains a lease, SIC-15 Operating leases, and SIC 27 evaluating the substance of transactions involving the legal form of a lease.

The Board of Management of Tele Columbus AG plans to apply the new regulations of IFRS 16 for the first time on 1 January 2019. Due to the extensive changes resulting from the regulations of IFRS 16, at the present time, no conclusive and complete information can be provided on the potential effect on the financial reporting of Tele Columbus AG. However, the initial application will result in significant increases in long-term assets and current and non-current liabilities.

E. Notes to the Consolidated Income Statement and Consolidated Statement of Financial Position

E.1 Revenue

TABLE 44

KEUR	2017	2016 adjusted [1]
Analogue	216,163	230,859
Internet / telephony	156,282	144,986
Additional digital services	26,207	28,135
Other transmission fees and miscellaneous feed-in charges	24,604	22,802
Network rent	18,466	17,640
Construction services	16,046	6,267
Receiver rent	14,846	11,848
Hardware sales	5,198	5,337
Computing centre	4,411	4,044
One-off fees for B2B customers	3,920	1,982
Antenna/maintenance	2,077	612
Other	7,536	2,239
	495,756	**476,751**

1) In order to improve comparability, the companies of Tele Columbus AG, in contrast to the previous year's Consolidated Financial Statements, report B2B customer revenue by type of service.

The revenue of the companies of Tele Columbus AG mainly include monthly subscription fees and, to a lesser extent, one-off installation and connection fees for analogue and digital basic cable television as well as premium digital services. Fees for access to high-speed Internet as well as telephone charges are also included. Other Revenue includes other transmission fees as well as feed-in charges that are paid to the companies of Tele Columbus AG in return for distribution of the offered programmes. The remaining revenue mainly includes income from services, connection and disconnection fees, and shipping fees for hardware. Due to newly won projects, a growth in the construction services sector was generated during the 2017 financial year.

E.2 Own work capitalised

Own work capitalised in the amount of KEUR 16,864 in 2017 (2016: KEUR 18,350) largely contain expenses for services relating to the expansion of the broadband cable network that have been performed by Tele Columbus AG's own employees.

E.3 Other income

TABLE 45

KEUR	2017	2016
Income from the de-recognition of liabilities and reversal of provisions	3,500	16,997
Income from sales	3,296	2,464
Gain on disposal of non-current assets	2,913	2,014
Income from dunning fees	2,668	1,879
Other income from bad debt	2,315	284
Income from marketing subsidies	658	1,018
Miscellaneous other income	5,195	3,541
	20,545	**28,197**

During the previous year, other income included non-recurring effects due to the reversal of personnel-related restructuring provisions and the reversals of provisions for imminent losses in connection with a signal delivery agreement.

E.4 Cost of materials

TABLE 46

KEUR	2017	2016
Cost of raw materials and supplies	−7,239	−3,765
Cost of purchased services / goods	−151,911	−142,459
	−159,150	**−146,224**

The expenses for raw materials and supplies relate to the consumption of goods for repairs and maintenance.

Expenses for purchased services mainly relate to signal forwarding charges, construction services, maintenance expenses, commission payments, electricity and other services, as well as changes in customer device inventories.

E.5 Employee benefits

TABLE 47

KEUR	2017	2016
Wages and salaries	−66,076	−68,286
Social contributions and expenses for pension provisions	−11,080	−11,883
Other personnel costs	−4,313	−3,896
	−81,469	**−84,065**

The increase in other personnel costs is mainly due to payments in connection with the social plan for the relocation of jobs.

E.6 Other expenses

TABLE 48

KEUR	2017	2016
Legal and consulting fees	–30,460	–15,398
Advertising	–10,728	–12,873
Impairment on receivables	–10,413	–6,861
IT costs	–9,671	–4,879
Occupancy costs	–8,872	–8,628
Communication costs	–3,231	–2,992
Vehicle costs	–2,987	–2,838
Travel expenses	–2,093	–2,065
Losses on disposal of non-current assets	–1,763	–1,891
Insurance, fees, and contributions	–1,595	–2,026
Office supplies and miscellaneous administrative expenses	–1,564	–1,675
Maintenance	–1,387	–1,320
Incidental bank charges	–1,184	–1,224
Restructuring	–	–6,632
Miscellaneous other expenses	–9,593	–5,365
	–95,541	**–76,667**

The increase in legal and consulting costs mainly results from the use of consultants in the context of different migrations and new projects in the area of customer service. IT costs have increased due to the costs of ongoing IT and data migration.

E.7 Depreciation and amortisation

Impairment of fixed assets amounts to KEUR 5,167 (2016: KEUR 4,667). Of this amount, KEUR 4,650 relates to the previously capitalised and amortised branding, which was impaired to its remaining carrying amount as of 30 September 2017 due to the introduction of the new PŸUR brand. Further impairment losses are attributable to customer end-user equipment that was defective or returned before the scheduled end of the contract.

E.8 Interest income and expenses

TABLE 49

KEUR	2017	2016
Interest income from third parties	137	260
Interest and similar income	**137**	**260**
Interest paid to third parties	–49,886	–64,365
Expenses resulting from compounding of loans under the effective interest rate method	–5,390	–6,108
Expenses resulting from revaluation of interest rate caps	–2,338	–4,937
Interest and similar expenses	*–57,614*	*–75,410*
	–57,477	**–75,150**

Interest expenses due to third parties relate, in particular, to liabilities to banks (e.g. loans and borrowings). The decline compared to the previous year primarily results from the interest rate adjustments made in April 2017 and December 2017.

E.9 Other financial income and expenses

TABLE 50

KEUR	2017	2016 adjusted [1]
Value adjustment due to transaction costs	–	–2,935
Value adjustment due to refinancing	340	–1,094
Value adjustment of embedded derivatives	3,035	6,885
Value adjustment due to the acquisition of non-controlling interests	–15,776	–
Other financial income / expenses	53	–4
	–12,348	**2,852**

1) In contrast to the previous year's Consolidated Financial Statements, the companies of Tele Columbus AG disclose the value adjustment due to refinancing and the value adjustment on embedded derivatives separately for better comparability.

The value adjustment due to the acquisition of non-controlling interests results from Tele Columbus AG's acquisition of a non-controlling interest in the fully consolidated subsidiary Kabelfernsehen München ServiCenter GmbH & Co. KG, Munich. The non-controlling interest was previously recognised and measured in other financial liabilities (see section E.23 Other financial liabilities and other liabilities), so that the change in value in the context of these financial statements must be shown under other financial income and expenses in accordance with IAS 39.

E.10 Income tax expense

TABLE 51

KEUR	2017	2016
Income from deferred taxes	22,296	13,458
Current deferred taxes, current year	–10,820	–14,695
Current deferred taxes, previous years	551	1,029
Deferred tax income / loss	**12,027**	**–208**

The following table shows the transition between the annual result multiplied by the effective tax rate and income tax:

TABLE 52

KEUR	2017	2016
Earnings before taxes (EBT)	–28,377	–10,551
Group tax rate	31.14 %	28.44 %
Expected tax expense (-) / income (+)	**8,836**	**3,001**
Adjustments for temporary differences	5,088	4,153
Effects due to changes in tax rates	–2,559	0
Effects due to deferred tax assets and liabilities not qualifying for recognition	0	–290
Adjustments for changes in recognition	4,862	–4,469
Trade tax additions / subtractions	–1,747	–3,360
External corporate tax effects for partnerships	–409	231
Non-deductible expenses	–296	–282
Tax-free income	95	62
Outside Basis Differences	0	–81
Consolidation effects	–2,201	–35
Taxes for previous years	551	1,029
Other differences	–193	–167
Reported income tax expense (-) / income (+)	**12,027**	**–208**

The overall tax rate of 31.14 % (2016: 28.44 %) corresponds to the weighted tax rate of the consolidated companies. The increase is a result of the inclusion of the pepcom and PrimaCom groups within the taxable group of companies.

Due to the first-time inclusion of the PrimaCom and pepcom companies in the income-taxable corporate group of Tele Columbus AG in 2017, deferred tax assets on tax loss carry forwards in the amount of KEUR 8,720 were capitalised, which were not recognised in previous years.

The consolidation effects mainly include the tax effect from the increase in the majority holding in Kabelfernsehen München Servicecenter GmbH & Co. KG, Munich.

Deferred tax assets and liabilities are recognised for the following types of temporary differences, loss carry forwards, as well as interest carried forward:

TABLE 53

KEUR	31.12.2017	31.12.2016
Property, plant, and equipment	1,022	141
Financial assets (without derivatives) and other assets	5,822	2,309
Intangible assets	9,893	11,479
Tax loss and interest carry-forwards	14,791	0
Derivatives	1,324	3,189
Liabilities and provisions	4,726	7,047
Offset	−35,568	−21,480
Deferred taxes	**2,010**	**2,685**
Property, plant, and equipment	−2,736	−11,136
Intangible assets	−57,493	−62,546
Receivables and other assets	−2,157	−1,677
Liabilities and provisions	−16,994	−10,955
Derivatives	−1,064	−1,286
Offset	35,568	21,480
Deferred tax liabilities	**−44,876**	**−66,120**
Change	*20,569*	*13,480*
of which through profit or loss	22,296	13,458
of which not through profit or loss through consolidation (intangible assets)	−1,779	0
of which offset against other comprehensive income (provisions)	52	22

The deferred tax assets and liabilities recognised in other comprehensive income result from measurement differences in pension provisions. Deferred taxes were recognised directly in equity due to the first-time inclusion of the PrimaCom and pepcom groups within the Consolidated Financial Statements. All other changes in deferred tax items were recognised as deferred income tax expense or income.

Deferred tax assets for property, plant, equipment, and intangible assets result in particular from higher measurement of said assets in supplementary balance sheets, from business combinations, and from the effects of intercompany profits within Tele Columbus AG. Deferred tax assets relating to liabilities and provisions result in particular from provisions for impending losses that are not tax deductible and from the recognition of liabilities from leasing contracts.

Deferred tax liabilities result primarily from the identification of intangible assets (particularly customer bases) in the context of acquisitions as well as in the measurement of property, plant, and equipment at fair value.

The outstanding non-controlling interest of 30.22 % in Kabelfernsehen München Servicecenter GmbH & Co. KG, Munich, as well as the indirect non-controlling interest of 15.11 % in WTC Wohnen & TeleCommunication GmbH & Co. KG, Unterföhring was purchased so that Tele Columbus now holds 100 % of the shares in these two companies. The acquisition of these shares resulted in a current trade tax expense of KEUR 4,709 and a deferred tax revenue of KEUR 7,469 due to a revaluation of deferred taxes.

No deferred tax assets were recognised for the following temporary differences, tax loss carry forwards, and interest carry forwards:

TABLE 54

KEUR	31.12.2017	31.12.2016
Temporary differences	0	129
Trade tax loss carry-forwards	344	24,386
Corporate tax loss carry-forwards	441	31,623
Interest carry-forwards	**127,345**	**118,310**

Trade tax loss carry-forwards totalling KEUR 2,955, corporate tax loss carry forwards totalling KEUR 28,777, and interest carry forwards totalling KEUR 67,052 of PrimaCom Holding GmbH are not included in the carry forwards excluding deferred taxes. When Tele Columbus AG acquired the shares in PrimaCom Holding GmbH as of July 31, 2015, it was disputed whether, pursuant to section 8c KStG, the tax loss carryforwards will expire due to the change of shareholder or whether it can be assumed that the hidden reserve clause of section 8c Abs. 1 pp. 6-9 KStG is applicable at the level of PrimaCom Holding GmbH, and insofar, no loss or loss of the interest carried forward is to be taken into account. Therefore, these presentations are not presented within the scope of the above summarised data.

Not included in the assessment basis for deferred taxes was 5 % of the differences between the pro-rata equity of the subsidiaries and the currently calculated lower corresponding tax base (Outside Basis Differences) in the amount of KEUR 1,326 (2016: KEUR 8,785). A realisation is currently not planned. If sold, the capital gains would be subject to tax amounting to 5 %.

E.11 Property, plant, and equipment

The following tables show the development of the carrying amounts of property, plant, equipment, and intangible assets from 1 January 2017 to 31 December 2017 as well as the previous, comparative period from 1 January 2016 to 31 December 2016.

TABLE 55

Movements in intangible and fixed assets during the financial year 2017 in KEUR

	Acquisition costs					
	01.01.2017	**Additions**	**Additions from changes in consolidated entities**	**Disposals [1]**	**Reclasses**	**31.12.2017**
I. Intangible assets						
1. Goodwill	1,296,553	–	11,193	–	–	1,307,746
2. Concessions, industrial, and similar rights, as well as assets and licenses for such rights and assets	51,838	5,664	–	876	7,481	64,107
3. Internally developed software	2,152	–	–	–	114	2,266
4. Customer bases	391,895	13,808	5,890	−41	436	412,070
5. Assets under development and advance payments	16,814	10,529	–	22	−8,707	18,614
	1,759,251	*30,001*	*17,083*	*857*	*−676*	*1,804,803*
II. Property, plant, and equipment						
1. Properties	3,091	2	–	–	–	3,093
2. Plant and equipment	1,078,345	39,243	4,257	21,268	17,682	1,118,259
3. Other, operating, and office equipment	33,652	6,291	41	6,101	1,458	35,341
4. Assets under development and advance payments	52,771	62,432	–	6,299	−18,464	90,440
	1,167,859	*107,968*	*4,298*	*33,668*	*676*	*1,247,133*
	2,927,112	**137,969**	**21,381**	**34,525**	**–**	**3,051,936**

1) Of which reclassified to assets held for sale at a carrying amount of KEUR 445 (including acquisition costs in the amount of KEUR 3,174 and depreciation amounting to KEUR 2,729).

Accumulated depreciation and amortisation					Net carrying amounts	
01.01.2017	**Scheduled additions [1]**	**Unschedulded additions**	**Disposals [1]**	**31.12.2017**	**31.12.2017**	**31.12.2016**
148,310	–	–	–	148,310	1,159,436	1,148,243
41,375	7,479	4,766	727	52,893	11,214	10,463
713	57	–	–	770	1,496	1,439
166,720	46,122	–	−35	212,877	199,193	225,175
–	–	–	–	–	18,614	16,814
357,118	*53,658*	*4,766*	*692*	*414,850*	*1,389,953*	*1,402,133*
1,150	17	–	–	1,167	1,926	1,941
542,233	91,542	356	17,289	616,842	501,417	536,112
19,736	5,226	45	5,803	19,204	16,137	13,917
51	–	–	–	51	90,389	52,720
563,170	*96,785*	*401*	*23,092*	*637,264*	*609,869*	*604,689*
920,288	**150,443**	**5,167**	**23,784**	**1,052,114**	**1,999,822**	**2,006,825**

TABLE 56

Movements in intangible and fixed assets during the financial year 2016 in KEUR

	Acquisition costs					
	01.01.2016	**Additions**	**Additions from changes in consolidated entities**	**Disposals [1]**	**Reclasses**	**31.12.2016**
I. Intangible assets						
1. Goodwill	1,296,548	–	5	–	–	1,296,553
2. Concessions, industrial, and similar rights, as well as assets and licenses for such rights and assets	46,775	5,083	–	30	10	51,838
3. Internally developed software	2,012	48	–	–	92	2,152
4. Customer bases	376,588	14,774	–	170	703	391,895
5. Assets under development and advance payments	2,111	14,733	–	–	−30	16,814
	1,724,033	*34,638*	*5*	*200*	*775*	*1,759,251*
II. Property, plant, and equipment						
1. Properties	3,080	11	–	–	–	3,091
2. Plant and equipment	1,046,365	69,240	–	51,314	14,054	1,078,345
3. Other, operating, and office equipment	29,999	3,739	–	436	350	33,652
4. Assets under development and advance payments	27,302	41,247	–	599	−15,179	52,771
	1,106,746	*114,237*	*–*	*52,349*	*−775*	*1,167,859*
	2,830,781	**148,875**	**5**	**52,549**	**–**	**2,927,112**

1) Of which reclassified to assets held for sale at a carrying amount of KEUR 229 (including acquisition costs in the amount of KEUR 4,093 and depreciation amounting to KEUR 3,864).

	Accumulated depreciation and amortisation					Net carrying amounts	
	01.01.2016	Scheduled additions [1]	Unscheduldded additions	Disposals [1]	31.12.2016	31.12.2016	31.12.2015
	148,310	–	–	–	148,310	1,148,243	1,148,238
	33,669	7,736	–	30	41,375	10,463	13,108
	638	75	–	–	713	1,439	1,373
	119,639	47,193	–	112	166,720	225,175	256,949
	–	–	–	–	–	16,814	2,111
	302,256	*55,004*	*–*	*142*	*357,118*	*1,402,133*	*1,421,779*
	1,117	33	–	–	1,150	1,941	1,963
	490,074	89,464	4,371	41,676	542,233	536,112	556,290
	14,306	5,487	244	301	19,736	13,917	15,693
	–	–	51	–	51	52,720	27,302
	505,497	*94,984*	*4,667*	*41,977*	*563,170*	*604,689*	*601,248*
	807,753	**149,988**	**4,667**	**42,118**	**920,288**	**2,006,825**	**2,023,027**

E.12 Impairment Test of Intangible Assets and Goodwill

The annual impairment test for goodwill and intangible assets under construction in accordance with IAS 36 was performed as of 31 December 2017. There are no other intangible assets with an indefinite useful life.

E.12.1 Results of the impairment test of intangible assets under construction

As in the previous year, there was no need for impairment of the assets under construction in intangible assets as of 31 December 2017.

E.12.2 Result of the impairment test of goodwill

As in the previous year, there was no indication of a need to devalue goodwill pursuant to IAS 36 as of 31 December 2017.

E.12.2.1 Cash-generating units (CGU)

Goodwill and intangible assets under construction are reviewed at the CGU level. There are three CGUs to which goodwill is allocated: the TV CGU, the Internet and Telephony CGU, and the HL komm CGU.

The following table shows the allocation of goodwill to the respective CGUs:

TABLE 57

KEUR	31.12.2017	31.12.2016
TV	515,349	504,156
Internet and Telephony	594,019	594,019
HL komm	50,068	50,068
Total	**1,159,436**	**1,148,243**

The increase in goodwill compared to the previous year results from company acquisitions.

If the carrying amount of a CGU, including goodwill, exceeds the recoverable amount, a loss from impairment pursuant to IAS 36 is recognised. The recoverable amount is determined as the fair value less costs of disposal.

As in the previous period, the fair value was determined using the discounted cash flow method (DCF) by means of a weighted average cost of capital (WACC). This measurement method is based on the management-approved financial plan per segment as well as CGU over a detailed planning horizon of 5 years. The plan is also used to operationally manage each of the segments. The EBITDA (through sales and cost development) and investment planning (CAPEX) are crucial figures within the plan.

Based on a normalised EBITDA and CAPEX (i.e. the Board of Management's central control variables) the factors used to normalise EBITDA were added back together and the free cash flow was adjusted, taking into account the investment planning and the planned changes in working capital, and the output variable of the DCF method in the detailed planning period.

For the period following the detailed planning, an expected sustainable cash flow per CGU is derived from the last detailed planning year. A planned growth rate of 1.00 % (2016: 1.00 %) for the TV CGU and 1.25 % (2016: 1.25 %) for the Internet and Telephony and HL komm CGUs were taken into account.

The assumptions made were derived from industry comparison and historical experience.

The discount rate was determined using a risk-free base rate of 1.25 % (2016: 0.95 %) as well as by using relevant industry parameters. The WACC after tax was 5.63 % (2016: 5.57 %) for the TV and Internet and Telephony CGUs. Before tax, it was 7.46 % (2016: 7.61%) for the TV CGU and 7.52 % (2016: 7.41 %) for the Internet and Telephony CGU. For the HL komm CGU, the WACC after taxes was 6.73 % (2016: 6.13 %) and 9.64 % (2016: 8.21 %) before taxes. The difference between the interest rates for the TV and Internet and Telephony segments reflect a slightly raised risk in the business, especially in regards to B2B customers.

E.12.2.2 Sensitivity analysis

The assumptions used in the impairment test of goodwill, explained in the previous section, are disclosed as long as they are material. Accordingly, for the sensitivity analysis, the Board of Management has defined which changes of these assumptions are possible based on empirical values that can lead to a possible impairment. The determination was pursuant to IAS 36 on the premise that the changes did not entail any further parameter changes (ceteris paribus). In the normal course of business, such changes correlate with other factors and indicate changes made in the way the Board of Management leads the business.

The following tables show the changes deemed possible with respect to the CGUs that could lead to an impairment of goodwill in such a scenario and the value of the change in the assumption for which no impairment would be expected (threshold value). As it was assumed in the previous year for the CGUs Internet and Telephony and HL komm that no possible scenarios exist which could lead to impairment of goodwill if assumptions changed, no comparative figures for the previous year are shown for these CGUs:

TABLE 58

Sensitivity TV in KEUR	31.12.2017	31.12.2016
Assumption: increase in interest rate by 3 %		
possible impairment of goodwill	−316,494	−321,951
threshold value of change in % points	0.59	0.31
Assumption: decrease in long-term EBITDA of 15 %		
possible impairment of goodwill	−114,354	−155,089
threshold value of change in %	−7,9	−4.2
Assumption: no long-term growth		
possible impairment of goodwill	−35,483	−82,319
threshold value of growth rate in %	0.25	0.62

TABLE 59

Sensitivity Internet and Telephony in KEUR	31.12.2017	31.12.2016
Assumption: increase in interest rate by 3 %		
possible impairment of goodwill	−39,015	–
threshold value of change in % points	2.66	–

During 2017, the change in the interest rate for the CGU Internet and Telephony is indicated. For all remaining parameters, there are still no possible scenarios that could lead to an impairment of goodwill if assumptions change.

Furthermore, and also with regard to the other CGUs, there are no changes of assumptions that the Board of Management considers to be feasible within a year and which would lead to an impairment of goodwill.

E.12.3 Results of the impairment test of intangible assets with finite lives

Recognised within the intangible assets amounting to KEUR 1,389,953 (2016: KEUR 1,402,133) is goodwill amounting to KEUR 1,159,436 (2016: KEUR 1,148,243), customer bases amounting to KEUR 199,193 (2016: KEUR 225,175), as well as other intangible assets amounting to KEUR 31,324 (2016: KEUR 26,988).

The assets mainly relate to capitalised expenses for the acquisition of new customers as well as capitalised rights, assets, and software licences. As these are intangible assets with a finite useful life, an impairment test is only carried out for them if there are indications of impairment. As in the previous year, there were no indications of possible impairment of other intangible assets with finite useful lives.

Due to the introduction of the new brand, PŸUR, and the resulting impairment of the old brand, no brand value was recognised as of the reporting date. For more information please refer to E.7 Depreciation and amortisation.

E.13 Inventories

TABLE 60

KEUR	31.12.2017	31.12.2016
Raw materials and supplies	7,960	3,003
Work in progress	2,968	1,221
Inventories	**10,928**	**4,224**

Inventories include network materials, electronic and mechanical components, repair and maintenance parts, end-user hardware and, to a lesser extent, work in progress. The year-on-year increase in inventories resulted primarily from newly won projects in the construction services business.

Inventory write-offs are reported under cost of materials. During the 2017 financial year, inventory write-offs amounted to KEUR 134 (2016: KEUR 98).

E.14 Non-current and current assets

Non-current and current assets include trade receivables, other financial receivables, other assets, prepaid expenses, and derivative financial instruments.

E.14.1 Trade receivables

TABLE 61

KEUR	31.12.2017	31.12.2016
Trade receivables – gross	65,649	59,862
Impairments	−10,841	−11,418
Trade receivables – net	**54,808**	**48,444**

Trade receivables mainly include receivables from subscriber fees and receivables from signal delivery, transmission, and feed-in fees.

Additionally, there are trade receivables from related parties. Here, we refer to the explanations made in F.2.2 Transactions with related parties'.

For information on trade receivables pledged as collateral for liabilities as of December 31, 2017, please refer to the explanations in section E.20 Liabilities to banks.

E.14.2 Other current assets

Other financial receivables mainly consist of cash deposits for a direct debit limit, rent deposits, and claims for reinsurance policies for pensions that do not qualify as plan assets. The decrease in other financial receivables mainly resulted from a KEUR 10,000 guarantee line signed on 6 July 2017, which did not provide any cash collateral, as well as the conversion of the existing guarantees under the new guarantee line.

Other assets mainly include advance payments, pre-tax receivables, and accounts payable with debit balances.

The recognised derivative financial instruments that were acquired in February 2016 include two interest rate caps. Please refer to the explanations in section E.20 Liabilities to banks.

Accruals and deferrals mainly consist of payments related to insurance, maintenance contracts, and rent. The change in deferred income is mainly due to the scheduled expiry of a prepaid long-term IT maintenance contract.

E.14.3 Impairment of non-current and current financial assets

Impairment losses are recognised in the item other expenses. Please refer to the explanations in section F.3.1 Carrying amounts and net income from financial instruments.

The following table shows the development of impairment losses at the group level:

TABLE 62

KEUR	31.12.2017	31.12.2016
01.01.	11,418	13,409
Additions	9,858	6,729
Utilisation / reversals	–10,435	–8,720
31.12.	**10,841**	**11,418**

There are no receivables that are overdue and not impaired. Value adjustments were mainly made as lump-sum individual value adjustments according to each receivables dunning level or age structure.

As in the previous year, no impairment losses were recognised on other current financial assets.

E.15 Assets held for sale

The assets held for sale disclosed in the statement of financial position and amounting to KEUR 607 (2016: KEUR 229) consist of fixed assets and one investment held in a joint venture.

E.16 Equity

The share capital in the amount of EUR 127,556,251 is divided into 127,556,251 no-par value registered shares and is fully paid in. Compared to the previous year, there were no changes in the share capital or treasury stock.

Authorised capital

In compliance with the resolution of the annual general meeting from 15 May 2015, the Board of Management is authorised to increase Tele Columbus AG's share capital, with the approval of the Supervisory Board, one or more times by at most EUR 1,925,693 through issuance of new, no-par-value shares through cash and / or asset contribution (authorised capital 2015/I). This equals approximately 1.5 % of the current share capital. This authorisation is valid from 15 September 2015 until 14 May 2020.

Conditional capital

According to the resolution of the annual general meeting on 15 May 2015, the company's share capital can be increased through issuance of up to 28,345,833 new, no-par value registered shares up to EUR 28,345,833 (conditional capital 2015/I). The authorisation will expire at the end of 14 May 2020.

Revaluation reserve

The revaluation reserve consists of the following components:

TABLE 63

31.12.2017 in KEUR	Gross value	Deferred taxes	Net value
Revaluation reserve for employee benefits pursuant to IAS 19	−3,135	976	−2,159
	−3,135	**976**	**−2,159**

TABLE 64

31.12.2016 in KEUR	Gross value	Deferred taxes	Net value
Revaluation reserve for employee benefits pursuant to IAS 19	−2,968	919	−2,049
	−2,968	**919**	**−2,049**

Share-based payments amounting to KEUR 517 (2016: KEUR 444) were recognised in equity. Further information can be found in E.18 Share-based payments.

Changes in equity and distributions to non-controlling interests are shown in the Consolidated Statement of Changes in Equity.

E.17 Pensions and other long-term employee benefits

All entitlements to employee benefits originate from previous arrangements made with companies acquired in previous periods by Tele Columbus AG. No new pension commitments have been made. Entitled employees or (former) managers can claim their pensions from the age of 60 onwards if they have been employed by the same company for at least 5 years. Pension benefits can first be claimed between the age of 60 and 65. It is possible in some cases to claim a pension earlier against reduced payments.

Pension benefits may include both fixed pension benefits as well as pension benefits that depend on the salary development of the beneficiary. Pension benefits may also include disability benefits or a survivor's pension.

Parts of pension entitlements are secured by plan assets, which, even in the event of insolvency, can only be used to serve the claims of the pension beneficiaries.

The entitled employees do not make separate contributions to the pension plans.

The amount of future payments is dependent, in particular, on the increase of pension entitlements after benefits fall due and on interest on plan assets. The defined benefit plans subject the companies of Tele Columbus AG to actuarial risks, such as longevity risk and interest rate risk. The obligations arising from the plans are financed exclusively by the respective subsidiary.

The timing of the payment of pension claims depends on the individual contractual arrangements of the entitled employees. The beginning of the disbursement is uncertain, as long as the beneficiary has the opportunity to freely determine the occurrence of the care case within a certain scope.

The assumed period of care is based on the mortality tables of Prof. Dr. med. Klaus Heubeck from the year 2005.

The assumed wage and salary development does not have a significant impact on the amount of the provision or the amount of the payments, as the majority of the beneficiaries already started receiving payments.

The obligations from long-term employee benefits include pension provisions, provisions for partial retirement and provisions for seniority bonuses or other seniority benefits.

TABLE 65

KEUR	31.12.2017	31.12.2016
Pension commitments	9,046	9,255
Commitments for partial retirement and anniversaries	787	558
	9,833	**9,813**

Pension commitments and commitments for partial retirement and anniversaries falling due in the next financial year amount to KEUR 755 (2016: KEUR 677).

The following table shows the reconciliation of the present value of defined benefit obligations (DBO) to their carrying amounts:

TABLE 66

KEUR	31.12.2017	31.12.2016
Present value of defined benefit obligations (DBO)	11,804	12,086
Plan assets	−2,758	−2,831
Pension commitments	**9,046**	**9,255**

The present value of the pension obligations consists of funded and unfunded plans as follows:

TABLE 67

KEUR	31.12.2017	31.12.2016
Present value of defined benefit obligations (DBO) – capital-backed plans	4,519	4,425
Present value of defined benefit obligations (DBO) – non-capital-backed plans	7,285	7,661
	11,804	**12,086**

The present value of the pension obligations developed during the reporting period is composed as follows:

TABLE 68

KEUR	2017	2016
Present value of defined benefit obligations as of 01.01.	12,086	12,298
Current service cost	131	21
Interest expense	206	241
Actuarial gains for adjustments made due to experience	−151	−370
Actuarial losses for adjustments made due to experience	281	465
Benefits paid	−749	−569
Present value of defined benefit obligations as of 31.12.	**11,804**	**12,086**

The present value is calculated using a weighted average duration of 12 years (2016: 13 years). The duration is defined by the weighted average remaining term over which pension benefits are paid to the beneficiary.

In terms of benefit payments, it is assumed that these will develop at or slightly higher than in 2017.

The plan assets developed as follows:

TABLE 69

KEUR	2017	2016
Plan assets as of 01.01.	2,831	2,806
Addition from changes in consolidated entities	–	16
Interest income from plan assets	66	53
Profit or loss on plan assets excluding standard interest income	28	36
Employer contributions	–	13
Benefits paid	–167	–93
Plan assets as of 31.12.	**2,758**	**2,831**

Plan assets consist of employer pension liability insurance. The management and capital investment of which are the insurer's sole and exclusive responsibility. Insurance companies predominantly invest in fixed-interest securities and also to some extent in stocks and real estate. There is no particular concentration of risk in individual plan asset classes. In the following year, as in the previous year, no contributions from the employer are expected. The payments expected from the plan assets in the following year amount to KEUR 755 (2016: KEUR 690).

The following expenses were incurred for pension benefits:

TABLE 70

TEUR	2017	2016
Current service cost	–131	–21
Net interest expense	–140	–188
Pension liabilities	**–271**	**–208**

Current service costs are recognised under employee benefits. The net interest expense is recognised under interest expenses.

The calculation of the present value of the pension obligations is based on the following key assumptions:

TABLE 71

%	31.12.2017	31.12.2016
Interest rate	1.4–3.7	1.7–4.0
Anticipated increase in salaries and wages	0.0–3.0	0.0–3.0
Future pension increase	0 .0–2.0	0.0–2.0
Fluctuation	0.0–5.0	0.0–5.0

Other things being equal, a change in one of the relevant actuarial assumptions at the reporting date would have affected the defined benefit obligation with the following amounts:

TABLE 72

Sensitivity analysis[1] in KEUR

	31.12.2017		31.12.2016	
	Defined benefit obligation		Defined benefit obligation	
	Increase	Decrease	Increase	Decrease
Discount rate (1.00 % change)	−8,964	11,432	−9,439	12,089
Future pension increase (0.25 % change)	10,312	−9,887	10,886	−10,431

1) The sensitivities were determined irrespective of the plan assets.

Fluctuation and expected salary increases are considered to be insignificant estimates of sensitivity. The expected fluctuation and salary increase are not material due to the low proportion of active employees.

In 2017, the expenses for defined contribution plans amounted to KEUR 4,823 (2016: KEUR 5,092).

In addition to the plan assets, reinsurance claims are held against insurance companies in the amount of KEUR 1,623 (2016: KEUR 1,626), which do not qualify as plan assets according to IAS 19 and are thus recognised as other financial receivables.

E.18 Share-based payments

As of January 23, 2015, two share-based compensation plans are in place for the long-term and sustainable corporate development of Tele Columbus AG. These are the Matching Stock Programme (MSP) for the Executive Board and the Phantom Options Programme (POP) for selected executives. The MSP and POP programmes create a long-term incentive to support corporate success.

Description of the share-based payment programmes

Depending on the development of the share price and other vesting conditions, the MSP and POP grant the option of receiving shares in Tele Columbus AG.

The MSP requires an own investment in shares of the Tele Columbus AG (i.e. MSP shares). Each acquired MSP-share entitles the owner to receive 4.5 virtual shares (i.e. MSP Phantom Stocks) per allocated tranche. The number of subscription rights (MSP Phantom Stocks) is determined by the Supervisory Board.

MSP-shares are deposited in a blocked securities account for the entire duration of the programme. Apart from that, there are no further disposition restrictions; thus, the shares entitle the owner full rights to participate in dividends and subscription rights. MSP Phantom Stocks are, however, subject to restriction of sale.

The programme is divided into five MSP-tranches. Each tranche of the allocated MSP Phantom Stocks is subject to a vesting period of four years. On 23 January 2015, an MSP-tranche was allocated for the first time. The vesting period will end on 22 January 2019. The second MSP-tranche was allocated on 23 January 2016. The vesting period ends on 22 January 2020. The following tranches will each be allocated on 23 January of each of the subsequent years. An MSP-tranche can be converted into taxable compensation depending on the fulfilment of the exercise conditions. This compensation must be used to acquire shares in Tele Columbus AG. The purchase of shares takes place at market price at the exercise date and is subject to an exercise period of two years, which begins at the end of the vesting period. After the expiry of the exercise period, options that have not been exercised shall be forfeited without substitution. The exercise conditions of each allocated tranche depends on the share performance during the vesting period. The share performance is determined by the base price defined as the average non-weighted closing share price (Xetra trading on the Frankfurt Stock Exchange) within the last 60 trading days before the granting date and the exercise price defined as the average non-weighted closing share price (Xetra trading on the Frankfurt Stock Exchange) within the last 60 trading days before the exercise date (expiry of the vesting period). The exercise hurdle is determined by the Supervisory Board when the tranche is allocated and it is at least 130 % of the exercise price. If a dividend payment or another subscription right relates to the MSP Phantom Stocks, this amount is deducted from the respective base price.

The Phantom Options Programme for selected managers does not require an own investment in shares of Tele Columbus AG. Each participant is allocated a certain number of Phantom Options (i.e. POP-Tranche) by the Board of Management after approval of the Supervisory Board. Further conditions of this programme resemble those of the MSP.

Measurement of fair value

The fair value of the issued option rights at the granting date were determined by an independent expert opinion using the binomial options pricing model (Cox-Ross-Rubinstein).

The input factors used for the measurement of fair value of the equity-settled-share-based payment plans include the following assumptions:

TABLE 73

Matching Stock Programm (MSP)

	2015	2016	2017
	Tranche 1	**Tranche 2**	**Tranche 3**
Fair value of the option	EUR 1.30	EUR 2.03	EUR 1.71
Share price at valuation date	EUR 7.01	EUR 9.20	EUR 7.90
Exercise price	EUR 7.01	EUR 8.60	EUR 7.78
Expected volatility	25 %	35.6 %	31.2 %
Expected maturity	5 years	5 years	5 years
Expected dividends	–	–	–
Hurdle	130 %	130 %	130 %
Cap	EUR 9.34	EUR 12.74	EUR 12.74
Risk-free interest rate (based on German Government Bonds)	−0.1 %	−0.223 %	−0.362 %

TABLE 74

Phantom Options Programm (POP)

	2015	2016	2016	2017
	Tranche 1	**Tranche 2**	**Further**	**Tranche 3**
Fair value of the option	EUR 1.45	EUR 2.74	EUR 2.07	EUR 1.99
Share price at valuation date	EUR 7.01	EUR 9.20	EUR 7.75	EUR 7.90
Exercise price	EUR 7.01	EUR 8.60	EUR 8.43	EUR 7.78
Expected volatility	25 %	35.6 %	35.6 %	31.2 %
Expected maturity	5 years	5 years	5 years	5 years
Expected dividends	–	–	–	–
Hurdle	130 %	130 %	130 %	130 %
Cap	EUR 30.13	EUR 42.85	EUR 42.85	EUR 30.25
Risk-free interest rate (based on German Government Bonds)	−0.1 %	−0.223 %	−0.223 %	−0.362 %

The expected volatility of the share price of the Tele Columbus AG is based on the historic volatility since the time of the IPO.

Reconciliation of outstanding share options

The weighted-average exercise prices and number of share subscription rights for the MSP and the POP programme were as follows:

TABLE 75

Matching Stock Programm (MSP)

	Tranche 1		Tranche 2		Tranche 3	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding options at 01.01.	EUR 7.01	322,500	EUR 8.60	337,500	–	–
Granted options during the year	–	–	–	–	EUR 7.78	416,389
Forfeited options during the year	–	–	–	–	–	–
Exercised options during the year	–	–	–	–	–	–
Expired options during the year	–	53,750	–	112,500	–	168,750
Outstanding options as of 31.12.	EUR 7.01	268,750	EUR 8.60	225,000	EUR 7.78	247,639
Exercisable options as of 31.12.	–	–	–	–	–	–

TABLE 76

Phantom Options Programm (POP)

	Tranche 1		Tranche 2		Further		Tranche 3	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding options at 01.01.	EUR 7.01	149,817	EUR 8.60	135,549	EUR 8.43	25,000	–	–
Granted options during the year	–	–	–	–	–	–	EUR 7.78	500,000
Forfeited options during the year	–	–	–	–	–	–	–	–
Exercised options during the year	–	–	–	–	–	–	–	–
Expired options during the year	–	14,268	–	–	–	–	–	–
Outstanding options as of 31.12.	EUR 7.01	135,549	–	135,549	–	25,000	–	500,000
Exercisable options as of 31.12.	–	–	–	–	–	–	–	–

The outstanding subscription rights of the first tranche as of 31 December had a weighted-average contractual life of 4 years, and those of the second and third tranche of 5 years.

Due to the MSP and POP programs, an amount of KEUR 517 (2016: KEUR 444) was recognised in personnel expenses and in equity as the compensation has to be settled via equity instruments.

E.19 Other provisions

The following table shows the development of other provisions in the current financial year:

TABLE 77

Phantom Options Programm (POP)

Phantom Options Programm (POP)	01.01.2017	Additions from changes in consolidated entities	Reclassifications	Utilisation	Reversal	Additions	(+)Discounting / (−) unwinding of discount	31.12.2017
Restructuring	14,993	–	–	8,656	–	–	–	6,337
Additional claim for audit risks	6,741	–	–	–	–	591	648	7,980
Litigation provisions	3,975	–	–	2,422	971	1,546	–	2,128
Onerous contracts	3,690	–	–	2,576	1,114	115	–	115
Retention requirements	509	2	–	7	2	10	−9	503
Termination benefits	507	–	–	523	1	134	–	117
Warranty provision	157	–	–	–	12	92	–	237
Other provisions	3,603	78	−102	2,360	115	568	–	1,672
	34,175	**80**	**−102**	**16,544**	**2,215**	**3,056**	**639**	**19,089**

Other provisions recognised as of 31 December 2017 can be subdivided into short-term obligations in the amount of KEUR 18,626 (2016: KEUR 30,114) and long-term obligations in the amount of TEUR 463 (2016: KEUR 4,061).

The restructuring provision covers all costs undertaken by the companies of Tele Columbus AG within the context of integrating acquired subsidiaries where a contractual obligation for the companies of Tele Columbus AG exists.

Provisions for contingent losses were mainly formed in connection with a signal delivery agreement, in which it can be assumed that the planned future inflows are lower than the disbursements in favour of those inflows.

The litigation provisions essentially result from disputed claims of former business partners from gross sales settlements and are currently pending before arbitral tribunals.

The companies of Tele Columbus AG have recognised provisions for possible additional funding obligations to offset future burdens from tax audits at the subsidiary level.

Other provisions mainly include risks from tax audits. The reclassification from other provisions of KEUR 102 was made to provisions for pensions and similar obligations.

E.20 Liabilities to banks

TABLE 78

KEUR	31.12.2017	31.12.2016
Liabilities to banks – nominal values	1,335,767	1,263,398
Transaction costs	–53,526	–43,815
Interest accrued	13,342	8,537
Liabilities in connection with outstanding premium interest rate caps	–	4,140
Liabilities in connection with embedded derivatives	2,102	2,442
Long-term liabilities toward banks	*1,297,685*	*1,234,702*
Liabilities to banks – nominal values	23,564	2,640
Interest accrued	17,961	23,315
Transaction costs	–2,500	–
Liabilities in connection with outstanding premium interest rate caps	4,368	–
Short-term liabilities to banks	*43,393*	*25,955*
	1,341,078	**1,260,657**

Current and non-current liabilities are comprised of the companies of Tele Columbus AG's agreed borrowing facilities stemming from the Senior Facilities Agreement amounting to KEUR 1,328,373 (2016: KEUR 1,242,480) as well as individual loans and liabilities on the subsidiary level amounting to KEUR 12,705 (2016: KEUR 15,177).

E.20.1 Liabilities to banks under the Senior Facilities Agreement

The Senior Facilities Agreement provided the companies of Tele Columbus AG with the following borrowing facilities: KEUR 1,305,000 (Term Loan Facility A, due 15 October 2024), KEUR 25,000 (Term Loan Facility B, due 20 January 2020), and KEUR 50,000 (Working Capital Financing / Revolving Facility, due 2 January 2021).

The interest margin on the loans are as follows: 3.00 % plus EURIBOR for Facility A and 3.75 % plus EURIBOR for CAPEX (Facility B) and the Revolving Facility. The loan agreement also includes a EURIBOR floor of 0 % for all facilities. For the unused portions of the CAPEX and Revolving Facility, a commitment fee of 35 % of the applicable margin is charged and payable on a quarterly basis.

For the loans there is an option between a 1-month, 3-month, or 6-month EURIBOR. Facility A and Facility B were based on the 6-month EURIBOR as of the reporting date, and the revolving facility on the 1-month EURIBOR.

The EURIBOR floors described with regard to the repayment options are embedded derivatives (hybrid) and are subject to separation in recognition and measurement in accordance with IAS 39.

As of the reporting date, the following holdings of credit facilities were available (including interest outstanding):

TABLE 79

KEUR	31.12.2017	31.12.2016
Senior Tranche A loan (term ending on 15.10.2024) – new –	1,284,124 [1]	1,230,671 [1]
Senior Tranche A loan (term ending on 02.01.2021) – redeemed on 31.10.2016 –	–	4,222 [2]
Senior Tranche C loan (term ending on 02.01.2021) – redeemed on 31.10.2016 –	–	5,076 [2]
Senior Tranche Incremental (term ending on 02.01.2021) – redeemed on 31.10.2016 –	–	3,737 [2]
Senior Tranche 2nd Incremental (term ending on 02.01.2021) – redeemed on 31.10.2016 –	–	1,469 [2]
Capex Facility / Facility B (term ending on 02.01.2020)	25,026	–
Senior Revolving Facility (term ending on 02.01.2021)	19,223 [3]	305
	1,328,373	**1,245,480**

1) Contains transaction costs not compounded yet for the term loans in the amount of KEUR -40,184 (2016: KEUR - 35,277) and embedded derivatives in the amount of KEUR 2,102 (2016: KEUR 2,442) that result from agreed floors and repayment options in the term loans.

2) The last interest payments for the replaced financings took place 30 January 2017.

3) Contains any transaction costs not compounded yet for the Revolving Facility in the amount of KEUR -1,915.

In accordance with the Share and Interest Pledge Agreement from 13 December 2017, shares in affiliates and investments in associates are pledged as collateral for liabilities to banks. In addition, loans recognised by the companies of Tele Columbus AG are covered by trade receivables.

The value of the loan collateral pledged as of the respective reporting date were as follows:

TABLE 80

KEUR	31.12.2017	31.12.2016
Shares in affiliates	1,485,626	1,463,443
Trade receivables	10,380	10,380
	1,496,006	**1,473,823**

E.20.2 Other liabilities to banks

There are further individual loan agreements and liabilities between subsidiaries of Tele Columbus AG and banks. These resulted in financial liabilities of TEUR 12,705 (2016: TEUR 15,177) as of the reporting date. These loan agreements and liabilities have terms ranging from 2 months to 8 years. Most of the loans bear fixed interest and have interest rates of between 0.63 % and 4.20 %.

Liabilities to banks include two interest rate caps (capped at 0.75 % vs. 3-month EURIBOR) each having a nominal amount of KEUR 550,000 and a term ending in December 2020, which Tele Columbus AG acquired in February 2016. The transaction amounted to KEUR 8,854, half of which was already paid at the time of acquisition in the amount of KEUR 4,427. For the remaining KEUR 4,427 of the option premium, there is a tied liability as of 31 March 2018, which is recognised at present value as a liability to banks in the amount of KEUR 4,368 (2016: KEUR 4,140) as of the reporting date.

E.21 Trade payables

Trade payables mainly include liabilities in connection with signal supply contracts, services, and unbilled trade payables recognised up to the reporting date.

E.22 Deferred revenue and derivative financial instruments

Deferred revenue consists primarily of customer prepayments and rent as well as from received investment subsidies.

The derivative financial instruments reported are embedded derivatives that are tied to credit agreements with credit institutions.

E.23 Other financial liabilities and other liabilities

Other financial liabilities mainly relate to lease obligations for the use of infrastructure facilities amounting to KEUR 45,552 (2016: KEUR 46,810). In the previous period, other financial liabilities included KEUR 51,324 from the non-controlling interest in Kabelfernsehen München ServiCenter GmbH & Co. KG based in Munich, Germany. These were recognised as non-current liabilities because prior to the acquisition, the owner of the non-controlling interest had the right to offer all shares to Tele Columbus AG at a lower settlement credit with a notice period of six months.

Other liabilities mainly include customer deposits, employee bonuses, severance payments, and other provisions with liability characteristics.

F. Other Explanatory Notes

F.1 Contingent assets, contingent liabilities, and other financial obligations

F.1.1 Purchase commitments

Purchase commitments relating to capital and operating expenditures as of the reporting date amounted to KEUR 72,807 (2016: KEUR 35,923).

F.1.2 Avals

As of the reporting date, avals in the amount of KEUR 6,532 (2016: KEUR 3,259) consist mainly of rental avals and avals for licensing agreements. Also included, are avals in the amount of KEUR 5,248 (2016: KEUR 1,241) that are not shown on the balance sheet pursuant to IFRS. This amount also includes a litigation aval in the amount of KEUR 371, which was offset against the related provision for litigation costs.

F.1.3 Finance leases

The finance leases recognised by the companies of Tele Columbus AG are structured with the following contract components:

TABLE 81

Leased asset	Term	Term extension option	Purchase option	Contingent lease payments
Technical equipment	1-12 years	partly	no	partly
Furniture and office equipment	3-5 years	no	no	no

The following table shows the reconciliation between future minimum lease payments and the present value of finance lease liabilities for office and operating equipment as well as infrastructure facilities:

TABLE 82

KEUR	31.12.2017	31.12.2016
Future minimum lease payments	53,632	52,743
Financing costs	−8,080	−6,399
	45,552	**46,344**

The future minimum lease payments from finance leases have the following maturities:

TABLE 83

KEUR	31.12.2017	31.12.2016
Less than 1 year	11,554	11,599
Between one and five years	23,897	28,137
More than five years	18,181	13,007
	53,632	**52,743**

The maturities of liabilities under finance leases are as follows:

TABLE 84

KEUR	31.12.2017	31.12.2016
Less than 1 year	9,827	10,322
Between one and five years	20,071	24,338
More than five years	15,654	11,684
	45,552	**46,344**

The residual carrying amounts of the capitalised finance lease assets are as follows:

TABLE 85

KEUR	31.12.2017	31.12.2016
Technical equipment	41,459	43,100
Furniture and office equipment	1,569	834
	43,028	**43,934**

In regards to the repayment of finance lease liabilities, we refer to the information provided IV Consolidated Statement of Cash Flows.

F.1.4 Operating lease agreements and other financial obligations

Operating leases recognised by the companies of Tele Columbus AG are structured with the following contract components:

TABLE 86

Leased asset	Term	Term extension option	Purchase option	Contingent lease payments
Buildings	1-25 years	partly	no	no
Technical equipment	1-16 years	partly	no	no
Furniture and office equipment	1-10 years	no	no	no

The future minimum lease payments under operating leases have the following maturities:

TABLE 87

KEUR	31.12.2017	31.12.2016
Less than 1 year	24,966	22,835
Between one and five years	47,969	30,179
More than five years	24,335	12,103
	97,270	**65,117**

During the 2017 financial year, expenses from operating leases and other financial obligations were incurred in the amount of KEUR 28,272 (2016: KEUR 16,496).

Future minimum lease obligations are based on contractual agreements in regard to future lease payments for which no liabilities are recognised in the Consolidated Statement of Financial Position. Contractually agreed adjustments (e.g. for inflation) are included in the values described above.

In total, the minimum lease payments for operating and finance leases and other financial obligations amounted to KEUR 150,902 in 2017 (2016: KEUR 117,860).

F.2 Disclosures on related parties

F.2.1 Legal relationships

Related Parties pursuant to IAS 24 are all subsidiaries, associates, and joint ventures of the companies of Tele Columbus AG. Also included, are companies that have a significant influence over the companies of Tele Columbus AG.

In addition to the Board of Management, the Supervisory Board also belongs to related parties of the companies of Tele Columbus AG. Due to a change in the internal management system during the 2017 financial year, members in key management positions who were classified as related parties in the previous year will no longer be classified as related parties.

F.2.2 Transactions with related parties

Intercompany transactions between the companies of Tele Columbus AG as well as with the subsidiaries of said companies are considered to be transactions with related parties.

The following overview shows the accounts receivables and the liabilities from related parties:

TABLE 88

KEUR	31.12.2017	31.12.2016
Receivables from related entities, short-term	12	88
Payables to related entities, short-term	363	250
Payables to related persons, short-term	498	354

The receivables and liabilities from related parties relate to the exchange of services within the scope of normal business operations and are primarily transacted with AproStyle AG, situated in Dresden, Germany and companies of the United Internet Group.

Current liabilities from related parties relate to the remuneration of the Supervisory Board.

F.2.3 Expenses and income from related-party transactions

The following overview shows income and expenses from transactions with related parties:

TABLE 89

KEUR	31,12,2017	31,12,2016
Sale of goods and services		
Related parties	444	2,626
Acquisition of goods and services		
Related parties	−4,242	−1,741
Other		
Feed-in-proceeds	–	190
Other income (+) / expenses (-)	−389	13

F.2.4 Disclosure for management compensation

The key management positions of the Board of Management at Tele Columbus AG include the following:

TABLE 90

Name	Function	Member of the Board of Management since/until
Ronny Verhelst	Chief Executive Officer	since 01.04.2011, until 31.12.2017 Chief Executive Officer
Frank Posnanski	Chief Financial Officer	since 15.09.2014 Chief Financial Officer
Timm Degenhardt	Chief Executive Officer	since 07.09.2017 member of Key Management since 01.01.2018 Chief Executive Officer

As part of the agreement made to transfer the position of Ronny Verhelst to Timm Degehardt (by February 2018), Ronny Verhelst supports the Board of Management since 14 August 2017. Since 1 September 2017, Ronny Verhelst has been appointed a position as a separate member of the Board of Management of Tele Columbus AG.

Compensation of the Board of Management

During the financial year, the members of the Board of Management were compensated a total of KEUR 2,622 (2016: KEUR 2,613). This includes pension benefits granted during the financial year amounting to KEUR 120 (2016: KEUR 46) as well as the fair value of granted share options totalling KEUR 740 (2016: KEUR 686).

Itemised information regarding management compensation is presented in the Key Management Compensation Report within the Management Report. More information on share-based payments can be found in E.18 Share-based payments'.

No further significant transactions took place (e.g. provision of services or the granting of loans) between the companies of Tele Columbus AG, the Board of Management, and the Board of Management's members' relatives.

The compensation entitlement of the Supervisory Board totalled KEUR 353 (2016: KEUR 329) as of the reporting date.

F.3 Financial instruments and risk management

F.3.1 Carrying amounts and net income from financial instruments

The following table shows the carrying amounts of financial instruments presented in the Statement of Financial Position classified in accordance with IAS 39:

TABLE 91

Financial assets/liabilities in KEUR	Note	Measurement categories	31.12.2017	31.12.2016
Financial assets				
Derivative financial assets		At the fair value through profit or loss	1,521	3,630
Receivables from related parties	F2.2	Loans and receivables	12	88
Trade receivables and other financial receivables	E.14.1 E.14.2	Loans and receivables	58,433	54,720
Cash and cash equivalents		Loans and receivables	31,767	55,223
Financial liabilities				
Derivative financial liabilities		At the fair value through profit or loss	3,091	6,126
Liabilities to banks	E.20	Financial liabilities measured at amortised purchase cost	1,341,078	1,260,657
Liabilities to associates and related parties	F.2.2	Financial liabilities measured at amortised purchase cost	861	604
Trade payables	E.21	Financial liabilities measured at amortised purchase cost	95,198	88,543
Other financial liabilities	E.23	Financial liabilities measured at amortised purchase cost	3,988	54,138 [2]
Leasing liabilities	F.1.3	No classification [1]	45,552	46,344

1) Lease liabilities are not classified in any measurement category according to IAS 39.2 (b). They are accounted for according to IAS 17.

2) As of 31.12.2016, non-controlling interests of third-party shareholders in the partnership Kabelfernsehen München ServiCenter GmbH & Co. KG, Munich, Germany, are included, which are recognised according to the anticipated purchase method as non-current other financial liabilities due to the existing right of termination of the non-controlling interest against the partnership in conjunction with IAS 32.AG29A. For further disclosures in this regard, we refer to section B.2.4. Increase of the majority share in KMS and KMB'.

TABLE 92

Financial instruments according to the categories of IAS 39 in KEUR	31.12.2017	31.12.2016
Financial assets and liabilities at fair value through profit or loss	1,570	2,496
Available-for-sale financial assets	–	20
Loans and receivables	90,212	110,031
Financial liabilities measured at amortised purchase cost	1,441,126	1,403,942

Short-term financial instruments, such as trade receivables, trade liabilities, and receivables and liabilities from related parties are recognised at their respective carrying amount. This represents a reasonable approximation of fair value due to their short maturities.

Long-term financial instruments are recognised at their present value within the Statement of Financial Position.

The carrying amounts of the loans do not correspond to their fair values, as the interest rates for these liabilities are only adjusted to the prevailing money market conditions with a time lag. The carrying amount of lease liabilities also does not correspond to their fair value, as they are not regularly adjusted to current money market conditions.

The fair value of liabilities to banks (Fair Value Hierarchy Level 2) amounted to KEUR 1,301,909 (2016: KEUR 1,278,058). The fair value of liabilities from leases (Fair Value Hierarchy Level 3) amounted to KEUR 45,383 (2016: 67,224).

The carrying amount of the derivative financial assets in the category at fair value through profit or loss includes three interest rate caps belonging to Tele Columbus AG. The fair value of the instruments is determined on the basis of an option pricing model (market comparison method), which takes input factors and parameters into account that can be observed directly or indirectly in an active market (Fair Value Hierarchy Level 2).

TABLE 93

KEUR	Reference amount	Fair value as of 31.12.2017	Fixed-rate interest	Final maturity
Interest rate cap 1 [1]	180,000	–	0.75 %	24.04.2017
Interest rate cap 2	550,000	761	0.75 %	31.12.2020
Interest rate cap 3	550,000	761	0.75 %	31.12.2020

1) Interest rate cap 1 expired in April 2017.

Interest rate caps 2 and 3, which are classified as held for trading according to IAS 39, hedge the risk of increased interest payments by means of financial instruments with variable interest rates. These financial instruments cover all material interest rate risks regarding interest-bearing liabilities, but they are not classified as hedging transactions in the definition of hedge accounting pursuant to IFRS. Interest rate cap 1 was concluded for a loan that no longer exists and it did not serve to hedge liabilities to banks that existed as of 31 December 2017.

The loan agreements for credit facilities include embedded derivatives with an interest floor and a repayment option. Although these financial instruments do not function as a derivative for the companies of Tele Columbus AG, they are subject to the separation requirements pursuant to IAS 39, and are therefore classified as independent financial instruments (fair value through profit or loss). The financial instruments are tied to the loan agreements. The model for the valuation of the separable derivatives determines the market value of the entire contracted loan. It is divided among the base contract and the embedded derivative.

The following table shows the development of the liabilities from credit facilities as well as the respective related derivatives:

TABLE 94

KEUR	Facility A Senior Tranche	Facility C Senior Tranche	Incremental Facility	2nd Incremental Facility	Senior Tranche A	Repay-ment	Total as of 31.12.2017
Nominal value as of the date of borrowing the loans that were repaid as of 01.11.2016	375,000 [1]	435,000 [1]	320,000 [1]	125,000 [1]	–	–1,255,000	–
Nominal value as of the date of borrowing on 01.11.2016	–	–	–	–	1,255,000	–	1,255,000
Fair value of embedded derivatives as of 31.12.2016	–	–	–	–	–6,126	–	–6,126
Change in other financial income	–	–	–	–	3,035	–	3,035
Fair value of embedded derivatives as of 31.12.2017	–	–	–	–	–3,091	–	–3,091

1) These tranches were repaid effective 1 November 2016 by the borrowing of the new Senior Tranche A.

As of 31 December 2017, the fair value of the embedded derivatives (Fair Value Hierarchy Level 2) amounts to KEUR -3,091.

If the credit risk rose by 0.5 %, the fair value of the embedded derivatives would amount to KEUR -7,637.

If the credit risk declined by 0.5 %, the fair value of the embedded derivatives would amount to KEUR 22,729.

The following table shows the net result relevant to the different classes of financial instruments:

TABLE 95

01.01. to 31.12.2017 in KEUR

	Gain / loss through profit or loss			
Disclosed in the income statement	**Interest**	**Impairment**	**Gain (+) / loss (-) from valuation**	**Net income (+) / loss (-)**
Financial assets and liabilities at fair value through profit or loss	–	–	1,037 [2]	1,037
Loans and receivables	137	−10,413	2,668	−7,608
Financial liabilities measured at amortised purchase cost	−53,353	–	−15,723	−69,076
No classification [1]	−1,923	–	–	−1,923
Total	**−55,139**	**−10,413**	**−12,018**	**- 77,570**

1) Lease liabilities are not classified in a measurement category according to IAS 39.2 (b). They are accounted for according to IAS 17.

2) Change due to fair value measurement.

TABLE 96

01.01. to 31.12.2016 in KEUR

	Gain / loss through profit or loss			
Disclosed in the income statement	**Interest**	**Impairment**	**Gain (+) / loss (-) from valuation**	**Net income (+) / loss (-)**
Financial assets and liabilities at fair value through profit or loss	–	–	853 [2]	853
Loans and receivables	260	−6,861	–	−6,601
Financial liabilities measured at amortised purchase cost	−68,293	–	−2,939	−71,232
No classification [1]	−2,179	–	–	−2,179
Total	**−70,212**	**−6,861**	**−2,086**	**−79,159**

1) Lease liabilities are not classified in a measurement category according to IAS 39.2 (b). They are accounted for according to IAS 17.

2) Change due to fair value measurement.

The interest rate caps led to a loss resulting from the measurement of the interest rate caps' fair value. The loss amounted to amounted to KEUR 2,338 (2016: KEUR 4,973).

F.3.2 Risk management of financial instruments

Different financial risks arise from the business activities of the companies of Tele Columbus AG. In particular, this includes: liquidity risk, interest rate risk, and credit risk. The risk management of the companies of Tele Columbus AG is designed to identify potential risks as well as to mitigate the negative impact of said risks on financial performance. To this end, financial instruments and credit lines are made available for the companies of Tele Columbus AG.

Risk management is largely conducted through Treasury in order to ensure separation of duties, as well as through continuous monitoring. Financial risks are identified, assessed, and hedged in collaboration with the responsible operating units. The companies of Tele Columbus AG are subject to the rules mainly outlined in The Facility Agreements especially for the following areas: interest rate risk, credit risk, use of derivatives, use of other financial instruments, and utilisation of excess liquidity. The Board of Management is regularly informed.

Non-derivative financial instruments result from both the operative business activities as well as from investment and financing activity. The following table defines such instruments:

TABLE 97

Activity	Key financing instruments
Operative	Trade receivables
Investment	Long-term receivables
Financing	Liquid funds and loans

F.3.2.1 Liquidity Risk

Liquidity risk presents the risk that the companies of Tele Columbus AG will not be able to meet financial obligations with existing liquidity reserves within the time frame required. Liquidity risks can also arise when cash outflows become required due to the operative business activity or investment activity. Liquidity risks can additionally arise from financing activity. This would be the case if cash outflows were required in the short term to settle liabilities, but if no sufficient cash inflows can be generated from the operating activity and if, at the same time, no other sufficient liquid funds are available for making repayment.

To regularly ensure liquidity, a liquidity forecast based on a fixed planning horizon as well as the existing revolving credit facility totalling KEUR 50,000 for general costs (maturity on 2 January 2021) exist within Tele Columbus AG. As of the reporting date, the revolving credit facility was partially utilised for general operational purposes (KEUR 20,994). Cash and cash equivalents amounted to KEUR 31,767 (2016: KEUR 55,223).

The following table shows the contractually agreed maturities for current liabilities to banks:

TABLE 98

KEUR	31.12.2017	31.12.2016 [1]
Less than one year - non-derivative	27,991	7,067
Less than one year- derivative	–	–
Less than one year- interest liabilities (before effects from derivatives)	60,410	69,990
Between one and five years - non-derivative	29,309	6,439
Between one and five years - derivative	–	–
Between one and five years- interest liabilities (before effects from derivatives)	163,598	163,053
More than five years- non-derivative	1,306,458	1,256,958
More than five years - derivative	–	–
More than five years- interest liabilities (before effects from derivatives)	71,058	110,752

1) In order to improve comparability, the companies of Tele Columbus AG additionally disclose interest liabilities before effects from derivative financial instruments, in contrast to the previous year's consolidated financial statements.

The financing agreement for the granting of credit facilities from 14 October 2016 contains various covenants, which grant the lender the opportunity to call in the loans in the event that said covenants are not fulfilled. The fulfilment of said covenants and the capital risk faced by Tele Columbus AG for being a joint-stock company are regularly monitored by the Board of Management. As of the reporting date, liquidity risk in the event that said covenants are not fulfilled, amounted to KEUR 1,368,370 (31.12.2016: KEUR 1,278,315). The risk of failure to comply with said covenants and related financial regulations may adversely affect credit availability and the going concern of the companies of Tele Columbus AG. The interest liabilities result from the loan agreements without taking into account the effects of the derivative financial instruments.

In order to fulfil existing covenants and payment obligations, strategic measures have been initiated to ensure the liquidity of the companies of Tele Columbus AG over the long term. One example includes the Board of Management expanding group-wide cash pooling to all companies. A successive repayment of the companies of Tele Columbus AG's financing is planned using liquidity earned through the operations of the newly founded group.

The maturities of payment obligations relating to trade payables, payables to related parties, other financial liabilities, as well as from leases are shown in the Consolidated Statement of Financial Position as well as the Notes to the Consolidated Financial Statements'. The long-term maturities included in the aforementioned list are between one and 5 years.

F.3.2.2 Interest rate risk

Long-term financial instruments bearing variable interest, for which the interest rate is linked to a market interest rate, such as the EURIBOR, are exposed to risks arising from future cash flows. Rating risks from fixed-interest financial instruments exist only to a minor extent.

In addition to monitoring the development of market price levels and actively seeking alternative refinancing options, the Board of Management mitigates interest rate risk by contractually agreeing interest rate caps, interest rate floors, as well as existing call options.

The identified risks of interest rate fluctuations for the companies of Tele Columbus AG are presented based on the following sensitivity considerations:

TABLE 99

KEUR	01.01.–31.12.2017	01.01.–31.12.2016
Rise of EURIBOR by 0.5 %	–2,310	–8,547
Drop of EURIBOR by 0.5 %	–	–

Due to a minor change in the interest rate from previous years compared with the 2017 financial year, the sensitivity analysis assumption was changed from 1.0 % (as was used in previous years) to 0.5 %.

The calculation presented in the table is based on variable interest rate liabilities recognised as of the reporting date with consideration of the derivative financial instruments (interest rate caps and floors) and multiplied by the respective interest rate adjustment. Since, the 1, 3, and 6-month EURIBOR rates were below zero at the time of preparing the Consolidated Financial Statements, the reduction of interest rate expenses that would arise from an additional drop of the EURIBOR interest rates by 0.5 % relates to loans without a EURIBOR interest rate floor agreement.

F.3.2.3 Credit risk

Credit risk relating to trade receivables, other receivables, and cash and cash equivalents exist. Trade receivables are due from other companies as well as private customers. The credit risk is therefore based on the individual risk of the contracting party concerned.

To mitigate credit risk, preventive and other measures are taken as well as the use of debt collecting agencies.

Preventive measures include reviewing the credit worthiness of a customer in regard to its solvency, experiences from the past, and the review of other factors before a contractual relationship is entered into.

Overdue receivables are value-adjusted at different percentage rates depending on the respective dunning stage or maturity interval. The percentage rates are considered within the estimations from the Board of Management with regard to the recoverability of the relevant amounts. These estimations are mostly based on experiences from the past. Only trade receivables were value-adjusted in the respective reporting periods. The companies of Tele Columbus AG, therefore assume that all non-value-adjusted receivables will be collected.

Other measures include dunning, where payment reminders are automatically sent to customers within a defined process. For wholesale customers, payment reminders are sent out on a case-specific basis. The responsible department decides whether the payment reminders will be sent with consideration of any separate agreements with said customers. If said customers do not settle their outstanding payments, collection companies are utilised, and in the case of commercial customers, lawyers are utilised and/or services to the customers are discontinued.

The value of trade receivables is reduced to the expected recoverable amount in accordance with the procedure for determining lump-sum specific loan loss provisions. The credit risk for other current financial receivables is assessed on a case-by-case basis. For other non-current financial receivables, expected payments are discounted based on the initial effective interest rate. The maximum credit risk as of the reporting date amounts to KEUR 54,820 (2016: KEUR 48,532).

It is assumed that the value-adjusted carrying amount of trade receivables approximately equals their fair value.

There is no material risk regarding the hedging transactions concluded, as these were concluded only with financial institutions with good ratings.

F.4 Explanatory Notes to the Consolidated Statement of Cash Flows

Cash and cash equivalents exclusively include cash and bank deposits.

As in the previous year, no cash and cash equivalents were used to collateralise loans or other liabilities.

Significant changes in non-cash financial liabilities in connection with the calculation of the cash flow from financing activities were as follows:

- Other non-current financial liabilities incurred in connection with the increase in the majority share in Kabelfernsehen München ServiCenter GmbH & Co. KG and Kabelfernsehen München ServiCenter GmbH - Beteiligungsgesellschaft were recognised in financial income and expenses in the amount of KEUR 15,776 (2016: KEUR -) and were not revalued in the context of the actual payment.

- Within the scope of finance lease activities, KEUR 10,943 (2016: KEUR 8,225) were recognised in the 2017 financial year.

F.5 Earnings per share

The calculation of earnings per share is derived from the profit or loss attributable to shareholders and the average number of shares outstanding. The share option programs MSP and POP (see E.18 Share-based payments) were included in the calculation of diluted earnings per share. Due to the loss position of Tele Columbus AG, the employee share options do not have a recognisable diluting effect on earnings per share.

TABLE 100

Determination of the earnings per share

	01.01.–31.12.2017	01.01.–31.12.2016
Profit for the period allocated to shareholders in KEUR	−18,802	−13,289
Weighted average of ordinary shares outstanding (in number of issues)	127,556,251	127,556,251
Undiluted result per share in EUR	−0.15	−0.10
Diluted result per share in EUR	−0.15	−0.10

TABLE 101

Determination of weighted average of ordinary shares outstanding in KEUR

	01.01.–31.12.2017	01.01.–31.12.2016
Issued ordinary shares as of 01.01.	127,556,251	127,556,251
Weighted average of ordinary shares outstanding	127,556,251	127,556,251

F.6 Segment Reporting

Description of the segments

The companies of Tele Columbus AG report their operating activities under two product segments: TV and Internet and Telephony. Quarterly internal management reports regarding the two segments are drafted for control purposes.

Relationships between individual segments are eliminated.

TV segment

The companies of Tele Columbus AG offer basic and premium programmes within the TV segment. Basic programmes contain analogue as well as digital TV and radio services. The offered premium TV packages include up to 75 additional digital TV-programmes. Up to 38 of said TV programmes are in HD quality.

Internet and Telephony segment

The companies of Tele Columbus AG bundle internet and telephony services within the Internet and Telephony segment. In addition to landlines, the product portfolio also includes mobile telephony services. Revenue in this segment is made up of income from the conclusion of new contracts, installation services, monthly contractual fees, as well as fees for monthly services.

Reconciliation

Business activities and items not directly related to the companies of Tele Columbus AG's reportable segments are reported in the item Other.

Expenses and income not allocated to the operating segments are largely attributable to the central functions of management, the legal department, the personnel department, finance, purchasing, and IT. Revenue not allocated to the operating segments are mainly attributable to Revenue earned from B2B customers and construction services performed for third parties.

In determining the normalised EBITDA for the individual segments, the following items, which were attributable to central functions, were not taken into account:

TABLE 102

KEUR	2017	2016
Revenue B2B customers / construction services	59,891	43,947
Other income	6,503	5,932
Own work capitalised	1,830	1,383
Direct costs	–28,855	–16,625
Personnel expenses	–27,363	–28,744
Other expenses	–24,089	–25,808

Expenses and income are either allocated directly to the segments or based on appropriate unique keys.

As they also cannot be allocated to the two segments, non-recurring effects (more information under Segment reporting') are shown in the reconciliation.

With the exception of the elimination of the „one-off effects", the accounting principles for segment reporting correspond to the principles applied for the Consolidated Financial Statements and are to be understood by analogy to the IFRS as they are to be applied in the EU. This applies as long as the valuation methods and the definition of segments do not change.

Therefore, a reconciliation need not be made due to differences between internal measurement and IFRS measurement, but only in respect of items that are not allocated to reportable segments.

Segment reporting

Explanation of the measurement variables of the segments

For the Board of Management of Tele Columbus AG, normalised EBITDA is the key performance indicator reported separately for each operating segment as part of the monthly reporting process. Normalised EBITDA represents earnings before income taxes, amortisation and impairment of intangible assets and goodwill, as well as before financial income or expenses (i.e. earnings from investments accounted for using the equity method, interest income, interest expense and other financial income and expenses). EBITDA does not contain any one-off effects.[1] One-off effects are defined by the Board of Management as non-recurring, rare, or extraordinary expenses or income if the event is not expected to recur in the next two financial years or has not occurred at all in the past two financial years. These are expenses or income that have predominantly not arisen from the operational business or are of a restructuring nature, and therefore cannot be used to assess operating success.

1) This is a key performance indicator as defined by the Board of Management of Tele Columbus AG.

Non-recurring expenses in 2017 largely relate to advisory fees incurred in connection with the harmonisation and optimisation of IT systems, various strategic projects, integration costs, severance payments, other non-recurring personnel costs, expenses in connection with a provision for a tax audit, expenses relating to a provision for onerous contracts in connection with a long-term signal delivery contract, as well as expenses for the introduction and marketing of the new PŸUR brand.

Non-recurring expenses in 2016 mostly related to integration and restructuring expenses in connection with the acquisition of the PrimaCom and pepcom groups from 2015, severance payments, other non-recurring personnel expenses, as well as costs related to the harmonisation of the product portfolio within the entire Group.

As in the previous period, non-recurring income in 2017 mainly composed of income from the disposal of assets and income from the reversal of provisions for impending losses.

The following table contains information on the reportable TV and Internet and Telephony segments as well as the non-reportable Other segment:

TABLE 103

31.12.2017 in KEUR	TV	Internet & Telephony	Other	Group Total
Revenue	277,619	158,246	59,891	495,756
Normalised EBITDA	163,480	112,995	–12,083	264,392
Non-recurring expenses/ income	–2,218	–638	–64,531	–67,387
EBITDA	**161,262**	**112,357**	**–76,614**	**197,005**

TABLE 104

31.12.2016 in KEUR	TV	Internet & Telephony	Other	Group Total
Revenue	287,541	145,262	43,947	476,751
Normalised EBITDA	167,051	102,198	–19,985	249,264
Non-recurring expenses/ income	988	–2,893	–31,017	–32,922
EBITDA	**168,040**	**99,305**	**–51,003**	**216,342**

The reconciliation of the total net profit for the period of the reportable segments to the consolidated profit before tax and to discontinued operations is shown in the following table:

TABLE 105

KEUR	2017	2016
EBITDA of reportable segments	273,619	267,345
Depreciation and amortisation	–155,610	–154,653
Profit/ loss from investments in associates	53	59
Other financial income and expenses	–69,825	–72,298
Other [1]	–76,614	–51,003
Profit before taxes	**–28,377**	**–10,551**

1) For an explanation of the item other, please refer to the paragraphs on Reconciliation and Non-recurring expenses 2016 above. Non-recurring expenses in 2016 were mainly allocated to Other.

Other segment disclosures

Secondary segmenting based on geographical criteria is not applied, as all revenue is generated exclusively in Germany.

Revenue is generated by a plurality of customers such that no significant portion is attributable to one or a few external customers.

F.7 Disclosures pursuant to the German Commercial Code (HGB)

Employees

The average number of employees during the financial year amounted to 1,288 (2016: 1,424) of whom 1,212 (2016: 1,371) were full-time employees, 51 (2016: 20) executives and 24 (2016: 33) trainees.

Compliance statement to the German Corporate Governance Code according to Section 161 German Stock Corporation Act (AktG)

In accordance with section 161 AktG, the Board of Management and the Supervisory Board have issued the required compliance statement. The statement is included in the Annual Report 2017 of Tele Columbus AG and it is also permanently accessible to the shareholders at the company’s website under https://www.telecolumbus.com/investor-relations/entsprechenserklaerung.

Auditors' fees

During the financial year, Tele Columbus received audit services from its auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The amounts reported for the previous year relate to the auditing company appointed for the previous year, KPMG AG.

TABLE 106

KEUR	31.12.2017	31.12.2016
Audit services	1,108	1,936
Other assurance services	–	23
Tax advisory services	–	649
Other services	–	5,734
	1,108	**8,342**

F.8 Subsequent Events

There were no significant events after the reporting date.

Declaration by the Group's legal representatives

We hereby confirm that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group and of its consolidated financial performance and its consolidated cash flows in accordance with applicable accounting policies, and that the Group management report gives a true and fair view of the Group's business development including its performance and financial position, and also describes significant opportunities and risks relating to the Group's anticipated development.

Berlin, on 11 April 2018

The Board of Management

Chief Executive Officer Timm Degenhardt	Chief Financial Officer Frank Posnanski

Independent Auditor's Report

To Tele Columbus AG, Berlin

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of Tele Columbus AG, Berlin, and its subsidiaries (the Group), which comprise the consolidated income statement for the fiscal year from 1 January to 31 December 2017, the consolidated statement of comprehensive income for the fiscal year from 1 January to 31 December 2017, the consolidated statement of financial position as of 31 December 2017, the consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2017, the consolidated statement of changes in equity for the fiscal year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Tele Columbus AG for the fiscal year from 1 January to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the declaration on corporate governance referred to in section 7 of the group management report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the net assets and financial position of the Group as at 31 December 2017, and of its financial performance for the fiscal year from 1 January 2017 to 31 December 2017, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the declaration on corporate governance referred to in section 7 of the group management report.

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

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report 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 group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with 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 group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2017. 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. Revenue recognition

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

Tele Columbus Group generates revenue primarily in the following key business activities: analogue and digital cable television, additional digital services, internet and telephony. Furthermore, it generates revenue from transmission fees, construction services as well as the implementation of infrastructure and other projects. Due to the large number of individual contracts in the key business activities that are mostly recorded through IT based systems, as well due to different services and contractual bases in incidental operations, we consider revenue recognition at Tele Columbus to be complex. Due to the complexity, which is accompanied by an increased risk of material misstatement, we have identified revenue recognition as one of the key audit matters.

Auditor's response

During our audit, we evaluated the recognition and measurement policies applied in the consolidated financial statements of Tele Columbus AG using the recognition criteria for the rendering of services, the sale of products as well as the granting of license rights. We tested the processes and the effectiveness of controls implemented by the executive directors for their existence and correct revenue recognition in the key business activities of the significant entities of the Tele Columbus Group. Our response in the area of revenue from key business activities focused on the entry and processing of customer data and the customer contracts in the IT systems of the Tele Columbus Group. Based on the customer data and contracts recorded in the systems, using analytical procedures as well as substantive sampling tests, we mainly reviewed the period-based rendering of services for the customers of the Tele Columbus Group on the basis of periodic invoices and payments received for these invoices. During our analytical procedures, we compared the average monthly revenue per customer across the significant entities dealing with customers with our expected values and examined the development of monthly figures in the fiscal year. The substantive audit procedures particularly include the comparison of revenue recognized at transaction level to the data records of the customer data bases, the underlying customer contracts, the regular invoicing and payments received.

We also tested the processes and the effectiveness of controls implemented by the executive directors for their existence and correct revenue recognition in the ancillary operations of the significant entities of the Tele Columbus Group. We analyzed revenue recognition by comparing contractual agreements, existing payments and deferrals with the requirements of revenue recognition for services including the services for long-term construction contracts on a sample basis.

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

Reference to related disclosures

Disclosures relating to the accounting policies for revenue are included in section D "Accounting policies" under D.2.10 "Recognition of revenue" in the notes to the consolidated financial statements.

Information about the breakdown of revenue can be found in section E "Explanatory notes to the consolidated income statement and consolidated statement of financial position" under E.1 "Revenue" in the notes to the consolidated financial statements.

2. Impairment test for goodwill

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

In the consolidated financial statements of Tele Columbus AG, goodwill is recognized in the line "Intangible assets".

Goodwill is subject to an annual impairment test as of 31 December in order to determine any need to recognize an impairment loss. The result of these tests is highly dependent on the executive directors' estimate of future cash flows and the respective discount rates used.

Due to the complexity, which is accompanied by an increased risk of material misstatement, as well as the judgment exercised during valuation, the impairment test for goodwill was a key audit matter.

Auditor's response

During our audit, we verified the procedure for performing impairment tests in terms of compliance with the requirements as defined by IAS 36 Impairment of Assets with the support of internal valuation experts. In this context, we analyzed the planning process and discussed the significant planning assumptions with the executive directors, and compared this with the earnings and cash flows realized in the past. Our assessment of the results of the impairment tests was based among other things on a comparison with general and industry-specific market expectations underlying the expected cash inflows. Based on our knowledge that even relatively small changes in the discount rates used can at times have significant effects on the amount of the business value calculated or the recoverable amount, we analyzed the parameters used to determine the discount rates and verified them in terms of the requirements of IAS 36 Impairment of Assets. We also performed sensitivity analyses in order to estimate any potential impairment risk associated with a reasonably possible change in one of the significant assumptions used in the valuation.

Our audit procedures did not lead to any reservations relating to the impairment test for goodwill.

Reference to related disclosures

Disclosures relating to the accounting policies of goodwill are in included in the notes to the consolidated financial statements in section D "Accounting policies" under D.1 "Significant judgements and estimates" and D.2.1 "Intangible assets".

Explanations to the impairment test are included in the notes to the consolidated financial statements in section E "Explanatory notes to the consolidated income statement and statement of financial position" under E.12 "Intangible assets and goodwill".

3. Recognition of additions to property, plant and quipment

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

In the consolidated financial statements of Tele Columbus AG, the assets recognized in "Property, plant and equipment" item are mostly telecommunications network and equipment that are used by the Tele Columbus Group to provide analogue and digital signals to its customers. There were no significant additions to property, plant and equipment in fiscal year 2017.

When recognizing additions to property, plant and equipment, there is a differentiation between expenses for assets with several years of useful lives and those expenses that maintain the inherent potential of assets to use or restore such potential. Additions are further assigned to specific asset classes, which are used to determine the future depreciation and to assess, whether contractual obligations for retirement of acquired assets result in future obligations for the Tele Columbus Group. Due to the high number of contractual individual transaction and the necessity of technical and economical estimates, we consider the recognition of additions to property, plant and equipment at the Tele Columbus Group to be complex. Due to the complexity, which is accompanied by an increased risk of material misstatement, we have identified the recognition of additions to property, plant and equipment as one of the key audit matters.

Auditor's response

During our audit, we examined the accounting policies applied in the consolidated financial statements of the Tele Columbus Group for the recognition of additions to property, plant and equipment, the calculation of own work capitalized, the determination of useful lives and the recognition of obligations to restore assets to their original condition using the criteria for the capitalization of assets with a finite useful life. We tested the processes and the effectiveness of group-wide controls implemented by the executive directors of the Tele Columbus Group regarding the differentiation of additions to fixed assets that are capitalized and those that are expensed, the consistent application of useful lives for individual asset classes as well as the complete recognition of obligations to restore the assets to their original condition. Our audit focused on the documentation and verifiability of technical and economic estimates for the IT-based first-time recognition of additions to assets, the assumptions for the calculation of own work capitalized at the level of cost centers using pro rata mark-ups for overheads as well as compliance with group-wide requirements for the application of useful lives for specific asset classes. We reviewed the additions to property, plant and equipment recognized using analytical and substantive procedures on a sample basis. The analytical procedures include the comparison of the absolute amounts of additions as well as capital expenditures ratio to the prior year, the plausibility assessment of pro rata capitalization of personnel expenses as part of own work capitalized as well as analytical review of the cost of materials for matters subject to capitalization. The substantive audit procedures particularly include the reconciliation of the additions with the underlying invoices and evidence of services and the reconciliation of own work capitalized included in personnel expenses to the corresponding evidence of wages and salaries as well as the review of certain matters whether they are subject to capitalization.

Our procedures did not lead to any reservations relating to the recognition of additions to property, plant and equipment.

Reference to related disclosures

Disclosures relating to the accounting policies for assets of property, plant and equipment are included in section D "Accounting policies" under D.2.3 "Property, plant and equipment" in the notes to the consolidated financial statements. Information about the breakdown of property, plant and equipment can be found in section E "Explanatory notes to the consolidated income statement and consolidated statement of financial position" under E.11 "Property, plant and equipment" in the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. Other information comprises the other components of the annual report, with the exception of the audited consolidated financial statements and the consolidated management report as well as our independent auditor's report, especially the "Declaration by the Group's legal representatives" pursuant to section 297 (2) Sentence 4 HGB, the section "Letter of the Management Board" of the annual report and the "Report of the Supervisory Board" pursuant to section 171 (2) AktG. We received a draft version of this 'Other information' by the time this auditor's report was issued.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an 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 group management report 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 in this regard.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the net assets, 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 group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 group management report 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 group management report 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 net assets, 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 group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate 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
Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 21 June 2017. We were engaged by the Audit Committee of the Supervisory Board on 22 June 2017. We have been the group auditor of Tele Columbus AG for the first time since fiscal year 2017.

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).

In addition to the financial statement audit for the group entities, we provided legal advisory services related to data protection including a data protection audit that may be performed subsequently, which are not disclosed explicitly in the consolidated financial statements or in the group management report.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Gunnar Glöckner.

Berlin, 11 April 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dahmen	Glöckner
German Public Auditor	German Public Auditor

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