Annual Report 2018

Tele Columbus AG

Content Overview

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Text:
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Key figures

	2018	2017	diff	diff (%)
Consolidated Income Statement (in EURm)				
Total revenue	494,4	495,8	-1,4	-0,3%
Normalised EBITDA	236,0	264,4	-28,4	-10,8%
Normalised EBITDA-Margin (in %)	47,7%	53,3%	-	-
EBITDA	189,5	197,0	-7,5	-3,8%
Depreciation and Amortization (1)	- 283,0	- 155,6	-127,4	81,9%
Net income	- 161,4	- 16,3	-145,0	n/a
Consolidated Balance Sheet (in EURm)				
Property, plant and equipment	639,4	609,9	29,6	4,8%
Intangible assets and goodwill	1.258,7	1.390,0	-131,2	-9,4%
Cash and cash equivalents	26,3	31,8	-5,5	-17,2%
Balance sheet total	2.025,8	2.133,2	-107,4	-5,0%
Net debt (2)	1.389,6	1.309,3	80,3	6,1%
Net debt to EBITDA (ratio)	5,9	5,0	0,9	-
Consolidated Cash Flow Statement (in EURm)				
Cash flow from investing activities	- 144,1	- 140,3	-3,8	2,7%
Cash flow from operating activities	159,6	159,6	0,1	0,0%
Cash flow from financing activities	- 23,0	- 43,9	20,9	-47,6%
Net increase/decrease in cash and cash equivalents	- 7,5	- 24,6	17,2	-69,7%
Network (in thousands)				
Homes connected	3.337	3.592	-255,3	-7,1%
Homes connected - own network - two-way upgraded	2.298	2.327	-28,7	-1,2%
Subscribers (in thousands)				
Unique subscribers	2.292	2.373	-80,9	-3,4%
RGUs (in thousands)				
CATV	2.262	2.367	-105,4	-4,5%
Premium-TV	558	430	128,7	30,0%
Internet	574	578	-4,1	-0,7%
Telephony	439	555	-115,5	-20,8%
Total RGUs	3.833	3.929	-96,4	-2,5%
RGUs per Subscriber (in units)	1,7	1,7	0,02	1,0%
ARPU (in EUR/month)				
Blended TV ARPU (per subscriber)	9,4	9,3	0,1	1,0%
Blended Internet & telephony ARPU (per internet RGU)	24,0	24,3	-0,3	-1,2%

(1) 2018 contains impairment amounting to EUR 124.2m
(2) Incl. finance leases

Content

Editorial by the Management Board

Dear shareholders,
ladies and gentlemen,

The past financial year was a challenging one, not only for our customers and staff, but also for you, our esteemed shareholders. For Tele Columbus, 2018 was a year of transformation and consolidation that was dominated by the complex migration projects associated with the integration of our subsidiary pepcom into the Tele Columbus Group. Following a subdued start to the year, a need for additional fine-tuning and follow-up measures emerged in the second half of the year. As a consequence, we had to adjust our guidance for financial year 2018 to correct some of our ambitious growth targets. In the end, we did reach the revised guidance and closed the financial year with a stable turnover of EUR 494.4 million and a Normalised EBITDA of EUR 236 million.

Thanks to the merger of all customer data on a uniform CRM platform, which we completed at the end of the second quarter 2018, and the subsequent consolidation of divergent accounting systems in a uniform ERP system, we set the course for more efficient customer service, optimised business processes and the consistent digitalisation of our internal processes. Having brought all integration measures to completion in 2018, which represents an important milestone for our company; we can now focus and put our best efforts into the advancement of our ambitious medium-term growth plans.

Aiming to specifically strengthen our strategic divisions for future growth and respond even better to operational challenges, we have also realigned our management in terms of its organisation and, to some degree, its composition. Following Timm Degenhardt's appointment as Chief Executive Officer (CEO) and chairman of the Management Board per 1 January 2018, Eike Walters succeeded as Chief Financial Officer (CFO) and member of the Management Board per 15 July. Having worked for the Tele Columbus Group since 2007 and assisting in the company's IPO in 2015 as well as in a number of extensive M&A transactions, Eike Walters was Director Controlling before becoming CFO and is thus a proven expert on the company. The appointments of Stefan Riedel as new Chief Consumer Officer (CCO), Dietmar Pöltl as new Chief Technology Officer (CTO), Rüdiger Schmidt as new Chief Sales Officer Housing Industry & Infrastructure (CSO HI&I) and Roland Schleicher in his new role as Chief Operations Officer (COO) completed the Management of Tele Columbus AG in the course of 2018.

After the merger of Tele Columbus, PrimaCom and pepcom and the conclusion of all associated integration projects, we consistently fine-tuned our product portfolio over the third quarter 2018, introduced the improved advanceTV platform with attractive films and series and resumed our marketing activities with a high-reach campaign just in time for the high-turnover season. Via our PŸUR brand, Tele Columbus AG offers transparent, individually bookable rates, short contract durations and a convincing price-performance ratio and strives to provide an outstanding customer experience in every respect.

With the continuous improvement of customer experience in mind, we invested large sums in the expansion of our customer service in 2018. Given that many customers now prefer to resolve their queries online, we also fleshed out our online service: Introduced in summer 2018, the ‘Mein PŸUR’ app, which allows customers to conveniently call up and update their contract details and check the network status, quickly gained popularity among our customers and partners in the housing industry. For Tele Columbus, digital transformation means being available to customers anywhere they may look for us: in person at over 100 PŸUR shops and service points nationwide, by phone and email as well as on the relevant digital platforms. Our service quality at all contact points is being assessed and measured via customer surveys on an ongoing basis. The resulting Net Promoter Score (NPS) gives us regular feedback on the improvements we have achieved on our path towards a consistently customer-oriented enterprise.

One of the key parameters ensuring outstanding customer experience consists of a modern high-performance network infrastructure. In financial year 2018, Tele Columbus therefore consistently invested in the expansion of its networks, especially in future-proof fibre infrastructure. We substantially increased the number of two-way upgraded households, which allows us to expand the marketing potential of our IP products in the entire footprint. A further important milestone was the completion of the first full digitalisation phase. The legally prescribed switch-off of analogue TV and radio signals in Bavaria, Saxony and Bremen required extensive conversion work, which Tele Columbus had successfully completed for around 900,000 households by the end of 2018. The switch-off of analogue signal transmission creates capacities for greater programme variety and even faster internet.

Thanks to the expertise and long-standing experience the Tele Columbus Group has acquired in the expansion of HFC, FTTB and FTTH networks, our company is in a stronger and superior position over our competition that allows us to implement sustainable networks for the housing industry and municipalities all over Germany. With the help of flexible solutions, innovative concepts and regional proximity to our partners, we will continue to drive broadband expansion in Germany and increase the reach of multimedia supply to the properties held by our housing industry customers.

In financial year 2018, the Tele Columbus Group invested a total of EUR 159 million or 32 percent of its turnover, to safeguard the company‘s performance and competitiveness in all strategically relevant areas and to ensure that the Group is optimally positioned. On top of this, the company secured a further financing of EUR 75 million in October 2018 to balance the drawn portion of the revolving credit line and increase its financial flexibility, which allows the Group to continue exploiting attractive investment and growth opportunities in the German market.

The comprehensive expansion of state-of-the-art fibre networks represents a sustainable investment in a dynamically growing market and in the future of Germany, both for Tele Columbus AG and for you, our esteemed shareholders. Thanks to this expansion, we are jointly laying the foundations for further digitalisation, innovation, employment and participation in today‘s information society, thereby paving the way for the gigabit society.

We would like to thank you, our esteemed shareholders, for the trust you have placed in us through your holding in Tele Columbus AG, especially throughout the challenging financial year 2018. Your trust drives our motivation to press ahead with our consistent focus on sustainable growth and the associated increase in corporate value and to resolutely pursue our chosen path.

Berlin, 29 April 2019

Board of Management

Chief Executive Officer	Chief Financial Officer
- Timm Degenhardt -	- Eike Walters -

Report of the Supervisory Board for Fiscal Year 2018

Dear Ladies and Gentlemen, Dear Shareholders,

Tele Columbus AG (hereinafter also referred to as "Tele Columbus” or the "Company”) continued to implement its strategy in fiscal year 2018 in particular by deepening integration, harmonising and optimising processes, improving the brand and product portfolio strategy and also investing in infrastructure expansion. The Supervisory Board focused its monitoring and advisory function in particular on strategy, organisation and leadership, integration, budget and financial reporting. The present report gives an overview of the Supervisory Board's activities during the financial year 2018.

Overview of activities of the Supervisory Board

In the fiscal year 2018 – the period under report – the Supervisory Board exercised the duties incumbent upon it by law, the articles of association and the rules of procedure diligently. The Supervisory Board accompanied and supervised the Management Board continually in its governance and regularly advised it on its decisions, in so far as the Supervisory Board’s involvement was required.

The Supervisory Board was involved in all important decisions for the Company and was informed in good time by the Management Board regularly in writing and verbally about all key issues relating to the management of the Company. The Management Board reported to the Supervisory Board regularly in particular about the corporate planning, the budget, strategic development, operational business and the financial development of the Company and the Group. Potential risks to the business model and the earnings situation were discussed with the Management Board. The Management Board also informed the Supervisory Board about the current development of the Company and the Group outside meetings. The chairman of the Supervisory Board in particular was at all times in close contact with the Management Board and was kept informed about current events and the business situation and also about material business cases, projects and plans. Developments in the course of business that deviated from plans and targets were in detail explained to the Supervisory Board by the Management Board.

In so far as the law, the articles of association or the rules of procedure required the consent of the Supervisory Board or a committee for individual measures, the competent body discussed the matter and adopted a corresponding resolution. The materials for board resolutions were submitted to the Supervisory Board in good time for consideration, so that all the members had the opportunity to prepare for the discussion. Where appropriate, the Supervisory Board was supported by the competent committees. Whenever necessary, executives and experts were invited to meetings, so that the Supervisory Board members could address questions to them directly. Initiatives requiring a decision were discussed in detail with the Management Board.

Thanks to the Management Board's reporting, the Supervisory Board was regularly informed about the Company's situation and was able to carry out its duties. In all its meetings, the Supervisory Board reviewed the activities of the Management Board on the basis of the rendered reports. Significant main topics which the Supervisory Board dealt with during the reporting period were the partial new appointment of the Management Board, the review of the integration and migration process, including its impact on the customer satisfaction and accounting, the Company's financing structure, in particular the issuance of a high-yield bond in the period under report, the examination of the brand and product portfolio strategy, the infrastructure expansion and the appointment of the Supervisory Board. Other topics were the annual and the interim reports on the business situation, the financial market information and forecasts on business development, sales and marketing. The frequency, focus and detail of the Management Board's reporting were appropriate and well elaborated.

The Supervisory Board is striving to improve its own effectiveness and performance inter alia with the self-assessment process and by following the Code of Conduct, which contains a detailed summary of the rights and duties for the members of the Supervisory Board and sets out guidelines on how to respond in particular situations – for example where there are conflicts of interest.

The Supervisory Board also assured itself that the Management Board operates a functioning risk management system and an effective compliance programme.

Conflicts of Interest

The Supervisory Board's Code of Conduct inter alia sets forth how to deal with conflicts of interest. Before every meeting, the Supervisory Board checks whether the individual items on the agenda could give rise to conflicts of interest. Possible conflicts of interest from exercising an executive position at a key competitor by Frank Krause, who was also a Supervisory Board member of Tele Columbus AG until 3 October 2018, were avoided in individual case by suitable measures. For example, former Supervisory Board member Frank Krause did not take part in or abstained in votes with potential conflicts of interest.

The Supervisory Board is not aware of any conflicts of interest of the Management or Supervisory Board members in the period under report that were to be disclosed to the Supervisory Board and notified to the general meeting.

Size and members of the Supervisory Board

As per the articles of association, the Supervisory Board comprised eight members from 1 January to 3 October 2018. As of 4 October 2018, Frank Krause and Dr. Volker Ruloff resigned as Supervisory Board members. From 4 October 2018, the Supervisory Board continued its activities with six members.

After the end of the period under report, Frank Donck resigned as Supervisory Board member and chairman with effect from 2 April 2019. From 3 April 2019 to the end of the ordinary general meeting of Tele Columbus AG on 21 June 2019, André Krause will be the chairman of the Supervisory Board.

Management Board

Since 1 January 2018, Timm Degenhardt has been the company's CEO and chairman of the Management Board. Frank Posnanski, who served as the company's CFO from September 2011, left the Company for personal reasons as of 15 July 2018. Eike Walters was appointed by the Supervisory Board as Board member for the Company with effect from 25 June 2018 and as CFO with effect from 15 July 2018. Details about the Management Board remuneration can be found in the remuneration report.

Supervisory Board committees

In order to perform its duties efficiently, the Supervisory Board has formed two permanent committees (executive committee and audit committee) and a temporary committee (nomination committee). The composition of the executive committee remained unchanged in financial year 2018 with Frank Donck (chairman), Yves Leterme and Catherine Mühlemann. Following Frank Donck's resignation from the Supervisory Board as of 2 April 2019, André Krause was appointed member and chairman of the executive committee for the remaining term of office. In financial year 2018, the audit committee comprised André Krause (chairman), Dr. Volker Ruloff (up to and including 3 October 2018) and Christian Boekhorst. Dr. Susan Hennersdorf was appointed as Dr. Volker Ruloff's successor on the audit committee with effect from 4 October 2018. The ad hoc nomination committee comprises André Krause, Christian Boekhorst and Catherine Mühlemann.

The **executive committee** convened nine times in the fiscal year 2018. Four meetings were held via telephone conference, five meetings were held in person. The committee prepared the Supervisory Board meetings on the target agreements and variable remuneration of the Management Board members and also on the appointment of the new CEO and the resignation of the former CFO. The executive committee also discussed organisational matters and the remuneration structure within the Group.

The **audit committee** convened nineteen times in financial year 2018. Fourteen of these meetings were held via telephone conference and five meetings were held in person. The committee reviewed the annual and interim financial statements, related ad-hoc announcements, the principles and regularity of the accounting, the independence of the auditor, the internal control system, risk management and compliance. The audit committee worked closely together with the auditor. It issued the audit mandate to the auditor, determined the key audit priorities and agreed upon the fee. It prepared in particular the decisions of the Supervisory Board on the adoption of the annual financial statements 2017 and in this context undertook the preliminary examination of the annual financial statements, management report, proposal for the appropriation of profits, consolidated financial statements and group management report and discussed the audit report with the auditor.

In the light of the election of the new Supervisory Board in 2019, the Supervisory Board decided to set up a **nomination committee**. The role of this committee is to find suitable candidates for the Supervisory Board, check their qualifications against the competence profile defined by the Supervisory Board and conduct discussions with them.

Meetings of the Supervisory Board

The Supervisory Board convened for sixteen meetings, eleven of which were held via telephone conferences and five in personal meetings. In addition, three resolutions were taken by written ballot. The most important topics of the meetings were the following:

- **23 January 2018** - In a telephone conference the Supervisory Board agreed upon the 2018 budget after previous discussion.
- **2 March 2018** - In its meeting on 2 March 2018 the Supervisory Board discussed the preliminary figures of the fiscal year 2017 and the status of the annual audit, which was being conducted by EY for the first time. In addition, the Supervisory Board discussed the possible partly refinancing of long-term loans with a bond in order to reduce the Company's interest burden. Measures for stabilising and improving customer services (Fit-to-Win) and to boost customer satisfaction were discussed. The Supervisory Board dealt with questions regarding the migration of analogue TV to digital TV (TV2Digital) and discussed the migration of the pepcom companies.
- **11 April 2018** - In a telephone conference the Supervisory Board discussed and resolved the 2017 consolidated financial statements. In addition, it discussed the termination of Frank Posnanski as CFO and the succession of Eike Walters as CFO of the company.
- **27 April 2018** – By written ballot, the Supervisory Board resolved the partial refinancing and modification of existing senior financing in connection with the issuance of 3.875% Senior Secured Notes amounting to 650 million EUR due in 2025.
- **30 April 2018** - In a telephone conference the Supervisory Board discussed and approved the annual financial statements and the management report as well as the report of the Supervisory Board, the corporate governance report and the declaration of conformity for financial year 2017.
- **14 May 2018** - In a meeting the Supervisory Board discussed planned infrastructure projects, the preliminary figures for Q1 2018 as well as the audit process.
- **15 May 2018** - In the meeting on 15 May 2018 the Supervisory Board discussed and approved the final financials for the first quarter 2018 as well as the necessity to adjust the business forecast for the financial year 2018 and a related ad-hoc announcement.
- **25 June 2018** - In a meeting the Supervisory Board discussed the financial and procedural impact of the migration, the current status and possible further development of the network, the Company's course of operational business and also personnel changes. In addition, the Supervisory Board resolved the immediate appointment of Eike Walters as CFO by written ballot.
- **19 August 2018** - In the meeting on 19 August 2018 the Supervisory Board discussed the preliminary results of Q2 2018.
- **23 August 2018** - In a telephone conference the Supervisory Board discussed the updated but still preliminary results Q2 2018 and also the outlook for Q3 and Q4 2018.

- **28 August 2018** - In a telephone conference the Supervisory Board discussed the results of Q2 2018 and the Company's financial situation and resolved the publication of the results of Q2 2018. They also discussed the necessity to adjust the business forecast for 2018 and a related ad-hoc announcement.
- **4 September 2018** - In the meeting on 4 September 2018 the Supervisory Board discussed the reactions of analysts and market participants to the adjustment of the forecast 2018 and the measures adopted by the Management to stabilise the financial situation. In addition, Frank Donck (Supervisory Board chairman) informed the other Supervisory Board members about the resignations of Frank Krause and Dr. Volker Ruloff from the Supervisory Board with effect from 3 October 2018.
- **28 September 2018** - In the meeting on 28 September 2018 the Supervisory Board discussed the raising of a new loan, the planned budget and closing process as well as the Company's operational performance. In addition, it discussed the strategy. Furthermore, it appointed Dr. Susan Hennersdorf as member of the audit committee to succeed Dr. Volker Ruloff.
- **11 October 2018** - In a telephone conference the Supervisory Board discussed and approved the conclusion of a binding agreement – subject to the final documentation – for an additional 75 million EUR loan in order to further increase the company´s liquidity.
- **28 November 2018** – In a telephone conference the Supervisory Board discussed the results of Q3 2018 and approved their publication.
- **5 December 2018** - In a meeting the Supervisory Board dealt with the annual financial statements process, the operational development of the company, a new target agreement and participation programme for the Management Board and the top two executive levels as well as the Company's strategic focus. Furthermore, it discussed the preliminary budget for 2019.

In all meetings except for the extraordinary meetings, the Management informed the Supervisory Board about the status of operation such as sales, distribution, marketing, customer satisfaction and technical innovation as well as the financial situation.

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

Corporate Governance

The Supervisory Board supports the objectives and principles of the German Corporate Governance Code and has dealt extensively with the corresponding recommendations of the governmental commission. In April 2019, the annual declaration of conformity pursuant to Section 161 Stock Corporation Act (Aktiengesetz) was adopted by the Supervisory Board and the Management Board. The declarations of conformity are available on the Company's website.

Audit of annual and consolidated financial statements 2018

At the annual general meeting on 25 June 2018, the auditing firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin was appointed as auditor of the annual and consolidated financial statements 2018. The Management Board prepared the annual financial statements and the management report of Tele Columbus AG for financial year 2018 in accordance with the regulations of German Commercial Code (HGB) and the Stock Corporation Act (AktG). The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements was supplemented by a group management report, which was combined with the management report of the individual financial results pursuant to Section 315 (5) in conjunction with Section 298 (2) 1st sentence German Commercial Code (HGB). Ernst & Young Wirtschaftsprüfungsgesellschaft, Berlin audited 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. In their meeting on 24 April 2019, the members of the audit committee discussed in detail and reviewed the aforementioned financial statements in a joint meeting with the CFO and the auditor and then reported on this to the full Supervisory Board at its meetings on 26 April 2019. The Supervisory Board, after being informed on the audit reports by the auditor, discussed and reviewed the annual financial statements and the consolidated financial statements as well as the combined management report in detail. The Management Board also provided additional oral explanations on the financial statements and documentation. The auditor attended several meetings of the audit committee, reported on the key results of the audit and was available for answering questions and to provide additional information to the Supervisory Board. As a result, and on the basis of the report presented from the earlier meeting of the audit committee, the Supervisory Board was able to form a view on the correctness of the audit. Inquiries from the members of the Supervisory Board were answered by the Management Board and the attending members of the audit committee.

The Supervisory Board concurred with the results of the audit by the auditor and approved by circular resolution on 29 April 2019 the annual financial statements of Tele Columbus AG and the consolidated financial statements as of 31 December 2018 compiled by the Management Board. The annual financial statements of Tele Columbus AG as of 31 December 2018 have thus been adopted.

The Supervisory Board wishes to thank the Management Board and all employees for their performance and the results in 2018.

Berlin, 29 April 2019

Chairman of the Supervisory Board
- André Krause -

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 OF 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 (4.), and a declaration regarding the profile of skills and expertise and the diversity concept (5.), as well as further statements concerning corporate governance (6.).

The declaration on corporate governance pursuant to § 289f HGB is part of the management report. Pursuant to § 317 paragraph 2 sentence 6 HGB the audit of the declarations pursuant § 289f HGB only covers whether the declarations have been made.

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO § 161 PARAGRAPH 1 AktG

Declaration of Conformity with the German Corporate Governance Code pursuant to § 161 para. 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 is to be made 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 (*Bundesanzeiger*) with the following exceptions and will continue to do so in future:

1. Pursuant to Section 5.3.2 sentence 5 of the Code, the Chairman of the Supervisory Board shall not be the chairman of the Audit Committee. The company has not complied with these recommendation from 2 April 2019 to 29 April 2019, during which time André Krause was Chairman of the Supervisory Board as well Chairman of the Audit Committee. The coincidence of these positions was not based on a decision of the Supervisory Board. Frank Donck has resigned his Supervisory Board seat with effect of 2 April 2019. André Krause (deputy chairman) has assumed the position as the Supervisory Board chairman with effect of 3 April 2019. On 29 April 2019, Carsten Boekhorst assumed the chairmanship of the Audit Committee for the remainder of the Supervisory Board's term of office.

2. 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. Within the company-specific situation the composition of the Supervisory Board shall reflect appropriately 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 Annual General Meeting shall take these objectives into consideration while simultaneously aiming to fulfill the overall competence profile for 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 reflected 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 or competence profile have been determined, with the exception of an age limit, a respective publication in the Corporate Governance Report was not undertaken.

In March 2019 the supervisory board has specified concrete objectives for its composition and prepared a competence profile for the entire board. A corresponding publication on the status of implementation will be published in the Corporate Governance Report. The recommendations in section 5.4.1 of the Code will thus be complied with in future.

3. 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 was not followed in so far as the Supervisory Board member Frank Krause was member of the Supervisory Board of the company until his resignation from office on 4 October 2018 and at the same time chief financial officer of United Internet AG which the company considers as a significant competitor of the company.

   As a consequence, from the Annual General Meeting held on 21 June 2017 until and including 3 October 2018, the Supervisory Board, in deviation from section 5.4.2 sentence 4 of the Code, had 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 was not materially impaired despite this function in a governing body of a significant competitor as any conflicts of interest that could have arisen were resolved on a case-by-case basis by suitable measures that safeguarded the company's interests.

4. 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 fiscal year, mandatory interim financial information within 45 days from the end of each reporting period. Due to the then still ongoing integration process of all group units, the publication of the consolidated financial statements and the group management report for fiscal year 2018 could not be made publicly accessible within 90 days from the end of the fiscal year. Likewise, not all of the mandatory interim financial information could always be made publicly accessible within 45 days from the end of each reporting period. The company deviates from the recommendation of section 7.1.2 of the Code in this respect. For the fiscal year 2019 too, the company assumes that the yet to be finalized establishment of the accounting processes may lead to a possible deviation from the recommendation in section 7.1.2 of the Code.

Berlin, 29 April 2019

For the Management Board:		For the Supervisory Board:
Timm Degenhardt	Eike Walters	André Krause

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

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 organizational measures to establish an internal control system and fulfil its duties responsibly and transparently. This includes, besides a 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, 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, changes to the regulations that are relevant to us as well as the accounting principles are continually observed, analyzed and evaluated with regard to a potential impact on the business activity and financial position of the company. Appropriate measures for risk management and minimization are developed and deployed. The Risk Committee provides a definitive assessment of the risks.

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.

The Supervisory Board and, in particular, the Audit Committee of the Supervisory Board are informed about the key risks facing the company and 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). 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. The complete Code of Conduct has been published on the Tele Columbus AG website under www.telecolumbus.com/investor-relations/.

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, the data protection representative, the IT security representative 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 are 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. (For further information see section 3.2)

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.

2018 was characterized by the continuation and completion of the integration process of the acquired companies, the growth of the company, further upgrade and expansion of the infrastructure and a resignation and appointment to the Management Board.

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 Eike Walters. 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, 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

As per the Articles of Association, the Supervisory Board has eight members, all of whom are to be elected by the general meeting. From 1 January up to and including 3 October 2018, the Supervisory Board comprised eight members elected by the general meeting in 2017. As of 4 October 2018, Dr. Volker Ruloff and Frank Krause left the Supervisory Board of their volition. They were not replaced. Since then, the Supervisory Board has conducted its business with six members. Frank Donck has resigned as member and Chairman of the Supervisory Board with effect as of April 3rd, 2019. André Krause was elected as Ad Interim Chairman of the Supervisory Board. As the term of office of all current Supervisory Board members expires upon the end of the annual general meeting in 2019, the general meeting on 21 June 2019 will elect an entire new Supervisory Board.

The persons named below were members of the Supervisory Board in fiscal year 2018:

- Frank Donck (Supervisory Board Chairman until 2 April 2019),
- André Krause (Supervisory Board Chairman from 3 April 2019),
- Christian Boekhorst,
- Dr. Susan Hennersdorf,
- Yves Leterme,
- Catherine Mühlemann,
- Dr. Volker Ruloff (until 3 October 2018),
- Frank Krause (until 3 October 2018).

The CVs of the current Supervisory Board members can be accessed under https://www.telecolumbus.com/ueber-uns/management/aufsichtsrat/. The members of the Supervisory Board, with the exception of Frank Krause (until 3 October 2018), were and are independent within the meaning of section 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. Under the said Rules of Procedure, 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 chairman of the Supervisory Board is in regular contact with the Management Board, especially its chairman, and discusses questions of strategy, planning, development of business, risk situation, risk management and compliance at the company and also key events of material importance for assessing its situation and development and for the management of the company. 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 lays down further rules of behavior and policies for particular situations. Each member of the Supervisory Board shall inform the Supervisory Board of any conflicts of interest, particularly if they could arise as a result of an advisory or governing body function at clients, suppliers, lenders or other third parties. There were no conflicts of interest for members of the Supervisory Board in the reporting period. Potential conflicts of interest arising as a result of a governing body function at a major competitor held by Frank Krause, who was at the same time a member of the Tele Columbus AG Supervisory Board until 3 October 2018, were avoided in specific instances through appropriate measures. For example, Frank Krause did not attend meetings of the Supervisory Board or abstained from voting, where this might have led to potential conflicts of interest.

Advisory and other service agreements or contracts for work between members of the Supervisory Board and the company did not exist in the past financial year.

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 until 2nd April 2019), André Krause (Chairman from 3th April 2019), Yves Leterme and Catherine Mühlemann. In fiscal year 2018, the Executive Committee held nine meetings. After the resignation of Frank Donck from the Supervisory Board, André Krause was appointed member and chairman of the Executive Committee for the remaining term with effect of 3 April 2019.

Nomination (adhoc) Committee

In view of the upcoming election of the Supervisory Board in 2019, the Board has decided to form a Nomination (ad-hoc) Committee. The task of this committee is to find suitable candidates for the Supervisory Board, to consider their qualifications on the basis of the competence profile defined by the Supervisory Board, and to conduct personal interviews with them. Members of the Nomination (ad hoc) Committee are André Krause (Chairman), Christian Boekhorst and Catherine Mühlemann.

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 year-end 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 Supervisory Board.

Members of the Audit Committee in fiscal year 2018 were André Krause (Chairman until 28 April 2019), Dr. Volker Ruloff (up to and including 3 October 2018) and Christian Boekhorst (Chairman from 29 April 2019). On 4 October 2018, Dr. Susan Hennersdorf was appointed to succeed Dr. Volker Ruloff on the Audit Committee until 21 June 2019.

The committee chairmen André Krause and Christian Boekhorst hav as independent members 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 2018, the Audit Committee held sixteen meetings. The main focus of these meetings were the 2017 annual financial statement and the quarterly reports for 2018 and the related ad hoc releases.

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. The Supervisory Board or the Management Board has to set deadlines for setting the targets which may not exceed five years.

At the time of the determination of this deadline as well as to date, the Tele Columbus AG Management Board, which currently consists of two members, does not have a female member. Since by the date of the determination no changes in the composition of the Management Board were to be expected and in the interest of efficient cooperation and cost consideration, an expansion of the Management Board did not appear reasonable in the short to medium term, the defined objective of the Supervisory Board was limited to continuing to maintain the current female quota of 0% in the Management Board until the end of the definition period on 30 June 2022. 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 Frank Posnanski, who resigned for personal reasons, the Supervisory Board considered increasing the female quota with regards to the replacement. However, among the potential candidates, the Supervisory Board considered Eike Walters to be most suitable, professionally and personally, for the role as new member of the Management Board as well as CFO. Nevertheless, this does 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 female quota when filling such vacant positions. 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 AG.

In fiscal year 2018, the female quota on the Supervisory Board was 25% up to 3 October 2018. With the departure of Dr. Volker Ruloff and Frank Krause as of 4 October 2018, the female quota rose to 33.33%, i.e. above the 25% female quota defined until the end of the definition period. The Supervisory Board is aware of the importance of an appropriate participation of women in Tele Columbus AG’s Boards.

The Management Board intends to reach a female quota of 20% on the first management level and of 30% on the second management level up to 30 June 2022. In fiscal year 2018, the female quota on the first management level below the Management Board was initially 16%. With the departure of the Chief Customer Sales Officer as of 30 March 2018 and the integration of her department into existing business divisions, the female quota on the first management level below the Management Board dropped to 0%. The female quota on the second management level below the Management Board was 20% in fiscal year 2018. The Management Board stands by the targets set and intends to achieve them up to 30 June 2022.

5. PROFILE OF SKILLS AND EXPERTISE AND DIVERSITY CONCEPT

As part of good corporate governance, the company attaches great importance to ensuring that the appointments to the Management Board and Supervisory Board meet the company's needs. The composition of the Management Board and the Supervisory Board shall ensure that their members have the knowledge, skills and professional expertise required to properly perform all duties.

Details about the Supervisory Board

In order to ensure that the composition of the Supervisory Board meets the company's specific needs and that its duties are properly performed, the Supervisory Board resolved concrete objectives regarding its composition also within the meaning of a diversity concept and a competence profile for the entire body in accordance with the recommendation in section 5.4.1 of the Code on 12 March 2019.

Accordingly, the Supervisory Board shall consist of members who do not only have the professional minimum qualification as per the statutory and Supreme Court stipulations, but also meet the following competence and diversity requirements:

- The members of the Supervisory Board shall provide a large scale of experiences, technical expertise and competences, which enable it to supervise and advise the company with due care.
- Several members of the Supervisory Board forming part of the Audit Committee shall possess adequate professional expertise and experience in the areas of accounting. The chairperson of the Audit Committee shall possess professional expertise and experience in the areas of accounting, internal control procedures and auditing of financial statements (financial expert). He/She must be independent and shall not be a former member of the Management Board whose term of office ended less than two years prior to his/her appointment as chairperson of the Audit Committee.
- Every member of the Supervisory Board shall be able to devote the expected amount of time required.
- To prevent potential conflicts of interest, members of the Supervisory Board must not assume board or consulting functions of or within material competitors, unless appropriate measures are taken to prevent any conflict of interest in the Supervisory Board member with regard to the interest of the company.
- The ordinary maximum office term for members of the Supervisory Board is four entire terms.

- As a rule, members of the Supervisory Board shall not have completed the age of 70 at the time of his/her appointment or election.

As further objectives for its composition, the Supervisory Board has set a quota for female members of the Supervisory Board of at least 25%, i.e. of the eight Supervisory Board members at least two are to be female. In addition, at least six of eight members of the Supervisory Board shall be independent within the meaning of the recommendation in section 5.4.2 of the Code.

The aforementioned specifications and targets are met or reached in the current composition of the Supervisory Board. The Supervisory Board members have a large scale of experiences, technical expertise and competences. The composition of the Audit Committee inter alia with André Krause as chairperson fulfils the above objective as well. After the ending of Frank Krause’s membership of the Supervisory Board, no member of the Supervisory Board assumes board or consulting functions of or within material competitors. The age limit and the maximum office term objectives are also met. Likewise, the current composition of the Supervisory Board with two women among the six (current five) members and the composition of the Supervisory Board with solely independent Supervisory Board members meet the targets with respect to the female quota and independent members of the Supervisory Board.

The term of office of the current Supervisory Board members expires upon the end of the annual general meeting in 2019. The aforementioned targets will be applied for the election proposals to the general meeting for the new Supervisory Board.

Based on the objectives of a balanced composition of the Supervisory Board geared to the company’s requirements, the Supervisory Board has resolved within the meaning of a competence profile that the body as a whole shall have the following professional, practical and personal experience and competencies:

- Expertise and management experience in the cable network, multimedia and telecommunication industry including TV, Internet, telephone and mobile telephony
- Expertise in the area of digitalization and technology
- Experiences with regard to the development of brand- and portfolio strategies
- Expertise and experience in accounting and auditing of financial statements, internal control procedures and risk management
- Expertise in capital markets and financing
- Expertise in compliance and corporate governance
- Management experience including the development of corporate cultures and organizational structures
- Experience and expertise regarding acquisitions and strategic alliances, business combinations and takeovers (mergers and acquisitions)
- An adequate number of the members of the Supervisory Board should have international experience and/or expertise or experience to interact with regulatory bodies.

Details about the Management Board

In the selection and appointment process of Management Board members, the Supervisory Board focusses on the professional qualifications for the board responsibilities, management quality, previous performance and also knowledge of the company and the market. Concerning diversity within the Management Board, the Supervisory Board attaches importance to mutually complementary profiles, differing educational and/or professional backgrounds and also a mixed age structure. Concerning the Management Board, the Executive Committee shall heed diversity and strive for a reasonable consideration of women in its proposals to the Supervisory Board pursuant to the procedural rules of the Supervisory Board. The Supervisory Board shall set a female quota for the Management Board (see above).

The objective of the aforementioned diversity concept is to fill the Management Board so that altogether it has the knowledge, professional competencies and qualifications required for the proper performance of its duties. In the case of new appointments to the Management Board, the Supervisory Board shall short list those candidates who stand out thanks to their strategic management experience, profession competence and qualification and meet the aforementioned specifications. The current composition of the Management Board meets the diversity concept.

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 (current and potential) investors, journalists and the interested public about business developments of Tele Columbus AG 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 company's website. All business and financial press releases, investor relations news and financial reports (in German and English) and also corporate governance and management reports and documents are available on the Internet. Furthermore, interested parties 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 25 June 2018, the auditing firm Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Berlin, was appointed as auditor for the fiscal year ending 31 December 2018. Semi-annual and quarterly financial reports are not subject to an auditing requirement. The annual report for fiscal year 2018 and the interim reports are available on the Tele Columbus AG website (www.telecolumbus.com).

Contrary to the recommendation in section 7.1.2 of the Code, the publication of the consolidated financial statements and the group management report for fiscal year 2018 could not be made publicly accessible within 90 days from the end of the fiscal year. Likewise, the mandatory interim financial information could not all be made publicly accessible within 45 days from the end of the reporting period. For financial year 2019 too, the company assumes that the yet to be completed installation of the bookkeeping processes will lead to a possible deviation from the recommendation in section 7.1.2 of the Code concerning the sub-year financial information to be published.

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 fiscal year 2018 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 of Management and Supervisory Board members

As of 31 December 2018, 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 0.08% of all shares issued by the company at that time. Whereas, as of 31 December 2018, 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: 0.06%, (ii) Eike Walters: 0.02%, Frank Posnanski, who left the company as CFO on 15 July 2018, held as of 31 December 2018: 0.41%.

As of 31 December 2018, 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 3.44% of all shares issued by the company at that time.

As of 31 December 2018, 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 2018, the following serving or former 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%, (iii) Yves Leterme 0.24% and (iv) André Krause 0.01%.

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

Pursuant to Article 19 of the Market Abuse Regulation, members of the Managing 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 disclosures are accessible on https://www.telecolumbus.com/investor-relations/directors-dealings.

Investor Relations Report

Tele Columbus AG has now been listed on the Prime Segment of the German Securities Exchange in Frankfurt for more than four years. The IPO was on 23 January 2015; in November 2015 the company successfully carried out a capital increase to acquire the two competitors PrimaCom and pepcom; as a result, the number of shares rose 125% and the IPO issue price dropped retrospectively to EUR 7.01 (from EUR 10.00).

Review of the capital market environment in 2018

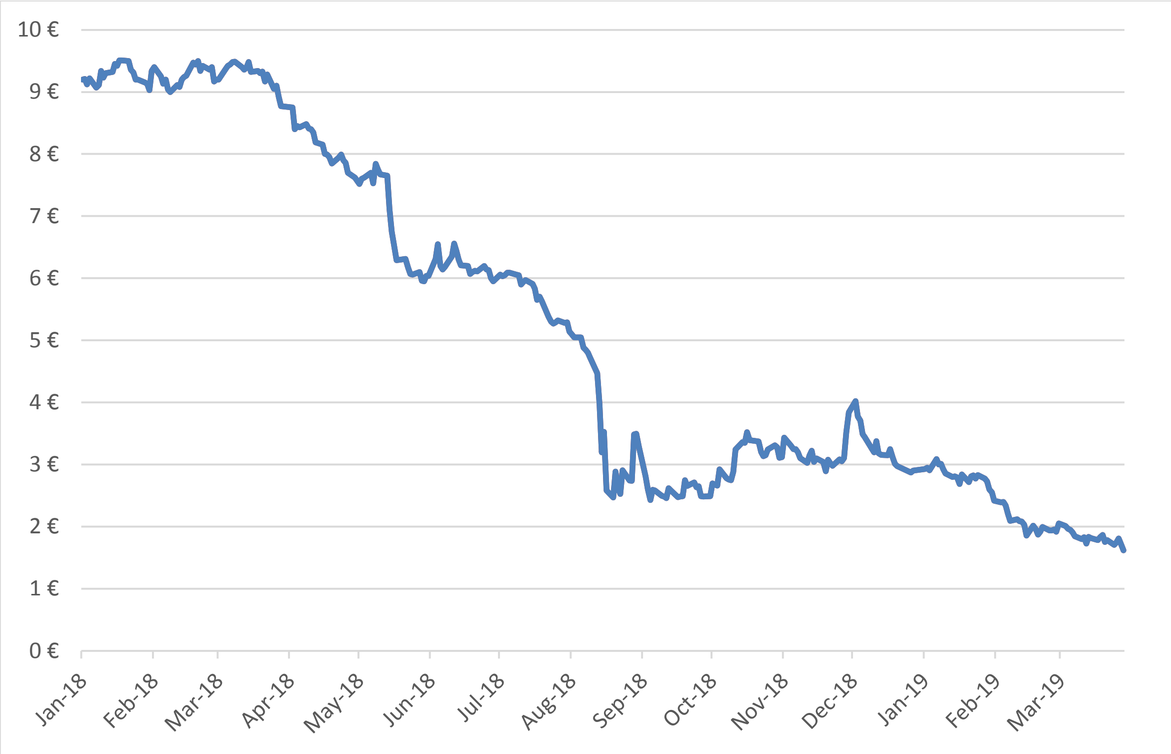
2018 was a turbulent year on the global financial markets - all the major indices recorded significant losses. The reasons for this included political factors, such as the trade war between the USA and China from February 2018 onward, the Italian budget crises, and also the increasing probability of a "Hard Brexit". Whilst the Brexit negotiations led to a treaty being concluded with the EU, it remains to be seen whether this will also be ratified by the British parliament. Attention was also generated by Angela Merkel's resignation as the chairperson of the CDU. In France, parts of the population protested successfully for concessions from President Macron – one of the demands pushed through was an increase in the minimum wage from 2019 onwards.

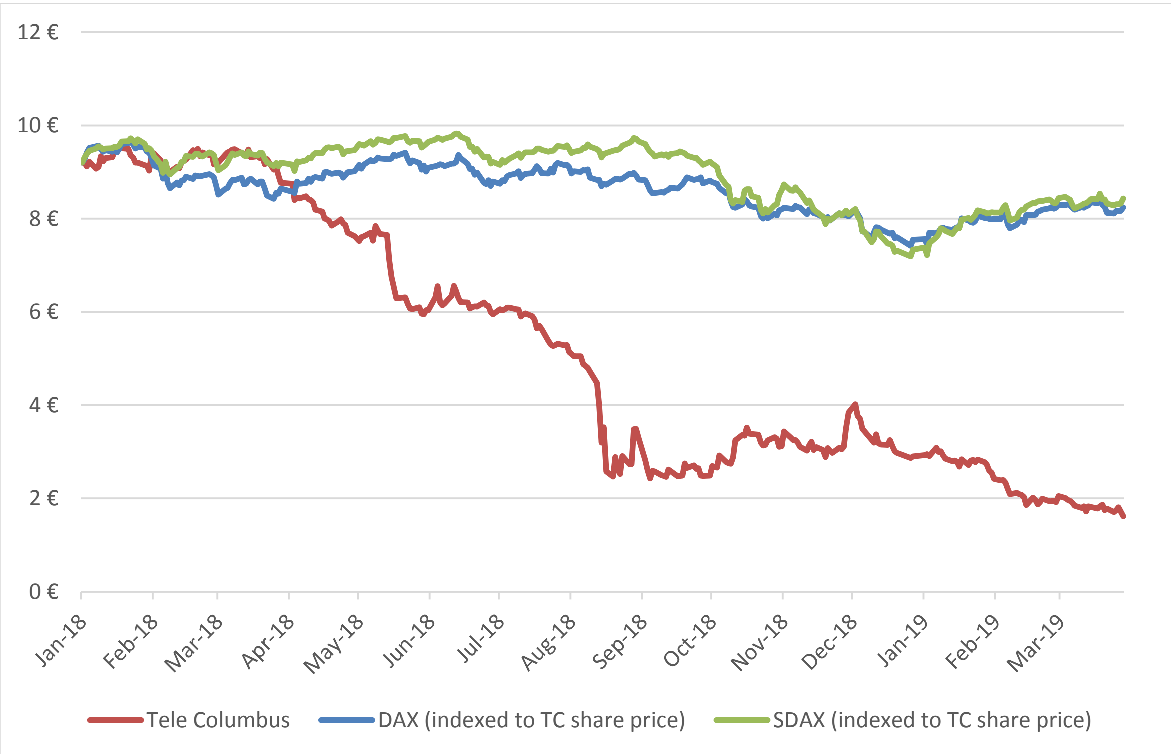
Economic factors also influenced the financial markets, with several leading indicators during the course of 2018 signalling a decline in the global economy. In October 2018 the IWF lowered its growth forecast for the global economy by 0.2 percentage points to 3.7%; the OECD estimated global economic growth for 2018 at 3.65%. The quarterly published estimate of the Ifo Institute for global economic climate in the 4th quarter of 2018 indicated a cooling of the global economy for the third time in a row – the leading indicator fell from +2.9 to -2.2 points. In the Eurozone the OECD expected growth of 1.91% for the year just ended. In 2017, the OECD was still forecasting 2.5% growth in the EU. As a consequence of the cooling in the European economy, Mario Draghi held out the prospect of an initial interest rate hike for the end of 2019 at the earliest.

The DAX had a positive start in the new year 2018, reaching an annual high on 23 January 2018 at 13,559 points. In February 2018, the downturn kicked in and continued to the end of March 2018. The protective tariffs imposed by the US President in February contributed to this drop of more than 1,600 points. Towards mid May 2018, the DAX climbed back to 13,169, before heading downwards from the end of May 2018 through to the end of the year. As a consequence of this trend the DAX repeatedly hit new lows. It bottomed out at 10,381 points on 27 December 2018. It closed on 28 December 2018 at 10,558 points, a drop of 17.97% for the year. A cooling economy towards the end of 2018 and the growing economic risks in foreign sales markets were the main causes for this weak performance. During this cooling phase, the Ifo Institute corrected its growth forecast for Germany downward to 1.5% at the end of 2018. In March 2018, it stood at 2.6%. Despite the economic risks, the unemployment rate continued to decline somewhat at the start of the last quarter of 2018 and in November 2018 stood at 3.4%.

The Tele Columbus share

Development of the share up to 31 March 2019:





Data and facts about Tele Columbus AG shares:

Type of shares	Registered shares
ISIN	DE000TCAG172
WKN	TCAG17
Bloomberg Code	TC1:GR
Reuters Code	TC1n.DE
Ticker	TC1
Industry	Telecommunications
Total number of shares	127,556,251 (post the capital increase completed in November 2015 where 70,864,584 new shares were issued)
Market segment	Regulated market (Prime Standard)
Stock exchange	Frankfurter Wertpapierbörse

The key shareholders (as of: 31 December 2018 based on securities notifications):

United Internet Ventures	28.52%
Ameriprise Financial Inc	10.47%
Union Investment Privatfonds GmbH	5.10%
Capital Research and Management Company	3.83%
Cross Ocean European Special Situation Fund	3.80%
3D NV	3.44%
FIL Limited	3.03%
BlackRock	3.00%

Communication with market participants

As a listed company, exchange with the numerous analysts and predominantly institutional investors is a key element of communication. The aim is to maintain this intensive and proactive dialogue at a high level. In FY 2018, Tele Columbus AG kept its dialogue with institutional investors, private investors and financial analysts at a similarly high level as in the prior years. As in the prior year, the focus of activities was on individual and group discussions with institutional investors at roadshows and investor conferences at international financial centres in Europe and the United States. Altogether, the Company attended 11 different share and credit conferences in Germany and abroad in 2018. At least one of the two management board members was present at most of the conferences.

The EUR 650m corporate bond (ISIN: XS1814546013) issued in May 2018 was also presented to institutional investors during several roadshows. The idea behind the bond is to diversify the company's capital structure and address and new debt capital investors.

On the four publication dates, the 2018 quarterly figures were presented during telephone conferences with simultaneous internet coverage.

All the capital market activities in the future will also be aimed at a continuous dialogue with analysts, investors, but also other partners such as rating agencies. All the relevant data on historical business figures, information about all aspects of Tele Columbus shares, analysts' assessments, investor relations notifications, company presentations, the financial calendar and also an overview of the upcoming IR activities have been posted under Investor Relations under www.telecolumbus.com.

As of 31 March 2019 Tele Columbus AG is analysed and valued by 8 different banks: Bankhaus Lampe, Barclays, Commerzbank, Pareto (formerly Equinet), Goldman Sachs, Hauck & Aufhäuser, J.P. Morgan and New Street Research. As of 31 March 2019 six analysts rated the Tele Columbus share as "neutral", one analyst saw it as a "buy" and one as a "sell".

Your regular contact partners for all issues concerning Investor Relations are: Leonhard Bayer, Senior Director Investor Relations and Manuel Ebert, Manager Investor Relations. You can reach both of them by email at: ir@telecolumbus.de.

Corporate Social Responsibility Report

Tele Columbus builds and operates high-performance networks for the digital age. The issue of sustainability is of central concern to the Group in this context. Our investments should map future requirements for broadband transmission and ensure media diversity. However, the rise in data traffic and the increase in broadband availability to households will not remain without influence on energy consumption. Thus, responsible management also includes utilising possibilities to reduce energy consumption and contributing to the avoidance of electronic waste.

Our customer and service orientation is also linked with sustainability issues; it includes not only our end customers, but also all our staff members and suppliers whose contribution in this regard is essential. Our brand values – simplicity, performance and fairness– must be perceptible as a whole. As one of the leading German operators of fibre networks, providing over three million households with access to information and education, participation in society and the means to enter into dialogue with others, we wish to help to shape this development in a way that is ecologically sustainable and socially responsible. Through acting with responsibility, we want to validate our customers' confidence in our services at all times. The fibre-based expansion of our networks makes them available nationwide, contributing to digital inclusivity. The Supervisory Board and the Management Board recognised early on, that consumers increasingly take social and ecological aspects into account when making purchase decisions.

This CSR Report is the second sustainability report submitted by Tele Columbus. We present it in order to create transparency on issues of social responsibility and sustainable action, creating a basis for dialogue with our key stakeholders.

In the fiscal year 2018 we completed the system integration of the companies Tele Columbus, PrimaCom and pepcom, and thus an important requirement has been met for acting in all matters as a single enterprise.

Disclosure

This CSR Report is the separate non-financial Group report of Tele Columbus AG pursuant to Sections 315 b and 315 c in conjunction with Sections 289 c to 289 e HGB [Handelsgesetzbuch, Commercial Law Code]. Unless otherwise stated, the data reflect the status as at 31 Dec. 2018.

The report's description of concepts and use of performance indicators is oriented on the criteria of the German Sustainability Code together with the GRI Sustainability Reporting Standards.

You will find an index on page 39 with a list of the main topics in accordance with Section 289 c HGB. This CSR Report is published together with the annual report and is also available under www.telecolumbus.com/investor-relations/.

Business model and depth of value added

Tele Columbus AG sees itself as a network operator providing telecommunication services for private and business customers. A significant part of our business activity results from cooperation with the housing industry, on whose behalf we provide high-speed Internet access and state-of-the-art entertainment on our own platform including television and radio services. For our business customers, apart from telephone and internet services, we also provide capacity in highly-secure data centres, fast data exchange between different places of business on the basis of dedicated fibre cables, the development of solutions and IP-based media services. Please refer to the summary of the Group's management report on page 60 et seq. for details of our business model.

In its network expansion Tele Columbus depends on materials, hardware and software, energy and construction services. In order to provide the services offered on our networks, we cooperate with programme providers and rights suppliers in order to broadcast radio and TV content while ensuring legal certainty. Our provision of two-way upgraded services depends on input products on the backbone level. Downstream, we buy in devices for receiving and using our IP-based products; these are mainly made available to our final customers as rental or loan devices.

Strategy

Tele Columbus AG systematically addresses the issue of sustainability. In 2016, heightened awareness of sustainability issues and the social implications of our business activities was developed in workshops and a cross-departmental materiality analysis. Representatives of all relevant business areas submitted their assessments on the status of corporate social responsibility at Tele Columbus.

The concerns of our stakeholders were taken into consideration in the frame of the first inquiry conducted in connection with the materiality analysis. As a basis for the materiality analysis, potentially relevant issues were identified, taking external frameworks and benchmarking into account. These issues were then evaluated in accordance with the requirements of the CSR-RUG [Corporate Social Responsibility-Richtlinie-Umsetzungsgesetz, Act on Implementation of the CSR Directive] both in terms of their business relevance and in terms of the effects of Tele Columbus' business activities on such non-financial concerns. The results of the analysis, together with a categorisation according to the non-financial concerns stipulated by statute can be seen in the following table.

Non-financial concerns pursuant to Section 289 c HGB	Material topics for Tele Columbus	Page numbers
Environmental concerns	Resources	45
Employee concerns	Our employees	49
Social concerns	Customers & products	43
Respect for human rights	*Not material in the meaning of Section 289 c HGB*	
Combating corruption and bribery	Responsible business management	59

In the course of the analysis we conducted, the issue of "avoiding human rights violations" was evaluated as not material in the meaning of Section 289 c HGB. Notwithstanding this, the issue of human rights is highly important to Tele Columbus. A code of conduct on human rights and environmental aspects has been included in our supplier contracts for end customer hardware. We will be further developing our management approach on these issues going forward. Further information on safe working conditions in the upstream value chain can be found in the section "Health and safety at work".

Following the first Sustainability Report for the fiscal year 2017, we strengthened the dialogue with our stakeholders still further. The results of these discussions are reflected in our strategic goals. Further information can be found in the section "Stakeholder participation" (p. 41).

Non-financial risks

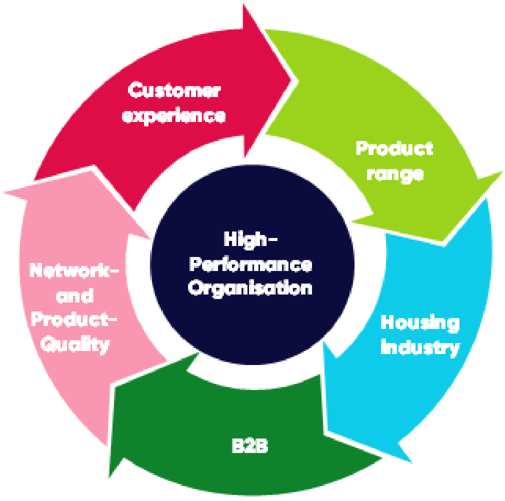
In order to identify risks and opportunities at an early stage and to deal with them consistently, Tele Columbus employs a group-wide risk management strategy.

The goal of our risk management is the systematic identification and assessment of risks and opportunities, enabling us to handle them with awareness. This puts Tele Columbus in a position to recognise unfavourable developments at an early stage so that we can promptly adopt and monitor countervailing measures.

We have conducted an assessment of potential non-financial risks regarding the effects of our own business activity and the effects linked to our business activity, e.g. in upstream and downstream value chains. Following the measures implemented by Tele Columbus, no non-financial risks were identified either with regard to likelihood of occurrence or with regard to the gravity of the effects of non-financial risks subject to a duty of disclosure.

Further information on Tele Columbus' risk management system can be found in the risk report contained in the Group's management report (page 87 et seq.).

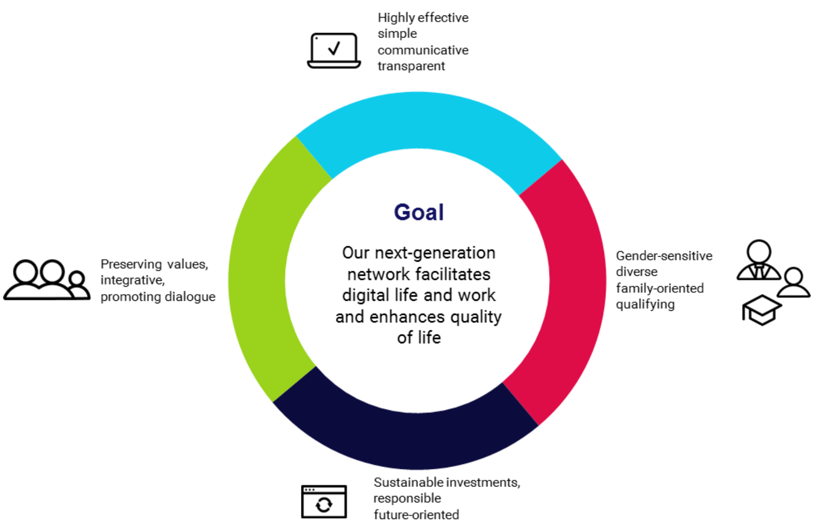
Business and sustainability strategy



Recent fiscal years have been significantly influenced by the merger of the three companies Tele Columbus, PrimaCom and pepcom and their consolidation to become a powerful player in the German market. Technical integration projects were successfully completed in 2018, opening the way for establishing the Group's future agenda. Hence a strategy plan was developed and agreed whose projects will enable the Tele Columbus Group to achieve its medium and long-term strategic business goals reliably and more quickly. Our strategic business objectives are:

- developing to become the market leader in the areas of product quality and customer satisfaction
- optimising processes for ourselves and our customers
- driving forward innovation and digitalisation
- strengthening the workforce so that we can rely on the support of a powerful team
- growth in all business spheres

The framework plan includes programmes for which the management is responsible; the progress of these programmes is continuously monitored, and the results are measurable at all times. Some of these programmes have a direct impact on the social and societal effects of our business activity. This includes the evaluation of investment projects, innovation management to promote digitalisation in the housing industry, improving customer experiences and strengthening the workforce through targeted support and the joint development of basic values for cooperation within the company.



Sustainability goals

Our PŸUR brand, introduced in 2017, stands for simplicity, performance and fairness. Our rates and products are designed to be clear and can be booked separately and flexibly. Our modern fibre networks meet the highest performance expectations. We communicate with our customers as equals. To realise these values our products too must meet this standard. The aspect of sustainability is a central element in the development and marketing of our portfolio. The customer surveys we have recently initiated measure our service and our product portfolio against the wishes of our customers. Our strategy is illustrated in the following sustainability cycle that from now on will be integrated into our decisions.

In terms of environmental aspects, the modernisation and consolidation of our networks is an investment in our goals. Progress was also made in 2018 towards safeguarding our supply chains against human rights violations. We have long been committed to the concept of diversity among our employees. The cultural programme we launched in 2018 aims to promote cohesion in the workforce.

Stakeholder participation

As a general principle Tele Columbus maintains a constant dialogue with all stakeholders:

Partners	Suppliers	Associations	Regulators	Financial market	Customers	Investors
Housing industry	Lessors of properties and shops	Chambers of commerce	Mayors and local authorities	Federal Financial Supervisory Authority	Shops	Annual general meeting
Advisory panel on the housing industry	Strategic service providers	Housing industry associations	Ministries of trade and industry	Financial analysts	Mailings & website	Annual report
Upstream signal suppliers	Suppliers and service providers	Associations of the telecommunications sector	Consumer protection organisations	Institutional investors	Customer surveys	Roadshows
Project partners in infrastructure development	Third party cable providers	Shareholder associations	Parliamentary committees		Sponsoring of local events	Capital markets day
Broadband initiatives	Strategic hardware and software suppliers		Federal Network Agency			
			Federal Office for Information Security			
			State media authorities			

We engage with our stakeholders in various formats on a regular basis and their concerns are constantly reflected in the strategic orientation of our sustainability management.

Digital Inclusion

Besides allowing fast internet and telephone connections and high definition television for private customers, modern fibre networks also facilitate efficient connections for commercial enterprises. Custom-built expansion that efficiently reflects current needs while at the same time considering ease of extension for future growth is effective and future-oriented. Tele Columbus combines hybrid-fibre -coaxial technology with the newest technological standards.

With its multimedia headends and its own networks, Tele Columbus is one of the leading fibre network operators in Germany. Current development projects generally use fibre in network level 3 which describes the path between the signal headend and the buildings to be supplied; the enormous data transmission capacity of fibre cables ensures high reserve capacities.

An important prerequisite for this is that networks designed for television broadcasting are upgraded for internet operations; the term here is two-way upgrade status. As of 31 Dec. 2018, 68.9 % of the households connected by Tele Columbus have been developed so as to be IP-ready. This development and modernisation of our network with fibre is not only taking place in metropolitan areas but also includes small and medium-sized towns. Whether in Calau or Coswig, in Delitzsch or Grimmen: in many municipalities in Germany, networks have been extended by the Tele Columbus Group, put into service, and equipped with additional fibre to meet future demand. It remains our goal to introduce fibre into more regions that are less well-provided with broadband, creating a basic condition enabling these regions to benefit from the development of the digital society and thus at the same time protecting them from vacant housing stocks, migration from the region and an aging population. By facilitating unrestricted access to the digital world, we are contributing to ensuring that smaller towns remain attractive as living spaces for families. The creation of fibre -based, high-performance infrastructure on site is a decisive factor influencing decisions on the locations of commercial and industrial estates, and hence for creating employment outside of metropolitan areas. Our business section for company solutions, PŸUR Business, provides fully fibre -based turnkey development concepts for municipalities and businesses.

Our networks also ensure basic TV provision for receiving all must carry offers. Through feeding in third programmes from the ARD corporations in neighbouring federal states and additional, local TV offers, our distribution networks ensure diversity of opinion at the regional and local level and hence strengthen societally important communication spaces, including those that transcend national boundaries.

All in all, therefore, Tele Columbus' networks fulfil an essential role in ensuring participation in societal discourse across all sectors of the population and contribute to broadband provision in Germany.

Data protection

Tele Columbus maintains licence agreements with the housing industry and user agreements with end customers for its products. In addition to this, in the frame of using telephone and internet services, connection data, access data and sensitive communication data are generated that must be safeguarded against unauthorised access. Against the background of possible software vulnerabilities and targeted cyber attacks, it is evident that Tele Columbus must dedicate a high level of effort to the protection of personal data when safeguarding the IT systems involved.

The goal of our data protection efforts is to ensure that statutory requirements on the custody and management of sensitive data are met at all times, to report any occurrences relevant to data protection to the competent supervisory authorities without delay, and to inform affected customers and advise them so as to achieve the greatest possible limitation of damage.

For all issues concerning data protection, the Tele Columbus Group is supported by an internal data protection officer who exercises her functions in the Legal Department, which reports directly to the management board. In addition, PŸUR Business also uses the services of an external data protection officer.

As a consequence of the coming into effect of the General Data Protection Regulation (GDPR) an extensive gap analysis was carried out in 2018 to determine the measures that needed to be adopted. The first step was the implementation of new procedures for dealing with inquiries from affected parties, to ensure that requests for information are dealt with comprehensively and in accordance with the deadline. Existing procedural directories were adapted to meet the requirements of the GDPR, and an overview of the data processing carried out in the Group was drawn up. Risk analyses and, where necessary, data protection impact assessments were conducted in respect of the separate processing procedures listed in the directory. In addition, operational instructions were developed in respect of processes required under data protection law, and a data protection guideline established uniform treatment of personal data throughout the Group.

Last year, PŸUR Business applied for a certification audit for ISO27001 (IT basic protection) and ISO9001 (quality management); both audits were completed successfully. A re-audit will be conducted in 2019. These audits are prepared by the department for Quality and Security Management.

Despite all due diligence, Tele Columbus reported an incident in the reporting period, relating to an erroneous allocation of email accounts. This potentially affected twelve customers. The error was remedied as soon as it became known. The incident was reported to the Federal Commissioner for Data Protection and Freedom of Information. In the sphere of PŸUR Business there was no known data protection incident.

Customer satisfaction and service quality

In order to provide a first-class experience to its customers, Tele Columbus AG has enhanced its focus on the performance of customer service and customer satisfaction. Our customers are the users of our network connections (end customers) and customers in the housing industry with whom the necessary operating and supply agreements have been concluded.

A holistic concept to improve the customer experience is aimed at significantly improving quality at all contact points. Tele Columbus aspires to become a branch leader in service quality and customer satisfaction and has taken numerous measures in the operational field to realise this ambitious goal.

The corporation strategy defines the field of customer service, in which considerable investments were already made in 2018, as a central field of action. The plan contains initiatives to improve the technical management of services as well as elements intended to match our products precisely with customer requirements.

Measures that have already been implemented include an increase in human resources, the further development of customer management software, and the development of an expanded self-care area on our website where issues relating to contracts can be clarified and return service calls can be arranged. In addition, a new service app for smartphones was introduced, enabling all invoices and contract data to be clearly accessed and updated. The project will be continued in 2019 and expanded to cover additional topics.

The measures we have adopted are of equal benefit to our end customers and our partners in the housing industry. First class customer service creates a relationship with the provider that is based on trust and strengthens demand for our services, and in the longer term our investors also profit from this.

The responsibility for the project to improve customer experience is located in the department for Customer Experience Management and assigned to the business area of the Chief Operations Officer.

To measure the effectiveness of the measures we have taken, customers are asked about their experience following service interactions. Results are continuously collected, analysed on a daily basis and shared with employees. The net promoter score (NPS) is to be extended to housing industry customers in the future. Besides the NPS, additional data is collected on reachability and competence in problem-solving. The attractiveness of our product portfolio is measured by the number of products placed (RGU). The results of all these measurements are fed directly into project management.

Communication and transparency

Reflecting our brand values of simplicity, performance and fairness, both internal and external communication is subject to special demands. Communicating as equals means transmitting information in a way that is appropriate to the situation, easy to understand, and clear. This approach is followed on our websites www.pyur.com and www.telecolumbus.com as well as in our letters to customers, publications for our employees in our intranet, and the information we provide to the press and the capital market.

In 2018 the analogue switch-off presented us with a broad range of tasks. In the course of the switch-off required by law in the federal states of Bavaria, Bremen and Saxony, we coordinated a consumer-oriented process multilaterally with the housing industry, TV programme providers and media authorities. Communication with end customers was intended to ensure that all affected households received the necessary information on the switch-off. About seven per cent of households were not yet technically prepared for purely digital reception. On the day of the switch-off, all households have to perform a channel scan. Through an extensive mailing campaign based on market research, post cards, posting of information in apartment buildings, special websites for end customers and the housing industry, running blend-ins on TV and with the help of local media work in print media and on radio and TV, cable households were optimally prepared for the day of the switchover.

The customer interaction quota at the 2018 switch-offs underscores the effectiveness of these communication measures. The real contact ratio, with values between five and nine per cent, was below the forecast of eight to 12 per cent for which our customer service was prepared.

The department of Corporate Communications is responsible for Tele Columbus’ external and internal communication. For communication with end customers, the department of Brand & Marketing Communication is responsible. Online campaigns and websites are managed by the department of eCommerce. Our Investor Relations department is responsible for communication with the capital markets.

Resources

For Tele Columbus, ecological responsibility is a central part of sustainability management. Looking at the significance of greenhouse gas emissions for our company, the topic of electricity consumption has top priority. 98 per cent of our energy requirement is due to the technical operations of networks and data centres. The issue of mobility also has a significant impact on our carbon emissions; a major share of this is due to sales activities, trips to on-site work on the network or at our customers, and journeys between our company locations. In comparison with these two areas, dispatch logistics and energy for heating is of lesser significance and is not considered in what follows.

To use our services, end customers employ hardware such as modems and digital TV receivers (set-top boxes). Tele Columbus provides the necessary hardware, usually as a rental device. These rental devices are returned to us at the end of the contract, whereby we make use of the opportunities provided by professional reprocessing. A recycling system has developed, contributing to the avoidance of electronic waste. Our goal is to employ the resources we use as efficiently as possible and thus to reduce our negative environmental impact.

The issues of logistics and procurement are dealt with in the Logistics & Procurement department which reports on them to the management board.

Electricity consumption

A major part of the electricity consumption within the Tele Columbus Group is expended on the operation of the networks and data centres. The electricity consumption of buildings used for administration and services is seen as essentially subordinate to this and is not indicated separately.

Reductions of electricity consumption in our networks result from projects to build new networks that are created from the outset using energy-efficient fibre technology. The modernisation of existing networks in the frame of licence agreements with the housing industry also has a major impact. In this connection, Tele Columbus always encourages the increased use of fibre technology.

The implementation of new network construction and network modernisations is led by our technology business division. Through Investments in our networks, we are linking our goal of achieving enhanced performance with further improvements in energy efficiency.

The switch-off of our analogue TV and radio signal sources to purely digital distribution that was initiated in 2018 has led in many places to the introduction of a new, modern signal processing in the cable head ends in which programme signals are prepared for distribution to the local cable networks. Discontinuation of the transmission of analogue signals that exist purely in digital form for the previously operated analogue broadcast of TV signals, and the simultaneous modernisation of signal of signal processing, significantly reduce the energy requirements of our technical installations in distributing radio and TV signals. The analogue switch-off in the Tele Columbus Group's networks will be completed by mid-2019. The savings generated will therefore take full effect from the second half of 2019.

Total electricity consumption fell slightly in 2018 by 1.2 per cent to 32,639 MWh. This results in carbon emissions of approx. 9,375 tons.[1] The positive impact of network modernisation with fibre was largely eroded by the growing number of internet-capable networks, increasing transmission speeds and the rising monthly volume of data per internet household. While Tele Columbus increased the share of networks with two-way communication in its own signal by almost four percentage points, from 64.8 to 68.9 per cent last year, the average monthly data volume of landline internet connections rose from 2017 to 2018 by 9.2 per cent to 90 gigabytes per month (data from VATM's annual report). From 2015 to 2018, the volume of transferred data has more than doubled. The increased transmission power of the networks leads to increased energy requirements also.

Our electricity consumption for operating networks and data centres is distributed as follows*:

	Network operation	Data centres	Total
Tele Columbus	10,139 MWh	0	10,139 MWh
PrimaCom	10,686 MWh	0	10,686 MWh
pepcom	4,579 MWh	0	4,579 MWh
HLkomm	69 MWh	7,166 MWh	7,235 MWh
	25,473 MWh	7,166 MWh	32,639 MWh

*Electricity consumption of shops and office premises only amount to approx. 2 % of total electricity consumption and are not indicated separately

PŸUR Business (HL komm GmbH) is a company of the Tele Columbus Group specialised on business customers and IP services and based in Leipzig. Through its fibre networks and the Leipzig-based data centre, this division for business solutions promotes a zero emissions strategy and has largely switched its electricity supply to renewable energy. Of the 7,230 megawatt hours it consumes, a total of 6,666 megawatt hours were obtained from renewable sources. This represents a share of 92 per cent. This share is to rise again in 2019 through amended electricity supply agreements, whereby a target of almost 99 per cent is aimed for.

Mobility

A large part of the distances travelled by motor vehicle are due to customer service and customer contact. This travel cannot always be planned in advance and not all destinations are easily reached by public transport. Hence the use of a car is indispensable for our technical field service. Vans are used to check cable routes in search of faults and where repairs are necessary, tools and replacement parts must of course also be carried.

[1] With reference to the "Scope 2 Guidance" of the "Greenhouse Gas Protocol" the quantity of carbon emissions of 9,375 tonnes is a market-based calculation. Location-based carbon emissions amount to approx. 15,470 tonnes.

It is inevitable that many employees have to travel between the two largest company locations, Berlin and Leipzig. Employees whose work involves travel are provided with a Bahncard Business in order to make as many trips as possible by rail. In 2018, a little over one million kilometres were travelled in long-distance trains of Deutsche Bahn, a carbon neutral form of travel. The new fast rail connection Berlin –Munich significantly increases the attractiveness of travelling by rail to the company location in Unterföhring near Munich.

About 10 million kilometres were travelled by car. This includes all service vehicles and logistics transport. This results in carbon emissions of approx. 2,000 tonnes. In comparison with the previous year, over 960,000 additional kilometres were travelled by car. The cause of this is an expanded service and sales activity and a more in-depth exchange between the company locations in the year under review.

In 1,859 flights for business purposes, approx. 920,000 kilometres were travelled. The resulting carbon emissions amounted to almost 286 tons. The survey and accounting of the distances travelled by air was conducted by an external service provider.

CO2 footprint

Subsidiary	Electricity consumption (kWh)	Supplier segments (kWh)	Electricity supplier	Market based emissions (CO_2 g/kWh)	Total market based emissions (t CO_2)	Premise based emissions (CO_2 g/kWh)	Total premise based emissions (t CO_2)
Tele Columbus	10,139,203		MVV	379	3,842.76	474	4,805.98
PrimaCom	10,686,203		EAA	313	3,344.78	474	5,065.26
pepcom	4,578,789		various	435	1,991.77	474	2,170.35
HL komm	7,234,757					474	3,429.27
HL komm		6,665,811	Leipziger Stadtwerke (100% green)	0	0.00		
HL komm		68,502	Leipziger Stadtwerke	0	0.00		
HL komm		500,414	EVH Halle	391	195.66		
Total	**32,638,952**				**9,374.97**		**15,470.86**

Hardware recycling

In 2018, the reprocessing of customer hardware was significantly expanded. Besides customer modems and DVB-C receivers, smartcard modules, CI cards, remote controls, adapters and hard drives were processed. The customer hardware consists of loaned devices that are returned when the contractual obligations expire. Used hardware is inspected and cleaned and re-introduced to circulation among customers. In this way, 70 per cent of customer modems can be re-used. In 2018 almost 18,000 modems and 27,800 DVB-C receivers were processed in this way.

- 7,808 CI+ modules
- 80,811 smartcards
- 15,584 remote controls
- 19,210 adapters
- 45,504 connection cables
- 5,322 mounted adapters
- 16 hard drives

Devices that are no longer capable of being used in customer households are primarily sold to recyclers who remove separate components for further use. A smaller part of them is released for scrapping by our external logistics company in line with relevant environmental requirements. The competent department is Logistics & Procurement CPE.

High re-processing quotas are not achievable for the technical components in our distribution networks. Defective components are repaired by the manufacturer within the warranty periods and are also used as replacement parts. Otherwise, the service life of technical equipment as determined by the manufacturer is fully exploited whenever possible. In the interest of maximum fail-safe security of supply, re-processed hardware is not purchased.

No water extraction takes place for production-related consumption; water use is restricted to the normal use by offices. No hazardous waste products arise.

Tele Columbus as an employer

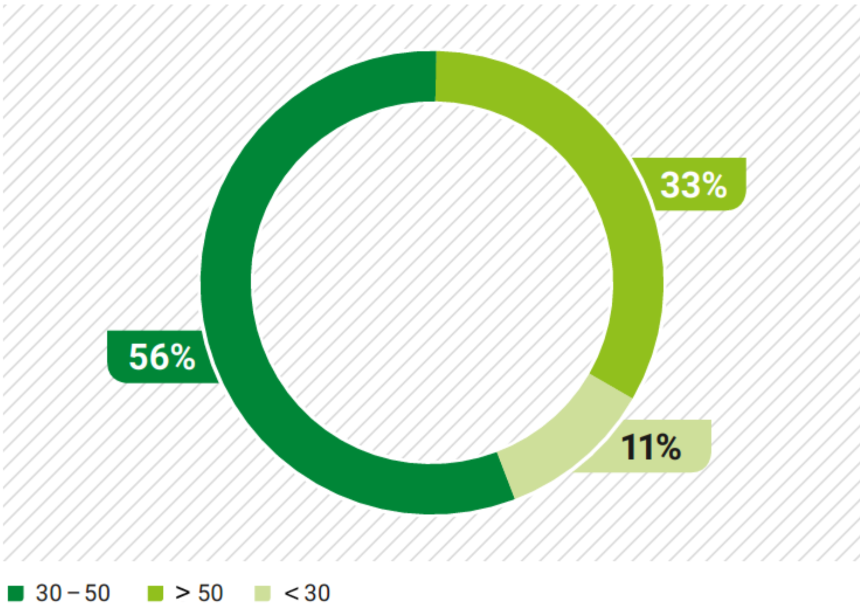
The attractiveness of Tele Columbus as an employer is an important factor in the success of our company. Our goal is to succeed in recruiting suitable employees and retaining them in the long term through a positive working atmosphere and good framework conditions of employment. Cooperation with the workers councils and with safety and health management are further essential building blocks structuring Tele Columbus' dealings with its employees.

The most important employers under the umbrella of Tele Columbus AG are Tele Columbus Betriebs GmbH, Tele Columbus Vertriebs GmbH, pepcom GmbH and HL Komm

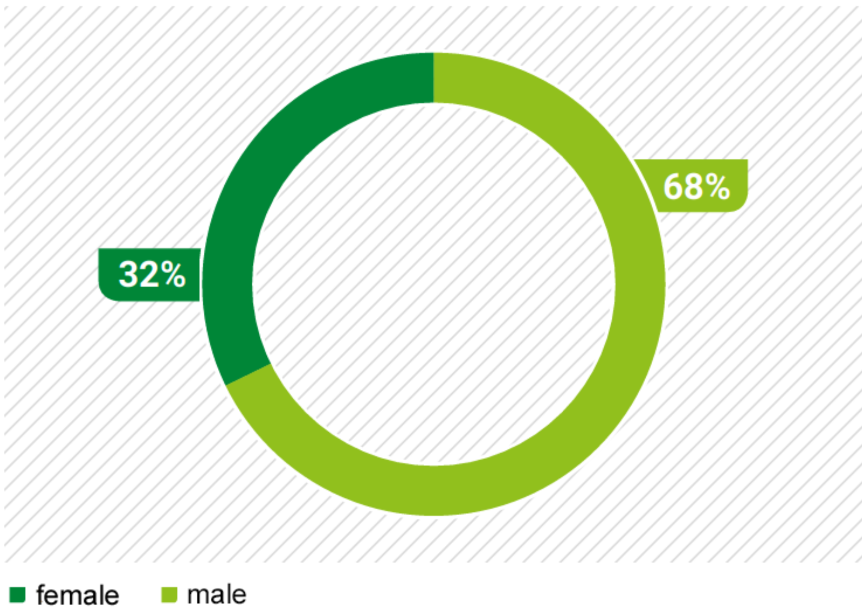
GmbH. An overview on the consolidated companies of all affiliated companies and subsidiaries is presented on page 134 of the summarised management report.

The number of persons employed by Tele Columbus amounted as an annual mean to the equivalent of 1,120 fulltime employees; this was distributed across an average of 1,216 persons. All issues relating to employees are managed at Group level by the department of Human Resources, which reports directly to the Chief Executive Officer.

Age structure of employees as of 31 Dec. 2018:



Gender ratio as of 31 Dec. 2018:



As a modern employer we enable our employees to make use of options for flexible working hours. As far as possible, the option exists in principle for employees in all areas to participate in decisions on the time at which their work begins and ends. Work equipment is also designed for mobile operations and home office periods are possible in consultation the employee's manager.

Employer attractiveness

After the integration of the individual companies under the new common brand PŸUR was largely completed in 2018, the first complete survey of employee satisfaction was carried out. The results of this survey have been incorporated into the design of a strategic programme.

The programme has two parts. "Capability, Talent & People Management" aims to achieve the qualitative improvement of the onboarding process for new employees and includes measures to promote employee retention. The goal of this programme is to reduce employee fluctuation. The project is managed by the staff unit for Human Resources, which reports its results directly to the Chief Executive Officer.

In 2018, 247 employees left our company and 203 new employees were recruited. 2018, especially the first half-year, was marked by the implementation under labour law of compensation agreements and redundancy schemes resulting from the integration of the various companies. 85 resignations alone were due to this issue. Even after settlement of these agreed cases, the remaining employee fluctuation rate of 14 per cent is relatively high. In order to reduce this rate in future, initiatives that had already been established have been expanded and new initiatives have been launched. These include the expansion of sponsorships for new employees ("buddy programme"), the expansion of onboarding events ("welcome days"), the extension of fringe benefits provided by the employer and technical and organisational adjustments to enhance the efficiency of work.

The second part of the project is called "PŸUR Culture" and promotes the development of a common company culture.

The integration of Tele Columbus, pepcom and PrimaCom posed many challenges to the employees of the newly restructured company in their daily work: varying procedural landscapes and organisational structures, and responsibilities and fields of activity that had to be re-defined, hampered efficient and goal-oriented cooperation across areas and locations. In addition, the employees of the three companies that had integrated did not yet know each other, and this made interaction on a daily basis more difficult and led to internal obstacles to communication.

The goal of the initiated PŸUR Culture programme is to develop a corporate culture that supports the strategic goals of the company. A shared understanding of values is to be created as a basis for cooperation and interaction. The programme also encourages employees to identify with the company, its strategy, and the brand PŸUR.

At the start of the programme, in spring of 2018, an extensive staff survey was carried out that provided information on the specific challenges, fields of tension and needs of the staff across all levels and company locations. The results were analysed jointly with the management and specific fields of action were developed from them. In subsequent employee workshops and in close cooperation with the newly-formed "PŸUR Culture Network" (a working group consisting of approx. 40 employees from all locations) and the entire executive level, an intense process of defining values was implemented over a number of months. The goal was to provide an interpretation of the three values anchored at the core of the PŸUR brand – simplicity, performance and fairness, so as to apply them to internal cooperation also and to derive from them specific value-based behavioural moorings to serve all employees as motivation, support and orientation in their daily interactions. After this part of the project was successfully completed, the joint process of definition was documented in exhibitions at all office locations and was regularly communicated in the intranet and in the frame of employee meetings; finally, the result was distributed to all employees in the form of a printed "values manual". This was followed by the second part of the PŸUR Culture Programme; this was the implementation phase, in which staff practise and master how the values can be specifically experienced and realised in daily interactions, both within the team and in cooperation across departmental sections. The PŸUR Culture Programme will be continued in 2019 and extended to cover additional areas of activity.

Simplicity

We take a solution-oriented and unified approach for the benefit of our customers. We search for rapid and pragmatic solutions but also take the time to review them. Everything we do is understandable and transparent.

Performance

We work together in a focused manner to provide excellent and high-quality results for our customers and keep all our promises – both internally and externally.

Fairness

We have trust in the people with whom and for whom we work. We make an effort to understand our customers and one another; we ask questions and always treat others with respect.

The measures under the PŸUR Culture Programme serve, first, to assist the employees of Tele Columbus AG in improving goal-oriented cooperation across departments and locations, in better supporting the strategic goals of the company, and hence in contributing to our shared success. Secondly, in the medium term our end customers, our partners in the housing industry and our service providers also benefit from the programme since all the implemented measures support and accelerate our development as a high-performance organisation.

Responsibility for the PŸUR Kultur Programme lies with the departments of Corporate Communications and Human Resources that operate as staff units of the management board and are assigned to the Chief Executive Officer (CEO).

The success of the programme is measured by the Employee Net Promoter Score (eNPS). This was measured for the first time in the 2018 employee survey ("initial measurement"); progress will be documented on the basis of subsequent surveys.

Human resources development

The lack of skilled workers that has so often been described is also noticeable in some of Tele Columbus' operating divisions. For this reason, human resources development is increasingly important tin order to provide employees attractive employment and development prospects.

All employees of Tele Columbus take part in an annual appraisal review in which target agreements are also defined. In the frame of the annual target agreements, individual advanced training measures are a component part of the discussions between employees and supervisors. In total, 431 persons participated in advanced training in 2018, whereby the gender ratio was almost equal. The PŸUR Academy reached 258 employees with 20 different advanced training offers. The scope of topics is wide, ranging from the application of Excel, to time and stress management, to preparation for taking on managerial responsibility. In 2018, members of hierarchy level CEO 3 (team leader level) were specifically addressed in order to further strengthen their leadership competence. Of the 258 employees trained by the Academy, 90 participants were from this hierarchy level. Specialised trainings, in particular on IT-related topics, are largely self-organised. To this can be added the use of external advanced training offers, the costs of which are paid by the employer.

Safety at work

Maintaining good health, avoiding work-related illness, and establishing safe working conditions are goals managed by Safety and Health Management that forms part of the field of Human Resources.

At all locations where this is required, company safety officers, fire protection assistants and first-aiders have been appointed and trained in order to ensure safety at work with a view to achieving optimal accident prevention and reducing the consequences of fire or accident. At all major production sites, an occupational safety committee [Arbeitssicherheitsausschuss] (ASA), has been set up pursuant to Section 11, sentence 1 Arbeitssicherheitsgesetz [Occupational Safety Act] (ASiG).

Occupational healthcare is ensured by external service providers for healthcare and occupational safety. A right to occupational healthcare is enjoyed by all persons we occupy; hence, this includes personnel who do not have an employment contract. These include consultants, the self-employed and freelancers with regard to whom Tele Columbus has an impact both on their work and their workplace.

In 2018 the Tele Columbus Group registered 23 notifiable work-related accidents2. 14 of these accidents occurred at RFC GmbH, whose activities in field service, network servicing and assembly are especially prone to risk due to the work locations and the nature of the activities.

Industrial accidents 2018[3]

RFC GmbH	14
Tele Columbus Betriebs GmbH	6
Tele Columbus Vertriebs GmbH	2
Tele Columbus AG	1

In the context of their work assignments, RFC personnel encounter live cables, work on building sites repairing cables and fibre, and are deployed in areas with traffic. The personal safety equipment of RFC personnel includes protective footwear, work gloves, high visibility vests, protective goggles and hearing protection. This safety equipped is checked daily by personnel. Fall protection devices, measurement appliances, ladders and step ladders are inspected every year by competent inspectors.

Types of accident

- 9 x other causes
- 7 x accident while travelling to or from work, traffic accident
- 6 x accident while lifting or carrying loads, or during loading and unloading
- 1 x accident with electric power supply

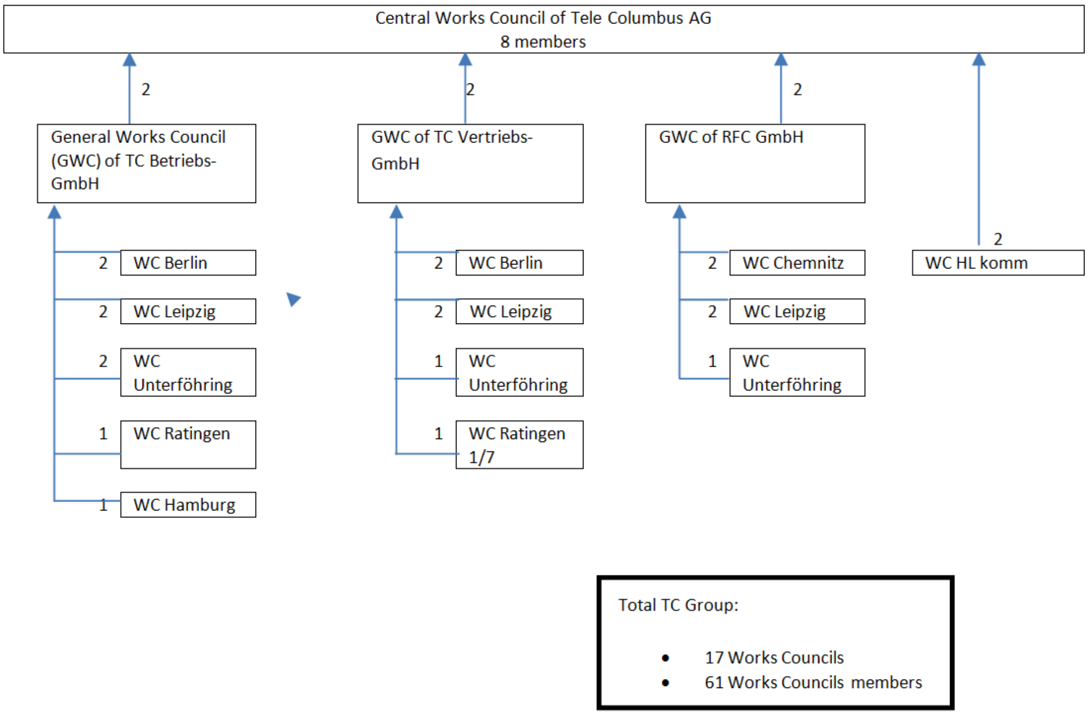
The prevention of health-related events includes annual instructions to all personnel on safety at work (Section12 of the Occupational Safety Act) and the offer of routine ophthalmic examinations in the frame of occupational healthcare. Together with safety inspections and ergonomic workplace design, this is intended to limit impairments to health.

When awarding tenders to external service providers, above all in the fields of assembly and civil engineering works, the corresponding contracts for services include the obligation to comply with the relevant accident prevention provisions of German law and the provisions of the Posted Workers Act [Arbeitnehmerentsendegesetz] and a separate agreement on compliance with the Minimum Wage Act [Mindestlohngesetz].

[2] The increase in comparison with the previous year results from the centralised registration of work-related accidents in all subsidiaries employing personnel that are subject to the instructions of Tele Columbus AG.
[3] Industrial accidents are not broken down by gender.

Cooperation with employee representatives

Numerous Tele Columbus AG companies and locations have their own works council, and a central works council has also been established.



The relevant occupational safety provisions, e.g. the Workplace Regulation [Arbeitsstättenverordnung] (ArbStättV) and the Working Hours Act [Arbeitszeitgesetz] (ArbZG), ensure occupational safety and a minimum standard of working conditions for all employees. Tele Columbus companies guarantee these rights. More far-reaching provisions are agreed with the competent employee representatives by means of works agreements and other agreements. Tele Columbus respects the right of employees to organise freely and to enter into collective negotiations.

In 2018, Tele Columbus' works councils made active use of their rights to co-determination. This included negotiations leading to the conclusion of redundancy payment agreements in the course of the consolidation of the companies, and critical feedback on the introduction of software for project and task management, customer feedback management, project management, the disposition of services and sales reporting. In addition, a central works council agreement on employer fringe benefits was signed. Negotiations began on a central works council agreement on in-company integration management.

Diversity and equality of opportunity

Tele Columbus considers itself a diverse and cosmopolitan company. There is no place at Tele Columbus for discrimination on the ground of age, disability, ethnic origin, religion, ideology, gender or sexual orientation. The Group ensures non-discriminatory conduct at our workplaces and supports diversity throughout the entire organisation.

Cases of discrimination and abuse towards persons can be reported to the director of the area of Human Resources; colleagues from the personnel department are available for personal conversations with affected employees. No case of discrimination was reported in 2018. Reviewing the upstream value chain, no increased risk of discrimination was identified. Hence, Tele Columbus has to date not presented an anti-discrimination concept in this regard.

Tele Columbus attaches importance to the compatibility of work and family life. In 2018, 54 staff members took parental leave. 27 staff members returned from parental leave in 2018. If one considers that 19 employees were on parental leave for the whole of 2018, the rate of return is currently 81.8 %. A positive development was that all staff members who returned from parental leave in 2017 are still working for one of our companies 12 months after their return to work. Two employees were on maternity leave as of 31 Dec. 2018.

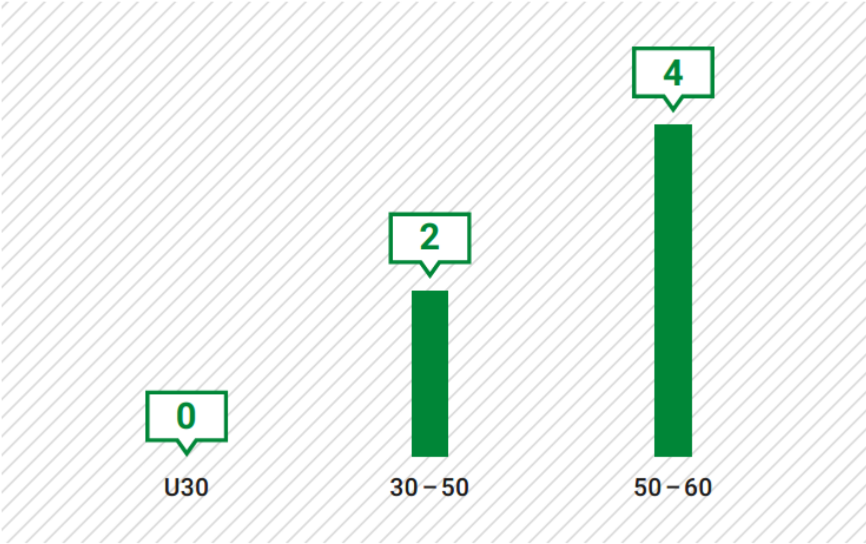
Employment relationships are dominated by fulltime employment contracts without a fixed term. As of 31 Dec. 2018, the companies had a total of 95 agreements on part-time employment. The 1,216 staff members performed working hours equivalent to 1,120 fulltime employees. Only 33 employment contracts were subject to a time limit.

On the reference date the Group had 58 employees in a management function. This number includes the management board (CEO-0), the managing directors (CEO -1) and departmental heads with responsibility for managing personnel (CEO -2). The companies have 18 trainees. In the year under review, Tele Columbus employed 38 employees with disabilities.

In the context of appointing a successor to Chief Financial Officer Frank Posnanski, the supervisory board considered increasing the ratio of women on the management board. However, of the possible candidates, the supervisory board regarded Eike Walters as having the best technical and personal qualifications to take on the role as a new member of the management board and as CFO.

In the fiscal year 2018, the proportion of women on the supervisory board was 25 % until 3 October 2018; following the departure of Dr Volker Ruloff und Frank Krause, it rose to 33.33 %. Further information on women’s share in management positions can be found on p. 27 of the corporate governance statement pursuant to Section 289 a HGB.

Supervisory board, age distribution as a diagram



Compliance

Tele Columbus pursues the goal of complying with applicable laws and regulations so as to effectively prevent cases of fraud and corruption.

Apart from the statutory framework, the company's expectations with regard to compliance are enshrined in the code of conduct, internal guidelines and company agreements. These include in particular general rules of conduct, conduct when dealing with business partners and third parties including information on competition law, combating corruption and avoidance of conflicts of interest. These rules are codified in the compliance handbook. Strict compliance with these regulations was agreed in a company agreement.

The Compliance Officer is the main contact partner in the case of enquiries regarding compliance-relevant issues. He organises preventive measures to avoid infringements of compliance rules and monitors adherence with statutes and internal regulations. The Compliance Officer operates as an independent unit and reports directly to the management board (CFO) and the Audit Committee (a committee of the supervisory board).

The Compliance Officer is supported in his actions by two staff members allocated to him and by decentral contact partners for compliance. The Compliance Team is part of the Corporate Governance department which provides the legal and factual organisational framework for management and monitoring the company in the interests of all relevant stakeholders.

Apart from the Compliance Officer, there is a Compliance Committee. Members of the Compliance Committee work hand in hand with the Compliance Officer and support him in promoting conduct in the company in accordance with the regulations and in preventing unlawful conduct. The Compliance Committee meets once every quarter. At these meetings, major compliance risks are identified, measures are discussed, infringements of compliance rules are debated and the reports for the management board and the supervisory board are prepared.

Tele Columbus has introduced various instruments and measures such as the compliance handbook, trainings and discussion groups. In addition, a standardised clearance procedure was implemented in respect of invitations to events and gifts.

In addition, there is a reporting procedure for compliance violations. Every employee may bring to the attention of his/her supervisor, the Compliance Officer, an external ombudsman (lawyer of confidence), personnel management or an employee representative, complaints or information regarding an infringement of this code of conduct or other infringements of laws and regulations; they may also choose to do so in confidence or anonymously. Where necessary, corresponding measures are adopted immediately to remedy an infringement that has been determined or to prevent its repetition.

At the present, Tele Columbus is focusing its compliance measures on its own staff members. Currently, an extension of these measures to the upstream and downstream value chain is not in development.

In specific cases in 2018, employees actively sought information from the Compliance Officer on our compliance rules so as to conduct themselves in conformity with these rules vis-à-vis our business partners.

In the fiscal year 2018 one case of a suspected violation of internal rules of conduct was reported.

No fines or other penalties were imposed on Tele Columbus in the fiscal year 2018 in connection with violations of law.

Political influence

Tele Columbus takes part in consultation processes at the invitation of the legislature. In addition, we hold memberships in advocacy groups and industry associations. These include ANGA - Verband Deutscher Kabelnetzbetreiber e.V., BUGLAS – Bundesverband Glasfaseranschluss e.V., Breko – Bundesverband Breitbandkommunikation e.V., VATM - Verband der Anbieter von Telekommunikations- und Mehrwertdiensten e.V. and additional associations of the housing industry. As a principle, no donations are made to political parties or to foundations linked to political parties.

Combined Management Report
for the financial year ended
31 December 2018

Tele Columbus AG, Berlin

1. Group fundamentals

1.1 Business model of the Group

1.1.1 *General information*

As at the reporting date, Tele Columbus AG, headquartered in Berlin, had 60 directly or indirectly held operating subsidiaries, which are fully consolidated in the consolidated financial statements, as well as four other associates and two joint ventures that are accounted for using the equity method in the consolidated financial statements. 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 the 'Group') and primarily operates as a holding company for the companies of Tele Columbus. As a result, the Company's earnings in the separate financial statements are strongly influenced by the earnings of subsidiaries. This is reflected in the income from investments as well as income and expenses from profit and loss transfer agreements.

Tele Columbus is one of the leading German fibre network operators reaching more than three million households in Germany. Under the PŸUR brand, the Company offers high-speed internet including telephony as well as more than 250 TV channels on a digital entertainment platform which combines conventional television with video entertainment on demand. To its housing association partners the Group offers tailored models of cooperation and state-of-the-art services such as telemetric and tenant portals. As a full-service partner for municipalities and regional utilities, Tele Columbus is actively supporting the fibre-based infrastructure and broadband internet expansion in Germany. For its business customers, carrier services and corporate solutions are offered on its proprietary fibre network. The Group’s companies operate throughout Germany, with an especially strong market position in the eastern part of the country. About 37 % of Tele Columbus's holdings are in the remainder of the Federal Republic. Overall, the Group supplies nearly 8 % of all German households via existing networks. Since the beginning of October 2017, Tele Columbus has been marketing the majority of its end user products under the brand name PŸUR. This name was also gradually rolled out to other subsidiaries, including business customers, in the course of the financial year 2018.

Tele Columbus offers its customers top-of-the-line high-performance access to TV services, telephone (fixed network and mobile) and fast internet. The range of services covers servicing, maintenance, supply of the above products and services, customer care for connected customers and payment collection. In addition to core business, services also include construction work relating to telephone and internet business as well as individual solutions for major customers.

1.1.2 *Group structure*

Tele Columbus AG operates as a group holding company and is the Group's ultimate management and holding company, and therefore responsible for control of the entire Group. Consequently, Tele Columbus AG is responsible for the Group's strategic growth and the provision of services and financing to its affiliated companies.

All measures to create a uniform and scalable organisational structure were fully completed in 2018.

1.1.3 *Acquisitions and disposals*

In the course of the financial year there were no significant changes in consolidated entities. In this respect reference is made to the notes to the consolidated financial statements in section B.2 'Changes in consolidated entities'.

1.1.4 *Main market and core business*

Tele Columbus is one of the leading fibre network operators and has regional market leadership in large parts of eastern Germany. The range of services offered 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.

The Group has its main sites in Berlin and Leipzig. Other locations include Hamburg, Chemnitz, Magdeburg, Ratingen, Unterföhring, and Frankfurt (Oder).

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 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 at both network levels, the Group specialises in providing high-quality, integrated end user services from one source. At locations at which the Group has no access to its own networks it purchases the required network services. As well as operating fibre networks, Tele Columbus also offers business to business (B2B) and construction services. 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 centre services. 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 area of television and telecommunication – in particular a basic selection of cable television channels

(CATV), premium TV packages (Premium TV), and internet and telephone services over a fixed network, as well as mobile voice and data services. As at 31 December 2018, Tele Columbus had a portfolio of approximately 3.3 million connected residential units. Of these, about 2.29 million households had purchased at least one of the products offered.

The Group generates its revenue mainly from connection fees paid by end customers for the purchase of a CATV product. About 95 % 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 long-term licensing and signal supply agreements with these companies to ensure a sustainable revenue base. Usually the housing associations pass on the fee for provision of CATV connections to their tenants through a utility bill.

1.1.5 *Operating segments*

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

1.1.5.1 'TV' segment

In the TV segment, Tele Columbus offers basic and premium programmes. Basic programmes comprise analogue and digital TV and radio broadcasting. The premium programmes offered contain up to 73 further digital TV channels, of which as many as 40 are broadcast in HD quality. In addition more than 250 TV channels are offered on the digital entertainment platform.

In the TV segment, the Group generates revenue from cable connection fees and recurring charges for service options provided to cable customers as well as revenue from new contracts and related installation services. It also collects so-called feed-in tariffs from broadcasters for the distribution of various channels via the cable network. In doing so, Tele Columbus endeavours to implement a uniform feed-in model for all broadcasters.

TV business generated revenue of KEUR 267,285 in financial year 2018 (PY: KEUR 277,619), representing 54.1 % of total revenue in 2018 (PY: 56.0 %).

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 network services, the product portfolio also includes mobile telephony services. Revenue consists of proceeds from the conclusion of new contracts and installation services as well as monthly contract and service fees.

The number of existing internet contracts has decreased slightly from approx. 578,000 to approx. 574,000 in financial year 2018.

The Internet and Telephony segment generated revenue of KEUR 153,029 in financial year 2018 (PY: KEUR 158,246), representing 30.9 % (PY: 31.9 %) of total revenue in 2018.

1.1.5.3 'Other' segment

'Other' includes business activities that are not directly allocated to the two reported segments. These include, in particular, B2B- and construction services with revenue amounting to KEUR 74,067 (PY: KEUR 59,891). General administration expenses and staff costs totalling KEUR 65,039 (PY: KEUR 51,452) are also attributable to this segment. The segment 'Other' thus represents 15.0 % (PY: 12.1 %) of total revenue in 2018.

1.2 Objectives and strategies

Tele Columbus AG follows a sustainable and profitable growth strategy. The targets set were partially achieved in the reporting period, as described in Section 2.2 'Business performance'.

Tele Columbus' short-, medium- and long-term goals were redefined at the end of 2018 following the completion of the integration. After a year of consolidation and repositioning of the Group, Tele Columbus is now focusing on six strategic core themes (Network, Products, Customer Experience, Housing, B2B, and Organization & Culture). These are regularly monitored and managed in a Group-wide master plan.

The successful operationalisation of these strategic initiatives through various projects is an essential part of the transformation as well as a prerequisite for the intended return to operational growth.

The targets described are to be achieved by means of the following strategic measures:

- Continued and continuous expansion of cable networks and further development of the NE3/ NE4 network infrastructure to a state-of-the-art fibre optic network. In this regard, Tele Columbus considers it particularly useful, from a financial point of view, to connect households not yet connected to the Group's own network, to be able to generate savings in the area of signal procurement charges and to also generate further revenue from the existing range of additional services. Tele Columbus plans extensive investments (CAPEX), also in future, for the development of its own NE3 infrastructure.
- Expansion of regional positioning as market leader in the area of high-speed internet access through a comprehensive local upgrade of the latest telecommunications standards (DOCSIS 3.1/ FTTH)
- Increasing brand awareness for the brand implemented in 2017 and offering a differentiated range of products for new and existing B2C customers by means of a competitive product and campaign portfolio which meets the individual requirements of

our customers, stands out from the competition and successfully contributes to accelerating customer growth and revenue per customer.

- Special offers to existing cable TV customers for internet, telephone and premium TV to further increase the sale of additional higher-value services per TV customer (cross and upselling)
- AdvanceTV, the digital entertainment solution for the television of tomorrow, which is expected to gradually increase the attractiveness of our product portfolio due to continuous further development
- Focus on clear customer focus by stabilising customer service and digitalising processes from the perspective of customers. Digitalisation refers to the automation, simplification and streamlining of processes and the provision/ expansion of self-service options.
- Positioning as a permanent and innovative partner for the housing sector as well as securing and expanding Tele Columbus's regional market dominance in the market for NE4 operators with regard to the transmission of signals within properties and buildings (the 'last mile' to the customer)
- Development into the leading national provider for B2B solutions with a focus on the Tele Columbus network by continuously enhancing the product portfolio and providing new and existing commercial areas/customers with broadband.

We keep abreast of objectives and strategies by means of our management system and monitoring key performance indicators. Tele Columbus evaluates a successful turnaround based on revenue, EBITDA, CAPEX, and on the stability of contractually-bound residential units. These represent marketing potential for revenue-generating customer contracts. This revised management system provides the basis for an integrated steering method including all significant KPIs.

1.3 Management system

The group of companies is managed by the Board of Management of Tele Columbus AG. It is in charge of operations and overseeing the reportable segments 'TV' and 'Internet and Telephony' described above. For the overall Group and these segments, the Board of Management receives and reviews internal management reports. For the non-reportable segment 'Other', internal management reports are also submitted to the Board of Management.

Main financial and non-financial KPIs

The Normalised EBITDA is the key performance indicator that is reported separately for each operating segment. This performance indicator defined by Tele Columbus AG's management represents earnings before finance income/ costs (share of profit of equity-accounted investees, interest income, interest expenses and other finance income/ costs), income taxes, depreciation/ amortisation and impairment losses on fixed and intangible assets. It is also adjusted for 'non-recurring items' (one-off effects). These are defined by the Board of Management as rare or extraordinary events that are not likely to recur in the following two financial years or have not occurred in the previous two financial years. In addition to the 'non-recurring items', expenses and income from certain transactions, which by the Board of Management's definition are not directly related to the provision of services, are also eliminated. This also includes gains and losses on the sale of property, plant and equipment. Any expenses and income associated with these events are deducted from Normalised EBITDA. The adjustment of EBITDA provides a performance indicator that reflects the actual financial performance of Tele Columbus which can also be used for sector and period comparisons.

Other than the Normalised EBITDA and, as described in the previous section, revenue, unadjusted EBITDA and capital expenditures (CAPEX) represent the main financial KPIs that are used as control parameter. The carrying amounts of the financial KPIs are derived according to IFRS rules.

The contractually-bound residential units represent the main non-financial KPI and are calculated according to internal definitions.

Due to the business model of the Tele Columbus Group the KPIs CAPEX and contractually-bound residential units are used as control parameters on group level only.

Further financial and non-financial KPIs

In addition to the described main financial and non-financial KPIs management uses further control parameters for controlling individual business operations:

<u>RGUs (revenue generating units)</u>

RGUs are units that drive sales – i.e. all individual services purchased by a customer; each service subscribed (e.g. cable television, internet, telephone) is considered an RGU. The Board of Management monitors the RGUs for each individual service of all segments – both for CATV and premium TV services as well as internet and telephony services.

<u>ARPU (average revenue per user)</u>

Average revenue per user (ARPU) is determined based on two different methods:

- **Annual average ARPU** is the revenue from connection fees for the year (including rebates, credit notes and installation fees) divided by the monthly total number of end customers/ RGUs during the year.
- **Quarterly average ARPU** is the total revenue generated from connection fees in the relevant quarter (including rebates, credit notes and installation fees) divided by the monthly total number of end customers (RGUs) during that quarter.

Share of residential units linked with the Group's own signal supply and having 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 telephone and internet services – compared with the overall number of connected households.

Other performance indicators are number of staff (measured in full time equivalents - FTEs) 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).

2. Economic and financial report

2.1 Macroeconomic and industry conditions

Consumption providing a boost to the German economy

In the view of the German Federal Ministry for Economic Affairs and Energy [BMWi], the German economy was in very good shape in 2018. The German economy grew at a robust and steady pace also in 2018. On an annual basis, GDP adjusted for inflation (real GDP) rose by 1.5 % – a small decrease compared to the previous year when GDP still increased by 2.2 %. The German economy thus expanded for the ninth consecutive year.

In the year under review, Germany's economy above all benefited from strong domestic demand. Adjusted for inflation, private consumption rose by 1.0 % and government spending by 1.1 %. The number of employed, based on the residency concept (defined as the number employed at their place of residency in Germany) stood at 44.8 million in 2018 – roughly 562,000 (1.3 %) more than in the previous year – thus reaching a record high. The disposable income of private households rose by 3.2 % in 2018 compared to the previous year.

Industry environment

Overview

Germany currently has about 34.3 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 8.1 million connections used.

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

The German telecommunications and media market is increasingly subject to convergence, i.e. the merging of various services and contents. Broadband cable delivers the entire range of multimedia applications demanded by customers from a single source: allowing customers not only to watch television in a number of ways but also, through upgraded high bandwidth cable networks, to use their cable connection for interactive services, especially internet and telephone services. More and more customers wish to purchase all services from a single provider, with an attractive price-performance ratio. In response, providers market single or multiple service packages consisting of television, broadband internet and telephone.

Competitors

The German cable market is divided into NE3 and NE4 network operators. Following 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 holdings via these networks.

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

Compared to its competitors (other cable network operators), Tele Columbus has a strong market position in the eastern German federal states. In Berlin, around 45 % of cable households were supplied by Tele Columbus in 2018, 62 % in Brandenburg, 57 % in Saxony, 41 % in Thuringia, and 21 % in Mecklenburg-Western Pomerania. In Saxony-Anhalt, the market share remains at around 98 %. Thus, the total market share of Tele Columbus at cable households in these regions was around 53 % in 2018. In selected East German regions, 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 western part of Germany, the Group 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 so currently has a market share of 16 % in Bavaria, 11 % in Hesse and 12 % in North Rhine-Westphalia.

The German cable market is still in a phase of consolidation. Tele Columbus therefore actively participates in this process, and expects to be able to continue benefiting from consolidation within the industry also in future. Of particular significance for the German cable market and also for Tele Columbus is the planned merger of Vodafone and Unitymedia.

Television

With 17.5 million cable TV households supplied, Germany is Europe's largest cable market; the number of cable TV households supplied has decreased slightly since 2012. The second most important transmission route for TV services is satellite reception, which was used by over 17.4 million households in the year under review. This year, too, supply via cable networks (45.1 %) and supply via satellite (45.0 %) to German TV households has been almost at the same level.

Approximately 16.2 million (PY: 15.5 million) cable households – the equivalent of 92.9 % (PY: 88.6 %) of all households with a cable connection – used broadband cable digital TV offers in financial year 2018. Compared to the previous year, this represents an increase of around 0.7 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 TV viewing, and in the future also new digital offers such as Ultra HD and TV Everywhere. Around 30.9 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, i.e. digital television services that can be purchased as an add-on to the existing cable or satellite television services, leads to greater use of digital offers in cable television. However, it has to be taken into account that linear TV is increasingly replaced by streaming services. This leads to a shift in customer behaviour from linear TV to internet.

The switching off of analogue and changeover to DVB-T2 HD represents major changes in the TV market. In the course of the changeover to the new terrestrial antenna television DVB-T2 system, there are more core regions, meaning that it is possible to supply a greater proportion of the population with private and public programmes digitally, via antenna. DVB-T2 requires a narrower transmission spectrum, meaning that freed up radio frequencies can be used to extend the mobile internet. The switch-off of analogue signals freed up further capacities in the cable networks which Tele Columbus now uses for high-speed internet and for new TV offers.

Internet and Telephony

In addition to analogue and digital TV, the demand for internet and telephone services via cable is increasing. Currently, some 8.1 million households in Germany already use their cable connection for fast internet access. Attractive product launches and marketing activities – especially new bundles on offer – support 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 hand by a changeover from DSL to cable. At about 23.6 %, the cable segment is the fastest growing internet access option and is increasingly taking market shares from the DSL segment.

More than 80 % of all cable customers already have access to internet bandwidths above 50 Mbps. Based on their powerful infrastructure, cable network operators can already offer their customers connections of up to 1,000 Mbps. The next transmission standard, DOCSIS 3.1, has already entered the market, making it foreseeable that speeds in the gigabit range will also become available based on the existing cable infrastructure of fibre optic and coaxial lines.

The growth of fixed-line telephony in Germany is also increasingly dependent on high-quality broadband offers, as telephone services are increasingly bundled with broadband services and made available on the basis of Voice over Internet Protocol (Voice over IP) technology. The fixed-line telephone 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.

Even under these market conditions, the market share of cable network operators in the fixed-line market has grown steadily and amounts to 23.6 % or 8.1 million users. Tele Columbus was able to stabilise its position in this market and secure a market share of about 1.8 % through the introduction of attractive, modern and technically up-to-date products and bundled services among others.

Gigabit Initiative for Germany

The 'Gigabit Initiative for Germany' is an initiative of the Network Alliance to roll out converged gigabit-ready networks by 2025, spearheaded by the Federal Ministry of Transport and Digital Infrastructure (Bundesministerium für Verkehr und digitale Infrastruktur – BMVI). To meet the needs of an advanced information society and to implement the transition to a gigabit society, nationwide coverage of all households with at least 50 Mbps is to be provided as an interim step. The European Commission even aims for a bandwidth of 100 Mbps for 50 % of the EU's population by 2020. There are various government funding programmes in place in some parts of Germany for the upgrade of infrastructure. The upcoming technology is closely observed by Tele Columbus.

2.2 Business performance

In financial year 2018, the focus of Tele Columbus was still on continuing integration in the course of the business combinations of the three entities Tele Columbus, PrimaCom and pepcom, and as a consequence on the stabilisation of business.

The Group successfully completed all integration projects in 2018 with the result that by now all customer data is managed using a uniform CRM platform and a uniform ERP system is used for accounting.

As a result, the Board of Management of Tele Columbus AG has decided to harmonise the definitions of KPIs used by individual subsidiaries in the past in order to create a uniform group-wide basis for the reporting of KPIs. As of the third quarter of 2018, uniform guidelines for KPIs apply to all entities.

Revenue and Normalised EBITDA decreased by 0.3 % and 10.8 %, respectively, compared to the previous year. The projected revenue (revenue growth in the mid-single digit percentage range) and projected Normalised EBITDA (280-290 million Euros) were not achieved. Due to the focus on completing the integration of all Tele Columbus Group entities, as mentioned above, the growth strategy could not be pursued with the necessary intensity.

The Normalised EBITDA margin is 47.7 % (PY: 53.3 %). At 32.1 % of revenue, the investments made in 2018 are above the projected level of investment (approx. 27 - 30 % of revenue). The slight improvement on the forecast is mainly due to investments in network infrastructure.

Overall, the first nine months of the financial year 2018 were a phase of consolidation, in which the Group was preoccupied with the integration as well as implementation and standardisation of internal processes and structures. Due to the great need of resources for the projects, operating performance fell short of internal expectations. From the fourth quarter a stronger focus was placed on growth and marketing activities.

As a result of the above-described situation the number of residential units equipped with feedback capability and connected to the Group's own network level 3 (NE3) decreased by about 28,000 to approximately 2,298,000 residential units (-45,000 approximately due to standardisation of definitions). Their share nevertheless increased by about four percentage points to 69 % of the total volume because the 'homes connected basis' was reduced by the standardisation of definitions. The slight improvement on the projected figure by about one percentage point was caused by the update of definitions, as mentioned earlier. Moreover, at the end of the reporting year, about 84 % of the networks with feedback capability connected to the Group's own signal feed were updated to internet transmission standard DOCSIS 3.0 with hybrid fibre-coaxial infrastructure, allowing transmission rates of up to one gigabit per second. The number of residential units connected to the Group's cable network was about 3.3 million at the end of 2018 and therefore has dropped compared to the prior year (3.6 million; -0.22 million approximately due to the standardisation of definitions).

Customer base/RGUs

	2018	2017
Customer base subscribers in millions	2.29	2.37
RGUs in millions	3.83	3.93
RGUs internet and telephone segment in millions	1.01	1.13
RGUs TV segment in millions	2.82	2.80
RGUs cable TV in millions	2.26	2.37
RGUs premium TV in millions	0.56	0.43
RGUs per customer	1.67	1.66

The customer base of Tele Columbus decreased slightly to 2.29 million subscribers compared to the end of 2017.

The total number of revenue-generating units (RGUs) decreased by 0.10 million to 3.83 million for all services in the reporting year (PY: 3.93 million; +0.05 million approximately due to the standardisation of definitions). The decrease results mainly from the decline in conventional cable TV customers.

Internet and telephone services developed less dynamically than expected. The RGUs for internet services remained largely stable at 574,000 (PY: about 578,000). RGUs for telephone services dropped by 21 % to about 439,000 RGUs (PY: about 555,000; -0.08 million approximately due to the standardisation of definitions). The decrease beyond the standardisation of definitions results from the reorganisation of the internet and telephone contracts. The cancellation of obligatory bundling of internet and telephone contract had a negative impact on the number of Telephone-RGUs.

The RGUs for cable TV fell to approximately 2.26 million (PY: 2.37 million). Due to the standardisation of definitions the RGUs for premium TV services grew to about 558,000 units (PY: 430,000; +0.14 million approximately due to the standardisation of definitions).

The average number of products (RGUs) per customer across all segments showed a slightly positive trend in the financial year. It increased to 1.67 at the end of 2018 compared to 1.66 at the end of 2017, is however slightly below the forecast of 1.8 for financial year 2018.

ARPU in EUR	2018	2017
ARPU	17.73	17.41
ARPU TV (per TV end customer)	9.41	9.31
ARPU Internet and Telephony (per internet RGU)	23.97	24.26

The monthly average revenue per user (ARPU) – 'ARPU' or 'annual average ARPU' – from all services was EUR 17.73 in 2018 and thus 1.9 % higher than in the previous year (EUR 17.41). This trend was in line with Tele Columbus's strategic objective. The ARPU for bundled internet and telephone services decreased to EUR 23.97 (PY: EUR 24.26). This is due to the first-time adoption of the new revenue accounting standard (IFRS 15). According to previous GAAP the monthly ARPU would have amounted to EUR 24.33.

Also, the TV ARPU for the Group as at 31 December 2018 increased slightly to EUR 9.41 compared to the previous year (EUR 9.31). The increase is mainly attributable to the new accounting methods according to IFRS 15.

2.3 Performance

2.3.1 *Income situation*

The following table provides an overview of the Group's financial performance.

KEUR	2018	2017
Revenue	494,381	495,756
Own work capitalised	20,753	16,864
Other income	24,467	20,545
Total operating income	***539,601***	*533,165*
Cost of materials	-181,505	-159,150
Employee benefits	-79,376	-81,469
Other expenses	-89,171	-95,541
EBITDA	***189,549***	*197,005*
Non-recurring expenses (net)	46,401	67,387
Normalised EBITDA	***235,950***	*264,392*
EBITDA	***189,549***	*197,005*
Net finance income/costs	-77,759	-69,772
Depreciation and amortisation	-283,003	-155,610
Income tax	9,817	12,027
Net loss for the year	***-161,396***	*-16,350*

Revenue for financial year 2018 decreased slightly by 0.3 % year-on-year to KEUR 494,381.

Revenue from the TV segment decreased by 3.7 % to KEUR 267,285 (PY: KEUR 277,619). Revenue in the Internet and Telephony segment also declined by 3.3 % from KEUR 158,246 to KEUR 153,029. This was offset by an increase in revenue from construction services, which rose by KEUR 7,192 to KEUR 23,238.

Own work capitalised increased significantly in the financial year from KEUR 16,864 to KEUR 20,753. This increase is mainly attributable to higher capital expenditures in financial year 2018 throughout the Group.

Other income in the amount of KEUR 24,467 increased by KEUR 3,922 year-on-year. The change mainly results from higher income from the release of provisions and higher income from marketing subsidies.

Total operating income, defined as the sum of revenue, other income and own work capitalised, therefore rose by 1.2 % to KEUR 539,601 in the reporting period.

The cost of materials for 2018 rose significantly by KEUR 22,355 compared to the same period of the previous year and amounted to KEUR 181,505. The increase results mainly from higher expenditures due to expansion of construction services, higher costs for call centre activities due to migration and the associated quality improvements as well as from intensified purchase of external signals.

Employee benefits declined by KEUR 2,093 to KEUR 79,376. This decline is mainly attributable to a reduction in the average number of employees compared to the previous year due to completion of restructuring measures, especially implementation of the measures taken in Unterföhring. The average number of employees of the Group decreased by 72 to 1,216 in financial year 2018 (PY: 1,288).

Other expenses amounted to KEUR 89,171 in financial year 2018 (PY: KEUR 95,541). The decline by KEUR 6,370 results mainly from lower legal and advisory fees which decreased by KEUR 3,905.

EBITDA amounted to KEUR 189,549 in financial year 2018 due to the factors described above, decreasing by KEUR 7,456 compared to the previous year.

Normalised EBITDA decreased by 10.8 % year-on-year to KEUR 235,950.

Result in KEUR	2018	2017
Normalised EBITDA	**235,950**	**264,392**
Restructuring and further integration measures	-30,295	-51,713
Financial restructuring	-327	-160
Other	-15,778	-15,514
Non-recurring expenses (-) (net)	**-46,401**	**-67,387**
EBITDA	**189,549**	**197,005**

In financial year 2018, expenses for restructuring and further integration measures amounted to KEUR 30,295 (PY: KEUR 51,713). These mainly include legal and advisory fees of KEUR 17,843 (PY: KEUR 23,685), wages and salaries as well as premiums and bonuses associated with restructuring in the amount of KEUR 5,246 (PY: KEUR 13,240). This item also covers non-recurring expenses for customer care due to pepcom integration in 2018 in the amount of KEUR 5,308 and for further establishment of the PŸUR brand in the amount of KEUR 1,460 (PY: KEUR 2,033).

Restructuring and further integration measures in KEUR	2018	2017
Income statement item	**-30,295**	**-51,713**
Other income	3,268	124
Cost of materials	-5,559	-4,080
Employee benefits	-5,246	-13,240
Other expenses	-22,758	-34,517

The expenses for financial restructuring increased by KEUR 167 to KEUR 327 in 2018. These mainly include legal and advisory fees incurred in connection with the refinancing and renegotiation of loan agreements.

Financial restructuring in KEUR	2018	2017
Income statement item	**-327**	-160
Other expenses	-327	-160

Other non-recurring items (one-off items) in the amount of KEUR 15,778 (PY: KEUR 15,514) mainly comprise gains and losses from the disposal of property, plant and equipment as well as legal and advisory fees for other one-off events.

Other in KEUR	2018	2017
Income statement item	**-15,778**	**-15,514**
Other income	421	3,114
Cost of materials	-4,538	-3,718
Other expenses	-11,661	-14,910

In the reporting period, the operating margin, defined as the ratio of Normalised EBITDA to revenue, decreased to 47.7 % (PY: 53.3 %).

Net finance costs increased by KEUR 7,987 compared to the previous year to KEUR 77,759. This essentially includes interest payable to third parties in the amount of KEUR 68,834, which rose by KEUR 18,948 compared to the previous year. This increase results from previously deferred transaction costs of KEUR 18,388 that were recognised in profit or loss due to the (partial) repayment of Facility A and the Capex facility.

Other finance costs amounted KEUR 2,407 (PY: KEUR 12,348). Other finance income/costs include a negative adjustment in value of a financial liability under an earn-out clause in the amount of KEUR 2,329. In the prior year, a negative adjustment in value of KEUR 15,776 was included in other finance income/costs due to acquisition of a non-controlling interest in Kabelfernsehen München Servicenter GmbH & Co. KG and Kabelfernsehen München Servicenter Gesellschaft mit beschränkter Haftung - Beteiligungsgesellschaft.

Depreciation and amortisation increased significantly to KEUR 283,003 (PY: KEUR 155,610) due to an impairment loss on goodwill in the amount of KEUR 124,209. The impairment was made in the TV segment and is due to stagnant market development in classic cable TV and the related adjustments regarding the economic outlook by the Board of Management. The company has taken into account these factors for the corporate planning and has recognised the impairment in profit or loss in the current financial year.

In financial year 2018, income taxes resulted in income of KEUR 9,817 (PY: income of KEUR 12,027). Current income tax expenses decreased by KEUR 8,894 to KEUR 1,375, while deferred tax income decreased by KEUR 11,104 to KEUR 11,192 (previous year's deferred tax income: KEUR 22,296).

The financial year 2018 closed with a net loss of KEUR 161,396 (PY: KEUR 16,350).

2.3.2 *Earnings by segment*

Operating activities are divided into two segments. The following table provides an overview of revenue in financial years 2018 and 2017:

Revenue by segment in KEUR	2018	2017
Revenue TV segment	267,285	277,619
Revenue Internet and Telephony	153,029	158,246
Total revenue (excluding 'Other' segment)	**420,314**	**435,865**

Revenue from the TV segment decreased by 3.7 % compared to the previous year to KEUR 267,285, which is mainly due to a decline in the cable TV RGU by approximately 105,000. Revenue in the Internet and Telephony segment decreased by 3.3 % year-on-year to KEUR 153,029. Compared to financial year 2017, internet and telephone RGUs declined by about 120,000 (thereof -83,000 due to the standardisation of definitions) with the ARPU decreasing by EUR 0.29.

Normalised expenses of segments in KEUR	2018	2017
Cost of materials		
TV segment	-100,773	-95,441
Internet and Telephony segment	-25,293	-26,998
Employee benefits		
TV segment	-22,109	-23,030
Internet and Telephony segment	-17,991	-17,837
Other expenses		
TV segment	-12,684	-11,126
Internet and Telephony segment	-10,916	-11,255

The normalised expenses decreased year-on-year.

Result in KEUR	2018	2017
Normalised EBITDA		
TV segment	149,672	163,480
Internet and Telephony segment	111,810	112,995
Non-recurring expenses (-) / income (+)		
TV segment	-1,506	-2,218
Internet and Telephony segment	30	-638
EBITDA		
TV segment	148,165	161,262
Internet and Telephony segment	111,840	112,357

For a reconciliation of specific earnings figures to total earnings, please refer to the notes to the consolidated financial statements, section F.6 'Segment reporting'.

The segment 'Other', which mainly consists of B2B and construction services of the subsidiary HL komm as well as general administrative and personnel costs of the Group, contributed negative EBITDA in the amount of KEUR -70,456 (PY: KEUR -76,614) to consolidated profit (loss) in financial year 2018. The decrease in expenses compared to the previous year is primarily due to lower legal and advisory fees, IT expenses and occupancy costs. Segment revenue increased from KEUR 59,891 to KEUR 74,067, mainly as a result of higher revenue from construction services and B2B.

2.3.3 *Financial situation and cash flows*

Cash flows

As at 31 December 2018, the balance of cash and cash equivalents amounted to KEUR 26,288 (PY: KEUR 31,767). This represents a reduction of KEUR 5,479 compared to the previous year.

The positive cash inflows resulting from cash flows from operating activities amounting to KEUR 159,618 were primarily used for investing activities; Cash flows from investing activities amounted to KEUR -144,073. Cash flows from financing activities amounted to KEUR -23,004.

In 2018, the Group was in a position to meet its payment obligations at all times. Management reviews the Group's liquidity position at least monthly and initiates measures, should it become necessary, to forestall liquidity shortages in due time. The financial resources required for investments in network expansion, the acquisition of additional companies, and sales and marketing of the new telephone and internet services were financed from operating activities, cash resources and new loans. Interest on loans and borrowings was covered through cash.

The Tele Columbus entities are currently funded mainly through a long-term loan and the senior secured notes of Tele Columbus AG issued in May 2018. In addition, Tele Columbus AG secured further financing in October 2018 in the amount of KEUR 75,000 with a term to maturity until 2023. In the course of the refinancing the credit line used and the partially used revolving credit facility were repaid.

The Group also has a revolving credit facility of KEUR 50,000 available, which had not been used as at 31 December 2018.

The aggregated cash flows of the Tele Columbus Group for financial years 2018 and 2017 are as follows:

in KEUR	2018	2017
Cash flow from operating activities	159,618	159,554
Cash flow from investing activities	-144,073	-140,310
Cash flow from financing activities	-23,004	-43,868
Net increase/decrease in cash and cash equivalents	**-7,459**	**-24,624**
Cash and cash equivalents at the beginning of the period	31,767	55,223
Cash and cash equivalents at the end of the period	**24,307**	**30,599**
plus release of restricted cash and cash equivalents	1,982	1,168
Available cash and cash equivalents at the end of the period	**26,288**	**31,767**

Cash flow from operating activities

In the financial year ended 31 December 2018, net cash flows from operating activities amounted to KEUR 159,618 and thus were at the prior year's level.

Income taxes paid decreased by KEUR 2,793 to KEUR 4,048 (PY: KEUR 6,841).

Cash flow from investing activities

The cash flows from investing activities amounting to KEUR -144,073 (PY: KEUR -140,310) mainly result from investments in property, plant and equipment and intangible assets. These increased by a total of 16.9 % year-on-year to KEUR 148,876 (PY: KEUR 127,397).

The main focus of these investments is the rigorous pursuit of the corporate strategy: besides replacing third party signal suppliers with Tele Columbus's own signal feed for current subscribers, as well as upgrading the existing HFC networks for marketing high speed IP services in order to satisfy the increasing demand for fast internet connections, the focus was on implementing uniform system and technology platforms group-wide. Furthermore, investments were made across Germany with regard to existing expansion commitments to housing associations in the course of new acquisitions or renewals of contracts. In the 2018 financial year, the Group invested a total of KEUR 135,110 (PY: KEUR 101,675) in plant and equipment and assets under construction.

The commitments made until 31 December 2018, which will result in cash outflows of about KEUR 87,826 in subsequent reporting periods (PY: KEUR 72,807), will be financed from existing cash and cash equivalents and from cash flows from operating activities.

Cash flow from financing activities

Net cash used in financing activities of KEUR -23,004 (PY: KEUR -43,868) includes proceeds from issuing senior secured notes in the amount of EUR 645.1 million (incl. the discount of EUR 4.92 million) and the loan of EUR 75.0 million taken out in October 2018. The repayments consist mainly of unscheduled repayment of Facility A in the amount of EUR 597.5 million and repayment of the Capex facility and the revolving facility totalling EUR 40.0 million.

In connection with the acquisition of non-controlling interests in Kabelfernsehen München Servicenter GmbH & Co KG, Munich, KEUR 7,000 was paid in financial year 2018. Cash outflows for this acquisition amounted to KEUR 58,100 in the prior year.

In addition, Tele Columbus has various leases for infrastructure facilities to supply customers. These have been classified as finance leases in accordance with IAS 17 (Leases). In financial year 2018 payments of KEUR 14,379 (PY: KEUR 10,296) resulted from finance leases.

Financing structure

Lender	Borrower	Total (in KEUR) as at 31 Dec. 2018	Share	Total (in KEUR) as at 31 Dec. 2017	Share
New facility A	TC AG	696,951	49.2%	1,284,124	95.8%
Senior secured notes – bond	TC AG	641,950	45.3%	-	0.0%
Facility 75m	TC AG	71,863	5.1%	-	0.0%
Other	various	5,110	0.4%	8,337	0.6%
Revolving facility	TC AG	-	0.0%	19,223	1.4%
Interest rate caps	TC AG	-	0.0%	4,368	0.3%
Capex facility	TC AG	-	0.0%	25,026	1.9%
Total		**1,415,874**	**100.0%**	**1,341,078**	**100.0%**

The revolving facility in the amount of KEUR 50,000 according to the Senior Facilities Agreement was not utilised as at the reporting date.

On 4 May 2018, Tele Columbus AG issued senior secured notes at a total value of EUR 650 million with a term to maturity until May 2025 and coupon interest of 3.875% p.a.

The proceeds from issuing the notes were used, together with available cash, for partial repayment of Facility A, for complete repayment of the Capex facility as well as covering transaction costs.

In addition, Tele Columbus AG arranged a loan on 19 October 2018 for an additional KEUR 75,000 to further increase the Companies' liquidity. The loan has a term of five years with a margin of 425 basis points plus EURIBOR.

The funds were used to settle the amount of the revolving credit facility and also to increase the Company's financial flexibility.

The terms of the senior loan arranged prior to repayment have remained unchanged, and so has the revolving credit facility of KEUR 50,000.

With regard to the maturities of loans, transaction costs and liabilities relating to embedded derivatives, please refer to the notes in Section E.20 'Liabilities to banks and from the bond issuance ' of the consolidated financial statements.

The ownership interests in subsidiaries have been pledged as collateral for the Group financing.

2.3.4 *Asset situation*

Compared to 31 December 2017, total assets have decreased by KEUR 107,406 to KEUR 2,025,780. On the assets side, this reduction is mainly reflected in a decline in non-current assets, particularly intangible assets, while it was mainly equity that declined on the liabilities side.

Property, plant and equipment rose by KEUR 29,571 to KEUR 639,440 compared to 31 December 2017. This is mainly due to a significant increase in plant and equipment and assets under construction as a result of investment projects. The increase was offset by depreciation of plant and equipment amounting to KEUR 97,984.

Intangible assets and goodwill decreased by KEUR 131,219, from KEUR 1,389,953 to KEUR 1,258,734 as at 31 December 2018. The decline results largely from impairment losses on goodwill in the TV segment (KEUR 124,209) and amortisation of the customer base and customer commissions in the amount of KEUR 44,975.

The non-current derivative financial instruments amounting to KEUR 1,283 (PY: KEUR 1,521) consist of two interest rate caps acquired in February 2016 by Tele Columbus AG and an embedded call of the Senior Secured Notes.

Current assets changed only slightly. With regard to movements in cash and cash equivalents, please refer to the explanatory notes in Section 2.3.3 'Financial situation and cash flows'.

Other assets mainly include input tax receivables, creditors with debit balances and prepayments.

As at 31 December 2018, the Group's consolidated equity amounted to KEUR 354,668 (PY: KEUR 517,187). The decrease is mainly due to the net loss incurred in the financial year of KEUR 161,396.

Non-current other provisions increased by KEUR 2,258 to KEUR 2,721. The increase results largely from allocation to provisions for asset retirement obligations.

Non-current loans and borrowings/senior secured notes payable increased from KEUR 1,297,685 to KEUR 1,400,814. The main reason for the increase is the new credit facility in the amount of EUR 75 million (Facility 75m) which matures in 2023.

The Group's liabilities under interest-bearing loans and senior secured notes totalled KEUR 1,415,873 as at 31 December 2018 (PY: KEUR 1,341,078). This corresponds to 69.9 % (PY: 62.9 %) of total assets.

Other non-current financial liabilities amounted to KEUR 57,974 (PY: KEUR 37,615). As at 31 December 2018, this item primarily comprised non-current lease liabilities for the use of infrastructure facilities in the amount of KEUR 55,335 (PY: KEUR 35,725). The increase was largely caused by finance leases for network level 1.

Deferred tax liabilities of KEUR 33,249 were reported as at 31 December 2018 (PY: KEUR 44,876). These mainly decreased due to amortisation of the customer base.

Other current provisions decreased significantly from KEUR 18,626 to KEUR 9,527. This is primarily attributable to restructuring provisions used in the amount of KEUR 5,441 and use of the provision for subsequent claims arising from tax audit risks in the amount of KEUR 2,600.

Current loans and borrowings amounted to KEUR 15,059 (PY: KEUR 43,393). In the previous year, this included liabilities under the revolving facility in the amount of EUR 20.0 million, which were repaid in November 2018.

Current trade payables decreased by 19.1 % to KEUR 76,383. The decline is due to reporting date effects and results from a change in payment practices.

Other liabilities mainly comprise VAT liabilities (KEUR 7,312) and personnel-related liabilities (KEUR 7,470).

The increase in other current financial liabilities was caused – in line with the rise in non-current loans and borrowings – by new finance leases.

2.3.5 *Overall evaluation*

The financial position, financial performance and cash flows reflect the Group's position in 2018. Tele Columbus has sufficient liquidity and has long term financing in place. The growth strategy could be pursued at a slower pace than in the previous year. Overall, financial year 2018 was a year of consolidation, in which the Group was preoccupied with the integration as well as implementation and standardisation of internal processes and structures. Due to the great need of resources for projects, operating performance fell short of internal expectations.

In the course of the year, Tele Columbus already responded to these developments and adjusted the revenue, EBITDA and investment ratio forecast for 2018. Management is confident, however, to have taken the right measures to establish a basis for continued growth.

3. Tele Columbus AG – Summary according to German GAAP [HGB]

In addition to group reporting, we report separately on the performance of the parent company, Tele Columbus AG, in the following paragraphs.

Tele Columbus AG prepares financial statements in accordance with the German Commercial Code [HGB] and the German Stock Corporation Act [AktG].

Tele Columbus AG primarily operates as a holding company for the Tele Columbus Group companies and as such is dependent on the financial position, financial performance and cash flows as well as business performance of its subsidiaries. Earnings are dependent, apart from finance costs, largely on income from investments, particularly on expenses and income from profit and loss transfer agreements.

Analysis of the financial statements

The revenue of KEUR 87,522 reported by Tele Columbus AG for financial year 2018 (2017: KEUR 81,846) mainly results from income from services and sales revenue to affiliated entities. The increase is mainly attributable to a higher income from services within the group.

The operating expenses refer mainly to the Company's management and financing function. The result therefore depends largely on general administrative expenses, other operating income and finance income/costs. Other operating income (KEUR 52,897) was significantly higher than in the previous year (KEUR 37,915). This increase was caused mainly by increased income from recharged expenses to affiliated entities of KEUR 47,434 (2017: KEUR 36,644). Moreover, income from the release of provisions increased considerably by KEUR 3,800 to KEUR 4,251, mainly due to the release of provisions for outstanding invoices.

The cost of materials includes expenses for modems and receivers which were sold on by Tele Columbus AG to group entities. The rise is due to the fact that Tele Columbus AG took over the purchase of modems and receivers for the entire Group in 2018 and sales therefore also rose accordingly. Moreover, services received as part of sales projects are presented under cost of materials in financial year 2018.

Personnel expenses decreased significantly by KEUR 11,379 to KEUR 6,095, mainly as a result of the decline in staff, which had an impact on wages and salaries as well as bonus payments. The decrease was also caused by lower expenses for termination benefits.

Amortisation and depreciation increased from KEUR 9,422 to KEUR 12,261, mainly as a result of the start of amortisation of the group-wide ERP system in financial year 2018.

Other operating expenses increased by KEUR 32,759 to KEUR 140,088. The increase mainly results from a rise in expenses advanced to affiliated companies (+ KEUR 10,617), higher expenses for call centre services and logistics costs (+ KEUR 9,344) and increased expenses for incidental bank charges (+ KEUR 6,331) which were incurred during financial year 2018 in connection with external financing.

Compared to the prior year, the net finance result decreased from KEUR -39,844 to KEUR -33,826 and, in line with the previous year, mainly comprise income from non-current loans extended to the subsidiaries PrimaCom and pepcom, interest expenses and income from cash pooling arrangements and interest expenses relating to external financing.

Income from profit transfers arose in the amount of KEUR 45,859 and has remained largely unchanged year-on-year. The decline in expenses arising from profit transfers from KEUR 5,914 to KEUR 107 is mainly the result of a significant improvement in PrimaCom's earnings.

Tele Columbus AG closed the financial year with a loss of KEUR 29,689. The loss will be carried forward to the following year.

Total assets rose slightly to EUR 2.33 billion compared to 31 December 2017 (EUR 2.15 billion).

On the assets side, the increase resulted mainly from higher intangible assets, receivables from affiliated entities and a rise in deferred expenses, while under liabilities it was mainly due to increased liabilities to affiliates.

The increase in intangible assets from KEUR 29,561 to KEUR 38,722 was caused mainly by investments relating to migration to a new group-wide ERP system.

At EUR 1.85 billion, financial assets have remained largely unchanged compared to 31 December 2017; the increase of KEUR 18,217 results largely from deferred interest receivable on loans to affiliated companies.

Receivables from affiliated entities rose by KEUR 259,240 to KEUR 391,513, resulting largely from the increase in cash pool receivables and rise in receivables for services provided as well as recharged services.

Cash and cash equivalents have increased by KEUR 3,682 to KEUR 4,682.

The increase in prepayments was caused mainly by the discount on the senior secured notes issued and new loans taken out in financial year 2018.

Tele Columbus AG's equity amounted to KEUR 513,676 as at 31 December 2018. The year-on-year decline results exclusively from the net loss incurred in 2018. The equity ratio is 22.0 % (PY: 25.2 %).

Other provisions significantly declined by KEUR 13,972 to KEUR 28,617. This reduction was caused mainly by lower provisions for outstanding invoices (KEUR -10,355) as well as a decrease in personnel provisions due to a decline in staff.

In May 2018 Tele Columbus AG issued a bond amounting to KEUR 650,000. The cash inflow was used in an amount of KEUR 597.537 to partially repay loans owed to banks. This is why the liabilities to banks decreased significantly.

The advance payments received for orders in the amount of KEUR 4,932 recognised as at 31 December 2018 (PY: EUR 0) result from sales projects.

Liabilities to affiliates increased by KEUR 183,870 to KEUR 322,894. This was mainly caused by an increase in cash pool liabilities.

The financial position of Tele Columbus AG is dependent upon the financing requirements of group entities and the Company's own borrowing to refinance these requirements. Corporate actions issued during the financial year for the purpose of debt financing successfully stabilised the Company's financial position.

4. Subsequent events

Please refer to the notes to the consolidated financial statements for significant events that occurred after the end of the reporting period.

5. Forecast

Purchasing power in Germany continues to grow

In the opinion of the Kiel Institute for the World Economy [IfW], economic output in Germany will rise by 1.0 % in 2019. This will be driven by further growth in consumption and exports. The reasons for growing consumption are the generally excellent employment and income prospects.

Industry forecast

According to Tele Columbus, the cable TV market remains on course for success. The Company's view is based on industry developments over the past few years, the Federal Government's focus on achieving broadband targets and associated initiatives, as well as the expectations of German and European competitors expressed in their respective public announcements. In advanced societies, digitalisation is the main driver of progress, growth and social interaction. The demand for high bandwidths is already significantly higher today and will increase greatly in the future. Applications such as ultra-HD television or virtual reality, and the Internet of Things in general will drive up bandwidth requirements.

According to the industry association ANGA, the German cable network operators are technically well equipped for the increasing demand. More and more frequently, consumers demand connection speeds of more than 50 Mbps and as much as 400 Mbps in many cases. In addition, cable network operators are further expanding the DOCSIS 3.1 telecommunications standard, which will provide large sections of the population with gigabit access.

Germany still lags far behind in the development of a high-performance broadband network compared to other European countries, with many rural areas still being undersupplied. The Federal Broadband 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 potential amendments to the German Telecommunications Act and has taken these into account in planning. The planned merger of Vodafone and Unitymedia or its impact is particularly relevant in this regard.

Expected development of the Group and KPIs

Tele Columbus AG uses annual, medium and long-term planning as well as intra-year forecast models. The planning approach is standardised and based on the top-down method, using the strategic assumptions of management. Final approval for annual planning is provided by the Board of Management and the Supervisory Board. Annual planning for financial year 2019 was presented to the committees in February 2019 and approved by these committees. The forecast period described in the following paragraphs is one year and is supplemented by medium-term forecasts.

Following successful integration of pepcom, the focus in 2019 will be on the further stabilisation of business. In 2018 the prerequisites for a company were created that is able to operate in a dynamic market environment with an integrated and efficient network, optimised processes and structures, an efficient cost structure and financial flexibility as well as an innovative product portfolio.

With regard to TV services, the number of customers is expected to decline further with the ARPU for these services remaining stable. This trend will be caused mainly by the expected increase in revenue from premium TV packages – also because of a growing number of premium TV customers. B2B is also expected to further contribute to growth.

The Group expects a stable development of the number of contractually-bound residential units. The share of connected residential units, supplied via the Company's own NE3 network, is expected to rise further. This will reduce signal procurement charges due to the lack of dependence on third-party suppliers and thereby have a positive effect on the trend in earnings and margins. The Group will provide more households with feedback capability, i.e. render them marketable for internet and telephone services. Based on the percentage at the end of the 2018 financial year of 69 % (PY: 65 %), this proportion is expected to remain stable until the end of financial year 2019.

Based on new product launches in the area of TV through and the renewed marketing of the AdvanceTV platform at the end of 2018, the Group aims to become a digital entertainment company. In addition, new innovative services and new customer terminals are expected to support growth. At the same time, the core broadband business is to be continued with high investments in network infrastructure. The increasing penetration of existing holdings with internet and telephone services, and the resulting improvement in the product portfolio to include a higher proportion of high-margin products, are expected to have a positive impact on revenue and earnings growth.

Tele Columbus is continuously expanding its hybrid fibre optic networks in accordance with demand based on the most up-to-date internet transmission standard DOCSIS 3.1. As part of the discontinuation of analogue signal broadcasting started in 2018 and completed in 2019, the foundation has been laid for deployment of the new cable internet transmission standard. This will enable Tele Columbus in the coming years to gradually make gigabit connections available in selected regions of Germany. Currently, DOCSIS 3.0 internet connections at a speed of up to 400 Mbps are achievable. All innovative media applications - from digital and high-definition television to high-speed internet and telephone, telemetry services, tenant portals and interactive services - can be made available via broadband cable. Tele Columbus not only transmits signals, it also actively works on expanding the range of programmes and developing additional services via its own product platform. As a carrier, Tele Columbus moreover provides high performance connections and networks for business customers via its B2B solution.

Due to the transformation the Group expects a stable development in the first half of the 2019 year and a growth in the second half of the year. For the full financial year 2019 a broadly stable revenue performance and a broadly stable Normalised EBITDA are expected. Non-recurring expenses are set to significantly decrease pursuant to the development in the 2017 and 2018 financial years. As a result an increase in EBITDA is expected. In the medium-term revenue is expected to increase in the low single-digit to mid single-digit percentage range, whereas Normalised EBITDA should rise in the mid single-digit percentage range.

Due to the decline in customers, revenue in the TV segment is expected to decrease in the low single-digit percentage range whereas Normalised EBITDA should decline in the mid single-digit percentage range. For the operating segment “Internet and Telephony” revenue and Normalised EBITDA are expected to continue to increase. Segment revenue and Normalised EBITDA should both grow in the mid single-digit percentage range.

The merger and further expansion of networks will require strong project-based investments, as before. For the financial year 2019 the Group expects broadly stable investments compared to the previous year. The share of investments of revenue was 32.1 % in 2018. In the medium term, the investment ratio (in terms of revenue) should decline.

Overall conclusion

Financial year 2018 was dominated by integration initiatives, as was the previous year. The focus of Tele Columbus therefore was on the completion of the migration projects and the stabilisation of business. As a listed and independent company in the market, Tele Columbus was therefore not able to expand its growth potential to the extent originally planned. Nevertheless, its competitive position is stronger than in the past. Tele Columbus is now of a size that allows the efficient use of structures, achieving economies of scale on the cost side, and thereby placing itself in a strong competitive position for new customers. This is supported in particular by the successful introduction of the brand PŸUR as well as the attractive product portfolio of the Group.

6. Risk report

6.1 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, resulting from the recognition that, if the principles of a functioning risk management system are consistently applied, the possibility of recognising and exploiting opportunities also arises. In order to identify risks and opportunities at an early stage and to handle them consistently, Tele Columbus employs a risk management system that also includes an early detection system as provided under Section 91 (2) of the German Stock Corporation Act [AktG]. The risk management system governs the identification, recording, assessment, documentation and reporting of risks. This keeps the overall risk exposure always 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 Organizations of the Treadway Commission) as applicable until 2017. In this context, Tele Columbus pursues a comprehensive, integrative approach that combines the risk management system, internal control system and compliance management system into a single management approach (governance, risk and 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 areas of risk.

The internal control system includes all the rules and measures, principles and procedures that have been established in order to achieve the company's 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 relevant legal requirements as well as reliability of financial reporting.

Further presentations on the internal control system and compliance management system are provided in the corporate governance statement pursuant to Section 289f HGB, contained in the Corporate Governance Report and can be downloaded from Tele Columbus AG's website at www.telecolumbus.com/investor-relations under ‘Corporate Governance Statement'.

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 identification, recording, evaluation, documentation and reporting rules that are implemented uniformly throughout the Group.

The objective 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 to enable Tele Columbus AG to recognise unfavourable developments at an early stage, in order to take countermeasures in a timely manner and be able to monitor them. A well-designed and properly implemented risk management system enables the management and the supervisory bodies to obtain sufficient assurance 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 to the future prospects of Tele Columbus.

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

- Risk identification: risks are recorded twice a year as part of the risk cycle
- Assessment of the identified risks in terms of potential 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 projection, in order to ensure implementation of the measures as well as the systematic recording and reporting of risks that could affect the company's ability to continue as a going concern
- Risk reporting, which is subdivided into standard reporting within the regular risk reporting cycle and ad hoc reporting in the event of sudden risks with a material effect on the company's financial position, financial performance and cash flows
- Documentation of the risk management system to ensure sustainable functioning independent of specific individuals

The recorded risks are catalogued and reported at 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 2018, risks were managed centrally for the entire Group.

In the coming years, other central measures to improve risk management will include, in particular, 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. Moreover, the description of measures and controls for the mitigation of identified risks is to be further refined, and the monitoring of implementation of measures defined for risk mitigation to be further improved. This is to be based on the requirements for risk management systems of publicly traded companies. The continuous updating and further development of risk management represents an ongoing, high-priority task for management.

The objective of risk management is a high level of integration of the governance components risk management, internal control system and compliance management, which has been supplemented by supportive auditing activities of Internal Audit since mid-2018.

6.2 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 the regularity of financial reporting, in the sense of ensuring that consolidated financial statements and the group management report comply with all relevant regulations.

As described in Section 6.1, the ERM approach is based on the ‘Enterprise Risk Management - Integrated Framework’ (as applicable until the end of 2017) developed by COSO which is accepted worldwide. Since one of the objectives of this framework is to ensure the reliability of financial reporting, it is also drawn up from a financial reporting perspective. Identified risks and gaps 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 of financial reporting, and at the end of each financial year assesses the adequacy and effectiveness of the control system.

Uniform group-wide accounting policies and the chart of accounts, both of which are provided by the Finance Department and are consistently applied by all group companies, form the conceptual framework for preparation of the consolidated financial statements. New laws, financial reporting standards and other official pronouncements are continuously analysed with a view to their relevance and impact on the consolidated financial statements and consolidated management report. If necessary, the accounting policies 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 is not able to prepare and publish the consolidated financial statements in a proper manner and by the required deadlines.

The data used for preparing the consolidated financial statements is based on the financial information reported by Tele Columbus and its subsidiaries in their financial statements, which in turn are based on the accounting entries of 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 payroll accounting. In addition, for some areas that require specialised knowledge, such as the valuation 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 financial statements. The consolidation procedures as well as the monitoring of compliance with the conceptual and deadline requirements are carried out by employees having commensurate responsibilities in the consolidation departments at the various levels as well as at corporate level.

The steps required to prepare the consolidated financial statements are subject to manual and system-based controls at all levels. During this process, the financial statement information supplied is checked automatically to ensure correlation within the financial reporting system as well as consistency.

The employees involved in the financial reporting process are recruited with a view to their professional aptitude and regularly trained thereafter. The 'principle of dual control' 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 target/actual comparisons as well as analyses 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 in IT systems related to financial reporting, so as to ensure that financial reporting data is protected against unauthorised access, use, and alteration. Each entity included in the consolidated financial statements must comply with the policies 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 involved in the control system through the Audit Committee. In particular, the Audit Committee monitors the financial reporting process, the effectiveness of the control system, the risk management system and the audit of financial statements. In addition, it is responsible for examining the documents for the separate financial statements of Tele Columbus AG and for 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.

6.3 Risks

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

The risks described above could either on their own or together with other risks and uncertainties of which the Tele Columbus Group is currently unaware or which it may currently consider insignificant, materially affect the Group's financial position, financial performance and cash flows.

The existing risks are classified into three risk categories:

- **Risk category A:** critical risks that require action, as these are risks to the company's success or could affect the company's ability to continue as a going concern. These risks are avoided or transferred to third parties (red).
- **Risk category B:** latent risks that may require action. These risks are selectively managed (yellow).
- **Risk category C:** risks currently not requiring any action. These risks are accepted (green).

The risks identified within the Company are classified using the following matrix, based on the probability of occurrence and level of damage of the net risk identified, i.e. by taking into account appropriate countermeasures.

Likelihood of occurrence	< 100 KEUR insignificant	100-999 KEUR perceptible	1,000-6,999 KEUR substantial	> 7,000 KEUR critical
81-100%	1	0	0	0
51-80%	4	4	3	1
11-50%	10	30	8	0
<10%	8	9	8	0

Level of damage

The Group reported a total of 210 individual risks, which were consolidated into 86 risks and assessed at that level.

Based on these risk classifications, the effects of all risks described in the following section fall within risk categories A, B and C, according to the net evaluations of these risks, i.e. by taking into account appropriate countermeasures. One risk is currently considered critical or found to be substantial. Moreover, the majority of risks have a low to medium probability 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 categories are also applied to the segment 'Other'.

6.4 Industry-specific risks

Strong competition

Tele Columbus is exposed to considerable risk from the planned merger of Vodafone and Unitymedia. If these competitors were to merge without restrictions under antitrust law, this could place Tele Columbus at a considerable competitive disadvantage due to their monopoly position. Following the merger, Vodafone would gain a very strong position on the German market and would thereby potentially be in a position to influence the pricing structure for network expansion but also with regard to channels/ broadcasters. (critical risk)

Moreover, Tele Columbus is exposed to considerable competitive pressure in the cable and telecommunications market, which could lead to rising supplier prices. The announced growth targets might not be achieved if the number of customer cancellations cannot be (more than) compensated by the acquisition of new customers. In this regard, Tele Columbus is also dependent on innovations and on enhancing existing products and services or introducing new ones. (latent risk)

Changing customer behaviour

Another factor is continuous change in customer behaviour. Conventional TV products are increasingly replaced by streaming services. This increases the demand for additional network capacities. At the same time, the demand for linear TV is declining. Tele Columbus mitigates this change by marketing attractive on-demand products (Advance TV Box) and the expansion of faster networks. (latent risk)

5G expansion may lead to a change in customer behaviour and have the consequence for Tele Columbus that more people will decide against a cable connection in the long term. However we only consider this a minor risk, given that expansion will take a few years, full coverage is not likely and quality will be lower than with fixed networks.

Falling prices/ revenue

The Group is exposed to significant price pressures in all divisions, as regional markets are partly saturated and new customer acquisition is only possible there by enticing customers away from 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, which has put prices under pressure in recent years for traditional offers such as fixed-line telephony and internet access (latent risk). Moreover, the terms for feed-in charges must be renegotiated with channels/broadcasters again and again. Billing-relevant parameters changing over time may also affect feed-in charges. (latent risk)

Network expansion

As a result of the extensive investments of our competitors and other intensive construction activities in Germany, the capacities for underground construction are limited in the market. This may lead to a delay in infrastructure projects and regular construction work, and on the other hand cause inflated prices on the part of construction firms still available on the market. In the event of commitments to our licensors or customers, this could lead to compensation payments if there are delays. Moreover, planned revenue may only be achieved at a later date. (latent risk)

Changeover from analogue to digital

The countrywide changeover to solely digital programme distribution is a major undertaking for cable network operators. It is therefore expected that in some regions full digitalisation of the cable network will not be achieved until the start of 2019. Analogue products will no longer be actively marketed in future. (minor risk)

Changes in infrastructure

New infrastructural changes, e.g. the expansion of fibre optic networks (FTTH) or the introduction of the mobile communication standard 5G increase the pressure on Tele Columbus to face up to the new developments. Tele Columbus responds to these upcoming changes by an intensive expansion of its own fibre optic networks and the development of other regions. (latent risk)

6.5 Legal and regulatory changes

Tele Columbus is exposed to general risks arising from changes in the regulatory environment due to changes in legislation or other regulations. Such regulations concern, in particular, the German Telecommunications Act [Telekommunikationsgesetz], the media laws of federal states, as well as general labour, consumer or tax law. Given that the

Company's business activity is limited to Germany, any changes in the legal environment are not expected to be sudden, so that a sufficient response time is ensured.

Data protection

Along with the ever greater digitalisation of society, the issue of data protection is also gaining importance. Legislators have recognised there is a special need for protection and adopted the EU General Data Protection Regulation, which has been in effect since 28 May 2018. In view of the very high penalties for violation laid down therein, companies are exposed to significant intrinsic risk in principle. Yet, existing data protection laws also contain some uncertainty. So far, there is no long-standing and uniform decisional law. The option, since 2016, for consumer protection agencies of issuing warnings or initiating injunctions has increased this risk. (latent risk)

Regulatory decisions

The telecommunications market is a regulated market in which the German Federal Network Agency [BNetzA] 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. There is general uncertainty as regards future regulatory decisions. In addition, government subsidies and other regulations could favour competitors and adversely affect our own competitive position. (latent risk)

'Must carry' obligations

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

6.6 Operational risks

IT risks

In the course of its business operations, Tele Columbus uses IT systems extensively which could be disrupted or interrupted through outside influences (environmental, building work, etc.) while in operation.

In addition, there is increasing risk from IT-related crime (data theft, blackmail, CEO fraud, etc.). More and more companies find themselves exposed to these risks and have to take appropriate countermeasures. Tele Columbus limits these risks by using the latest firewall and antivirus programmes, continuous monitoring and maintenance of the IT landscape, use of a standalone network, and through the immediate backup and reproducibility of data relevant to operations. Raising awareness among employees of the issue further reduces the risk. (latent risk)

Major dependence on IT specialists

Ensuring a stable and efficient IT landscape requires sufficient resources and quality. At present, these have to be largely provided by external providers. There is the risk that the absence of external resources would result in a considerable reduction in knowledge which in turn could lead to additional costs. Tele Columbus mitigates this risk by establishing and documenting processes and building up its own resources. (latent risk)

Customer satisfaction

For Tele Columbus's customer-oriented business, customer satisfaction is a fundamental benchmark for the services it provides. Good customer service is particularly important in this context. As Tele Columbus has arrangements 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. This presents the risk that customers will cancel their contracts because of unsatisfactory service or potential customers select another provider. To counteract this, we have adopted comprehensive measures to achieve a high level of customer satisfaction. (latent risk)

Personnel risks

In order to realise their strategic and operational objectives, the Tele Columbus AG group companies are dependent on qualified specialist and senior staff. With regard to the recruitment and retention of qualified employees, the Group must measure itself against the competitiveness of the market. The continuous updating and further development of the HR strategy represents an ongoing, high-priority task for management. (latent risk)

6.7 Brand, communication and reputation

New brand – PŸUR

The "PŸUR" brand, which was newly established in the market in 2017, was able to achieve a greater awareness in 2018. Nevertheless, further efforts are needed to sustainably establish the brand. In marketing the products and services, particular focus was placed on our corporate values: simplicity and performance with a human touch. Public messages and ratings on the internet could inflict lasting damage on the reputation of the brand and have negative consequences for Tele Columbus. To mitigate this risk, the company placed particular emphasis on these values in its marketing campaign in 2018. In addition, marketing of PŸUR within the company was further promoted by a cultural project and additional branding. (minor risk)

6.8 Legal proceedings, antitrust and consumer protection procedures

Current litigation

Tele Columbus Group is currently involved in one significant legal dispute. It relates to a suit brought by Medienanstalt Berlin-Brandenburg (MABB) in respect of our feed-in model (risk in excess of EUR 1 million). It is currently not possible to predict Tele Columbus Group’s prospects of success with absolute certainty. (latent risk)

General litigation risk

The Tele Columbus Group is also exposed to risks which could arise from court proceedings 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 respond appropriately to such risks. For judicial disputes external law firms are also consulted. (latent risk)

6.9 Financial risks

In the course of its business activities, 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 potential risks and to mitigate their negative impact on the Group's financial performance. To this end, Tele Columbus uses financial instruments such as interest rate hedging transactions, factoring of receivables, and credit lines.

Financial risk management is mainly handled by the treasury department in accordance with the principle of segregation of duties and monitoring. Financial risks are identified, assessed and hedged in consultation with the responsible 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 largely governed by its facility agreements. Reporting to the Board of Management occurs at regular intervals.

Liquidity risk

In the medium term, at the level of each operating subsidiary and of the Group as a whole, current business transactions mirror the budget data. Liquidity projections for a specific planning horizon and unused credit lines available within the Group as at 31 December 2018 ensure a continuous supply of liquidity. As part of ensuring the liquidity of subsidiaries, the existing cash pooling procedure has been extended to all companies of the Group.

At the end of the 2018 financial year, Tele Columbus AG had a revolving, partially used credit line totalling KEUR 50,000. The Board of Management is regularly and comprehensively informed on the current levels of liquidity through reports. (latent risk)

In addition, the Group is reliant on borrowed capital at reasonable terms for refinancing its operating activities or acquisitions. As part of the financing agreement, various requirements had to be fulfilled as at the reporting date. In the event of default, the lenders had the option to call in the loans. These are obligations under a financing agreement of the Group (Facilities Agreement). The related financial covenants include a statement on the Group's total debt/equity ratio as well as a defined EBITDA amount and presentation of gross assets, which are reviewed on a quarterly basis. As at the reporting date, the liquidity risk in the event of non-compliance with these covenants amounted to KEUR 1,446,168.

Furthermore, the Group was not in a position to dispose of all financial resources as at the end of the year (restricted cash as at 31 December 2018 in the amount of KEUR 995). (latent risk)

Interest rate risk

Non-current, floating rate financial instruments, for which the interest rate is linked to a market interest rate such as EURIBOR, are exposed to risks arising from future cash flows. Market interest rates are monitored in order to take the necessary measures to hedge or manage interest rates should the need arise.

To limit risks, Tele Columbus hedges two interest rate caps (interest capped at 0.75 % versus 3-month EURIBOR) acquired in February 2016, at a nominal value of KEUR 1,100,000 in total (KEUR 550,000 each) and a term until December 2020. A significant increase in the EURIBOR thus only leads to a much more limited increase in interest expenditure for Tele Columbus AG. (latent risk)

Risks related to the financing structure

The level of debt has increased compared to 2017. The Group's main financing runs until 2024 and 2025, respectively, thereby securing its financing structure in the long term.

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 rise in the EURIBOR would only partially lead to a significant increase in the interest paid by Tele Columbus. As a result, movements in interest rates were subjected to close monitoring in order to be able to respond appropriately in the event of a change in risk exposure. The existing hedging gap was closed by purchasing appropriate interest rate caps through the newly established hedging system. (minor risk)

Tax risks

The Group is exposed to tax risks because of tax audits that may lead to back payments.

In connection with the spin-off by which the company acquired the operational business of Tele Columbus Beteiligungs GmbH (formerly Tele Columbus GmbH), it could become exposed to tax risks from ongoing tax audits.

Due to the potential tax risk, taxation of Tele Columbus Beteiligungs GmbH is expected, for which the Group has made provisions (presented under 'Other provisions') due to continuing liability. (minor risk, as already taken into account in the financial statements)

Other tax risks could arise from the operation of warehouses abroad and the associated complex tax requirements. (latent risk)

6.10 Compliance risks

A company's corporate culture is determined by management and shaped as well as implemented by its employees. To ensure that their conduct is in compliance with rules and regulations, Tele Columbus Group has implemented a compliance management system. Apart from generally applicable policies, such as a code of conduct and guidelines, this also includes regular events, training as well as advice and a whistleblowing system. The Compliance Officer and his team are supported by the Compliance Committee and local contact persons.

Although there have not been any serious compliance violations so far and preventive measures are in place to mitigate these, some risk of potential violation of rules and policies remains. (minor risk)

6.11 Other risks

Integration of the PrimaCom and pepcom groups, acquired in 2015, was completed in 2018. As a follow up, process and system optimisations are still necessary in a number of areas in order to ensure smooth day-to-day operations. This may also have an effect on accounting and preparing financial statements on time and in the necessary high quality. This applies particularly to the sub-areas invoice processing as well as general accounting issues. (latent risk)

6.12 Risks with regard to Tele Columbus AG

Besides the corporate risks, the following risks which directly affect Tele Columbus AG in addition to the above-mentioned risks, are itemised.

In the course of takeover of the PrimaCom Group and the pepcom Group, Tele Columbus AG extended two shareholder loans to refinance legacy liabilities in the amount of KEUR 344,899 and KEUR 185,772, respectively.

Servicing of the shareholder loans (recognised as bullet loans in accordance with German commercial law), and therefore their value, depends on the liquidity of the subsidiaries PrimaCom Berlin GmbH and pepcom GmbH. As they run until the beginning of 2023, this may expose Tele Columbus AG to liquidity risk if the loans are not repaid in time.

Furthermore, Tele Columbus AG has issued letters of comfort to various subsidiaries in order to ensure their ability to continue operations. This may also expose Tele Columbus AG to liquidity risk.

7. Opportunities

7.1 Opportunity management

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

The order in which opportunities are presented is not a statement of the probability of their occurrence or significance.

7.2 Opportunities

Strategic expansion of the fibre optic network

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

According to an update to the OECD's broadband portal, the share of high speed fibre in fixed broadband internet connections in OECD countries has risen to 25% compared to 12 % eight years ago. The latest data shows big differences between countries. According to this current OECD study, Germany ranks 33rd, but still higher than the United Kingdom, Austria and Israel (as at 28 February 2019 according to the OECD Broadband Portal article: High-speed fibre makes up one quarter of fixed Internet in OECD countries in June 2018). Germany has increased expansion, but there is still great potential for growth.

Strategic expansion of our fibre optic network can provide the Tele Columbus Group with a competitive advantage in terms of available bandwidths.

Tele Columbus invests about one third of its turnover in modernising its cable networks, and moreover makes its expertise of many years available to community broadband projects throughout Germany – such as for example gigabit expansion based on the telecommunications standard DOCSIS 3.1 in Berlin – be it as an operator of municipal networks or for expansion projects using subsidies to close economic gaps. Expansion is also carried on in cooperation with municipal enterprises and utilities. Such infrastructure projects are underway for example in Elbmarsch, Hahnbach and in Aschheim, Feldkirchen, Kirchheim, Ismaning and Unterföhring.

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 largely manage without state or federal subsidies. These activities offer Tele Columbus the opportunity 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. (high likelihood)

Merger of competitors

With regard to the merger of Vodafone and Unitymedia, it could be that it is approved at EU level under merger law, however that the German regulatory authorities impose heavy restrictions, such as surrender/sale or opening up networks. As a relevant player in the market, this provides the Tele Columbus Group with the opportunity of acquiring these networks or becoming active in a significantly wider area of operation and thereby tapping new regions and market shares. (latent opportunity)

5G expansion

The preparation for the introduction of the latest generation of cellular mobile communications (5G) advanced further in 2018. Licences were auctioned and construction of the necessary mobile masts has begun. In order to transport huge data volumes at highest speed, mobile communication systems must be connected to fibre optic networks.

Apart from expansion of the mobile infrastructure, fibre optic networks will also have to be expanded further because without connection of the mobile stations to the fibre optic network the many advantages of the new technology can only be used to a limited extent. Tele Columbus sees great growth opportunities in this development. As operator of an already multi-faceted network and because of increasing expansion, Tele Columbus provides an essential foundation for 5G operators. (latent opportunity)

Digitalisation

The increase in digitalisation has had a significant economic as well as social and technological impact. 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. As part of the digital transition, the reallocation of channels creates additional capacities for new bandwidth products. (latent opportunity)

Further development of business to business (B2B)

B2B activities have been expanded further through the subsidiary HL komm. This company is headquartered in Leipzig and active in the market as a wholesale provider for business customers (B2B) and as a specialist for individual carrier services and business solutions. Major WLAN projects, such as the creation of Wi-Fi hotspots in restaurants, hotels or shopping malls, are by now also a part of HL komm's day-to-day business. 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 in this area, including for bandwidth services and fibre optics.

Raising the regional profile

Stronger focus of sales structures on regional markets provides another opportunity, which will increase the adoption of PŸUR by local housing corporations and among business and private customers. Regions that have already been developed will be analysed more thoroughly in future for possible connection of additional households. This will be supported through increased cooperation on the part of the various network providers. This will increase coverage and make additional regions accessible. Overall, these measures have great potential of gaining additional customers. (latent opportunity)

Further opportunities

Tele Columbus is continuously optimising internal processes and structures. The main focus are Tele Columbus's customers. A major goal is to create a positive customer experience and treat customers as equal partners. This is only possible when understanding the customers' needs. Tele Columbus therefore regularly rates customer feedback by means of a net promoter score (NPS) and uses it as a control instrument for offering customers a higher quality service.

Providing positive services to customers ultimately also depends on the happiness of Tele Columbus's own employees. It is therefore very important to Tele Columbus to foster a positive corporate culture. For this reason, a company-wide culture project has been initiated with the objective of retaining employees and customers to the company in the long term, gaining new customers and continuing the path of growth. (latent opportunity)

7.3 Overall conclusion on risks and opportunities from the perspective of Group Management

Expansion of the fibre optic network and the planned merger of Vodafone and Unitymedia currently present the greatest opportunities for Tele Columbus but also the greatest risks.

The course into the gigabit age can no longer be averted. Although experts almost unanimously consider fibre optics networks the future, Germany is not in a good position on an international scale. Deutsche Telekom intensively drove fibre optics expansion in metropolitan areas in 2011 to 2014, which has since progressed far more slowly in recent years. This provides good opportunities, especially for cable network providers, to upgrade their existing networks and to actively participate in fibre optics expansion. But expansion is expensive and therefore must be carefully planned. The Tele Columbus Group is very aware of the intrinsic opportunities and risks and manages these with the greatest of attention.

Also closely monitored are the planned acquisition of Unitymedia by Vodafone and the resulting opportunities and risks. It is still unclear whether the acquisition will be approved by the EU authorities or in case of an approval if restrictions will be imposed. But it is clear that such a mega-merger will have a major impact on the German telecommunications market. Numerous well-known industry associations of the housing sector, of the network operators and of the media companies as well as Deutsche Telekom, other competitors and also Tele Columbus are very wary of the merger and demand a prohibition or at least severe restrictions. Enforcement of certain restrictions can provide a major opportunity for Tele Columbus to enter new regions and thereby attract new customers. On the other hand, in case no effective enforcements are impeded, Vodafone will have even greater market power with regard to the housing associations after the acquisition of Unitymedia and especially also in respect of TV channels, which could lead to considerable rises in cost and disadvantages for customers and also for Tele Columbus and other cable network operators. Tele Columbus is preparing intensively for the possible merger, but is only able to influence it to a limited extent.

Tele Columbus possesses effective monitoring systems for dealing with risks early on and consistently. In our opinion, there are no discernible risks for the forecast years that individually – or in combination with other risks – could have a material or lasting adverse effect on the Company's financial position, financial performance and cash flows. The risks identified are not such that they could affect the Company's ability to continue as a going concern, also in the future. As of the date of preparation of this report, therefore, the Board of Management still considered the overall risk exposure as limited and manageable. We still consider the majority of the issues presented in the last annual report as low risk.

Based on the monitoring system described, Tele Columbus AG has taken the necessary precautions to counteract developments that could affect its ability to continue as a going concern. In the view of the Board of Management of Tele Columbus AG, the Group’s ability to continue as a going concern was not at risk at any time. Furthermore, as at the reporting date, the Board was not aware of any risks that could affect the Group's ability to continue as a going concern or have a lasting adverse effect on its financial position, financial performance and cash flows and thereby create such a going concern risk. The Board of Management considers the overall risk position as controllable and is confident that it will be able to use the opportunities and challenges presenting themselves also in future without having to take unacceptably high risks.

8. Corporate governance statement in accordance with Section 289f HGB and Section 315d HGB

The corporate governance statement pursuant to Section 289f HGB and Section 315d HGB can be downloaded from Tele Columbus AG's website at https://www.telecolumbus.com/investor-relations/ under ‘Corporate Governance Statement'.

9. Non-financial group report

Tele Columbus AG's separate non-financial group report pursuant to Sections 315b and 315c in conjunction with Sections 289b to 289e HGB will be available after publication in the management report on the Tele Columbus AG website at https://www.telecolumbus.com/investor-relations/ under 'Publications' ('Financial statements and quarterly releases').

10. Information on potential takeover offers

10.1 Presentation and composition of share capital

As at the reporting date, Tele Columbus AG's share capital amounted to KEUR 127,556. It consists of 127,556,251 no-par value bearer shares at a share capital value of EUR 1.00 each, with full profit-sharing rights from 1 January 2015. The share capital of Tele Columbus AG is fully paid. There are no different classes of shares. All shares are subject to the same rights and obligations, each arising in particular from Sections 12, 53a, 186 and 188 et seqq. of the German Stock Corporation Act [AktG]. A right of shareholders 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. The profit shares of shareholders are determined by their shares in the Company's 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.

10.2 Restrictions on voting rights or on the transfer of shares

Restrictions on the voting rights of shares may arise in particular from the provisions of the German Stock Corporation Act [AktG]. 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.

10.3 Direct or indirect shareholdings exceeding 10 % of the voting rights

Under the German Securities Trading Act [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 at the reporting date, the following companies and individuals 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 individuals: United Internet AG, Montabaur; Ralph Dommermuth GmbH & Co. KG Beteiligungsgesellschaft, Montabaur; Ralph Dommermuth Verwaltungs GmbH, Montabaur; Ralph Dommermuth, Montabaur.

- Ameriprise Financial Inc.: 10.47 %

  This interest is attributed to the following companies: Threadneedle Asset Management Limited, London, United Kingdom; Threadneedle Management Luxembourg SA, Luxembourg.

10.4 Shares with special rights that confer powers of control

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

10.5 Appointment and dismissal of members of the Board of Management and Supervisory Board/ amendments to the Articles of Association

Management board members are appointed or dismissed 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 management board 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 Article 6 (3) of the Articles of Association.

The members of the Supervisory Board are elected at the annual general meeting by a simple majority of votes for a maximum period of five years. At the annual general meeting, shareholders may decide on shorter-term appointments for individual members they elect, or for the Supervisory Board as a whole. Reappointment or renewal of appointment for a maximum of five years is permissible. 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 shareholder resolution at the annual general meeting. Resolutions at 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 Article 23 of the Articles of Association of the Company in conjunction with Section 179 (2) sentence 2 AktG unless otherwise prescribed by law. No use was made in the Articles of Association of the option of requiring a majority higher than a simple majority also in other cases.

Pursuant to Article 10 (4) of the Articles of Association, the Supervisory Board has the right to make amendments to the Articles of Association that involve only the wording.

10.6 Powers of the Board of Management, in particular with regard to issuing or repurchasing shares

10.6.1 *Authorised capital*

Pursuant to a shareholder resolution taken at 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 share capital by issuing new no-par value registered shares against cash or non-cash contributions once or several times, by a maximum of EUR 1,925,693 (Authorised Capital 2015/I). This corresponds to approximately 1.5 % of the current share capital. This authorisation applies from 15 September 2015 until 14 May 2020.

10.6.2 *Contingent capital*

According to a shareholder resolution taken at the annual general meeting on 15 May 2015, the Company's share capital can be increased by a maximum of EUR 28,345,833 by issuing up to 28,345,833 new no-par value registered shares, contingent on the registered shares (Contingent Capital 2015/I). This authorisation expires on 14 May 2020 (midnight). The Board of Management and the Supervisory Board are authorised until 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.

10.7 Significant agreements of the Company conditional on a change of control in the event of a takeover bid and the related implications

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 security trustee. The credit agreement has been amended several times since. This financing agreement provides, among other things, for the granting of a term loan of KEUR 707,463 (Facility A; after a voluntary redemption payment of KEUR 597,537), a further term loan of KEUR 75,000 (Facility 75m) and a revolving working capital facility in the amount 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 30 % of the ordinary shares of the Company, (b) can exercise or control more than 30 % 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. Termination results in an immediate claim to repayment on the part of the lenders. Their obligation to participate in future drawdowns under the loans (except in the case of rollover drawdowns) ceases to apply.

10.8 Agreements concluded between the Company and members of the Board of Management or employees governing compensation in the event of a takeover bid

If a shareholder holds more than 30 % of the voting rights, the management board members have the right to terminate their service contracts within six months of the change of control. In the event of such termination, the members of the Board of Management shall be paid the compensation they are owed under their service contract until the end of the term, a maximum of two years' compensation, paid as a one-off severance payment. Calculation of the severance payment is based on the total compensation for the past financial year and where appropriate also on the expected overall compensation for the current financial year.

11. Compensation report

The compensation report is an integral part of the combined management report of Tele Columbus AG. It explains the systematic compensation structure for the Board of Management and the Supervisory Board of Tele Columbus AG in accordance with legal requirements and recommendations of the German Corporate Governance Code. The compensation report also contains mandatory disclosures on governing bodies according to German commercial law (notes: Section 314 HGB; management report: Section 315 HGB) and IFRS (IAS 24). The notes to the financial statements also summarise individual disclosures, to the extent required.

11.1 Compensation of the Board of Management

11.1.1 *Management Board compensation system*

The Supervisory Board determines appropriate compensation for the individual members of the Board of Management. The appropriateness of compensation is determined according to the duties and services rendered as well as the Company's position. The total compensation may not exceed the usual compensation without good cause and is regularly reviewed through peer group comparison. The compensation structure is geared towards sustainable corporate development.

Members of the Board of Management in financial year 2018 were Timm Degenhardt (member of the board since 1 September 2017, Chief Executive Officer (CEO) since 1 January 2018), Eike Walters (member of the board since 25 June 2018, Chief Financial Officer (CFO) since 15 July 2018) and Frank Posnanski (CFO until 15 July 2018). The compensation of management board members takes into account the size of Tele Columbus AG, its economic and financial position, its success and future prospects, the customary amount and structure of management compensation at comparable companies and the internal salary structure. The Supervisory Board has also taken into account the relationship between management board compensation and the compensation of senior managers and the workforce as a whole, and how it has developed over time. Further criteria are the individual duties and services rendered by members of the Board of Management. The structure and appropriateness of compensation of the Board of Management is reviewed regularly by the Supervisory Board.

The total compensation of the members of the Board of Management consists of three fundamental components: the basic compensation plus fringe benefits, a short-term performance-linked 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.

11.1.2 *Basic compensation*

Members of the Board of Management receive an annual fixed basic compensation, which is paid in twelve equal monthly instalments regardless of performance at the end of the month and represents the fixed compensation component.

In addition, management board members have a contractual claim to fringe benefits and non-cash benefits, which primarily include the use of a company car or equivalent compensation and the payment of premiums for accident and health insurance. These costs were measured according to tax regulations.

11.1.3 *Short-term variable compensation component*

Management board members are entitled to a short-term performance-based compensation component in the form of an annual bonus. This component is paid within one month following approval of the Company's consolidated financial statements for the relevant financial year by the Supervisory Board. The maximum amount of the variable compensation component for a financial year is 75 % of the fixed annual salary of the CEO and 66.25 % of the CFO's, depending on the individual target achievement of the management board member concerned. 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 provided by the Supervisory Board. Target achievement is based on a weighting of the assessment bases of 30 % for Normalised EBITDA, 20 % for revenue, 15 % for capex and free cash flow, and 10 % for customer loyalty and the discretionary component. The target values for 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 in writing in consultation with the respective management board 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 payroll is based, it is calculated on a pro rata basis.

11.1.4 *Long-term variable compensation component (LTIP)*

Management board members participate 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 management board member to promote the success of the company. To this end, the members of the Board of Management are promised a gross amount (LTI instalment) in each financial year based on the bonus percentages set in their service 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 (long term incentive - LTI) corresponding to the degree of achievement to be paid to the management board member is then determined. The performance targets and the bases of assessment are the average values of the annually calculated group EBITDA adjusted for 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 instalment is being awarded and ends at the end of the second financial year following the financial year for which the LTI instalment was awarded. A claim to LTI payments is established with the approval of the consolidated financial statements by the Supervisory Board for the last financial year of the performance period. Any LTI must be settled and paid to the management board member within one month of approval of the consolidated financial statements. The maximum variable long-term compensation of each management board member is limited to 150 % of basic compensation on the date of payment of the respective LTIP. If the average adjusted EBITDA on the date of payment of the LTI falls below 85 % of the adjusted average target EBITDA, this compensation component is not granted. The minimum compensation for an LTI instalment is therefore EUR 0.00 for each management board member.

If a management board member leaves service before the end of 24 months of a performance period, that member has no entitlement to an LTI. If 24 months of the performance period of an LTI instalment have already lapsed on the date of termination of service, the board member is entitled to an LTI for this LTI instalment on a pro rata basis subject to satisfaction of the performance measurement conditions. If a management board member joins Tele Columbus AG during the course of a financial year, the Supervisory Board decides whether and to what extent the management board member is entitled to participate in the LTI instalment for that current financial year.

11.1.5 *Long-term share-based variable compensation component (MSP)*

Long-term share-based variable compensation takes the form of a matching stock programme (MSP). The MSP creates a long-term incentive for the management board member to promote the success of the Company. To this end, the members of the Board of Management are allocated a number of options determined by the Supervisory Board in advance each financial year subject to and dependent on corresponding personal investment by the management board member in Tele Columbus AG. After the end of four financial years (i.e. the holding period), the management board member may exercise these options in accordance with further conditions. This compensation component came into effect in financial year 2015.

The number of shares that can be held by management board members (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 own name for the duration of their participation in the MSP. During the term of the respective service contract, the management board member will receive from each of the MSP's five annual instalments a specific number of options for each qualifying share held in the blocked custody account on the relevant reporting date. For the first instalment of the MSP (i.e. the 2015 instalment), the number of options per qualifying share is 4.3, and for the 2016 to 2018 instalments it is 4.5. The Supervisory Board will determine the number of options per qualifying share for the future instalments in due course. The 2015 instalment was allocated on the day of the IPO on 23 January 2015. The remaining instalments will be allocated for the following years in each case on 23 January, provided the service contract still applies on that date.

Instalment 3, for Mr Degenhardt, was allocated on 1 September 2017 and the vesting period ends on 22 January 2019. For this instalment, the number of options for each qualifying share is not 4, but the number of 4 is reduced on a prorated basis (period from 1 September 2017 to 22 January 2018 in proportion to a full twelve-month instalment period). Instalment 4, for Timm Degenhardt and Eike Walters was allocated on 28 September 2017.

The holding period for the first 2015 instalment ends on 22 January 2019. The holding period for each additional MSP instalment is four years. It begins on the day of allocation of an MSP instalment and ends at the end of four calendar years. The options for an instalment may be exercised after the holding period has elapsed, provided that the weighted average of the share price during the preceding 60 stock exchange trading days immediately prior to exercising the respective option exceeds the respective exercise threshold. The relevant exercise threshold is determined by the Supervisory Board when allocating the respective instalment and amounts to at least 130 % of the exercise price. With regard to instalment 4 the exercise threshold is determined to amount to at least 120 %.

The options exercised for an instalment are converted into a euro amount, equal to the difference between the closing share price on the last stock exchange trading day before receipt of the exercise notification and the exercise price of the respective instalment multiplied by the number of options exercised (i.e. gross profit on options). The net profit on options remaining to the management board member after deduction of statutory fees and personal taxes is in turn allocated to the respective management board member in the form of shares. The management board member is obliged not to sell the shares acquired in this manner 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/her annual base salary on the date the respective MSP instalment is paid out.

The options of an MSP instalment always become vested monthly after allocation.

If a management board member discontinues his/her services for the Company before the exercise or expiry of his/her options as a result of expiration of the agreed contract term, death, permanent inability to work, retirement, or due to effective extraordinary termination on the part of the management board member, he/she and/or his/her heirs may exercise the vested options in the event of his/her departure even after he/she has departed. By contrast, all options not yet vested shall expire. If the service contract for a member of the Board of Management is terminated for other reasons, all vested and unvested options not exercised on the date of legal termination of service shall expire.

If a management board member joins Tele Columbus AG during a financial year, the Supervisory Board decides whether and, if so, with which reduced instalment the management board member is entitled to participate in the MSP for that current financial year.

11.1.6 *Other commitments*

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. D&O insurance covers the personal liability risk should members of executive bodies be made liable for financial losses when exercising their duties. The policy for financial year 2018 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 and the German Corporate Governance Code.

The members of the Board of Management do not participate in the existing company pension plan. The CEO therefore receives, for the duration of his service contract, an annual amount of 7.5 % of his respective current annual salary either in the form of direct insurance (life insurance) or a pension relief fund to his benefit. For Frank Posnanski, Tele Columbus AG paid the costs for pension insurance already taken out by him.

11.1.7 *Payments in the event of termination of a service contract*

The service contracts of both members of the Board of Management do not provide for termination benefits in the event of premature termination of contract without good cause.

Pursuant to the German Corporate Governance Code, the contracts provide however that in the event payment for premature termination of the contract without good cause should be agreed, such termination benefits 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 that service contract. Calculation of the severance cap is to be based on the total compensation for the past financial year and where appropriate also on the expected overall compensation for the current financial year. If the residual term of the management board service contract is less than two years, the termination benefits must be calculated pro rata temporis.

If the service contract is terminated for good cause to be justified by the member of the Board of Management, no payments are made to that member of the Board.

In the event of premature termination of a management board member's activity due to a change of control, the following has been contractually agreed. The management board member has the right to terminate his/her service contract within a period of six months after the change of control by giving six months' notice prior to the end of any month and to resign from his/her office as a member of the Board of Management (i.e. 'CoC termination'). In the event of CoC termination due to change of control, the management board member shall receive his/her contractual compensation for the remaining term of the service contract in the form of a one-off payment (i.e. 'CoC termination benefits'), but no more than a maximum of two years' annual compensation. While the matching stock programme is not factored into the annual compensation of the CEO (payments under the MSP are unlimited), this exception does not apply to the CFO. Calculation of the one-off termination benefits is to be based on the total compensation for the past financial year and where appropriate also on the expected overall compensation for the current financial year.

Members of the Board of Management are generally subject to a post-contractual non-compete clause for a period of 18 months after termination of their service contract. During the period of the non-compete obligation, the management board member concerned shall receive compensation amounting to 50 % of his/her most recent fixed annual compensation. Other actual and hypothetical income of the management board member will be deducted from 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 temporary inability to work, a management board member shall receive the full fixed salary for six months, but no longer than until the end of the term of his/her service contract.

If a member of the Board of Management dies during the term of his/her service contract, his/her compensation, including the variable compensation, shall be settled until the date of termination of his/her service contract due to death and paid out to his/her heirs. In addition, his/her widow/widower and his/her children under the age of 25, as joint creditors, shall have the right to 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 regular term of his/ her service contract.

These principles also apply to the compensation contractually agreed with Ronny Verhelst and Frank Posnanski within the framework of a termination agreement. Ronny Verhelst receives termination benefits in the amount of EUR 812,500. He is not entitled to a prorated short-term variable compensation component for financial year 2018. With regard to the LTIP, it has been agreed that he is entitled to 100 % of the LTIP instalments for 2015 and 66.66 % of the LTIP 2016 instalment (in assuming that these were vested). Achievement of the performance targets was based on available data and the best estimate as at 31 January 2018. On this basis, Ronny Verhelst was granted an amount of EUR 905,444. He has no entitlement to the LTIP 2017 and 2018 instalments. Compensation under the post-contractual non-compete clause amounts to EUR 31,250 per month and – contrary to the basic contractual arrangements – is paid for a period of twelve months from 31 January 2018. Frank Posnanski receives termination benefits in the amount of EUR 418,750. He is entitled to a prorated short-term variable compensation component for financial year 2018. With regard to the LTIP, it has been agreed that he is entitled to 100 % of the LTIP instalments for 2015 and 84.6 % of the LTIP 2016 instalment (in assuming that these were vested). Achievement of the performance targets was based on available data and the best estimate as at 15 July 2018. On this basis, Frank Posnanski was granted an amount of EUR 508,017. He has no entitlement to the LTIP 2017 and 2018 instalments. Compensation under the post-contractual non-compete clause amounts to EUR 14,883.33 per month and – contrary to the basic contractual arrangements – is paid for a period of twelve months from 15 July 2018.

11.1.8 *Overview of the total compensation of the Board of Management*

The following section provides information on compensation of the Board of Management as required pursuant to Sections 285 and 314 HGB and German Accounting Standard No 17 (GAS 17).

The total compensation granted to the members of the Board of Management for financial year 2018 amounted to KEUR 1,654 (PY: KEUR 2,622). Of this amount, KEUR 885 (PY: KEUR 1,282) was attributable to non-performance-linked compensation components, KEUR 65 (PY: KEUR 319) to other non-performance-linked benefits, KEUR 257 (PY: KEUR 106) to short-term performance-linked compensation components, EUR 0

(PY: KEUR 150) to long-term variable compensation components (LTIP), KEUR 247 (PY: KEUR 740) to share-based compensation under the MSP, and KEUR 200 to other compensation or contractual benefits (PY: KEUR 25).

The total compensation paid to the former members of the Board of Management, Ronny Verhelst and Frank Posnanski, in connection with termination of their service contracts amounted to KEUR 1,852 in the financial year (thereof KEUR 1,255 for Ronny Verhelst and KEUR 597 for Frank Posnanski).

All members of the Board of Management were also active in parent companies and/ or subsidiaries of Tele Columbus AG. The compensation awarded for activities on the Board of Management of Tele Columbus AG also covers these activities.

The individualised, overall compensation of the members of the Board of Management, broken down into the respective components, is shown in the following tables for financial year 2018. The first set of tables show the target compensation for the reporting year. The second set of tables show the actual payments made for that financial year.

Value of benefits granted for the 2018 financial year

	Timm Degenhardt			**Eike Walters (since 25.06.2018)**		
	2018	2018 (min)	2018 (max)	2018	2018 (min)	2018 (max)
Fixed salary	600.000,00	600.000,00	600.000,00	96.833,34	96.833,34	96.833,34
Fringe benefits[1)]	52.224,00	52.224,00	52.224,00	3.791,49	3.791,49	3.791,49
Subtotal	652.224,00	652.224,00	652.224,00	100.624,83	100.624,83	100.624,83
Year-specific variable compensation[2)]	192.020,45	0,00	450.000,00	30.803,28	0,00	64.152,09
Multiple year compensation: LTIP (3 years)[3)]	0,00	0,00	0,00	0,00	0,00	0,00
Equity-based compensation (MSP)[4)]	164.250,00	0,00	164.250,00	82.125,00	0,00	82.125,00
Other benefits[5)]	200.000,00	0,00	200.000,00	0,00	0,00	0,00
Subtotal	556.270,45	0,00	814.250,00	112.928,28	0,00	146.277,09
Pension expenses	0,00	0,00	0,00	0,00	0,00	0,00
Total compensation	**1.208.494,45**	**652.224,00**	**1.466.474,00**	**213.553,11**	**100.624,83**	**246.901,92**

1) Fringe benefits include expenses and/or non-cash benefits, such as the provision of a company car, and the conclusion and payment of contributions towards various insurance and pension benefits.
2) The one-year variable compensation was paid in 2019. Allocations were made to provisions accordingly in 2018.
3) As compensation was granted subject to conditions precedent (achievement of certain targets and benefits becoming vested after 24 months) that were not yet fulfilled as at 31 December 2018, no figures are presented.
4) The value of the granted compensation shown is not comparable to the disclosures in the notes to the consolidated financial statements, as here the total option value of the fourth instalment is taken into account.
5) The other compensation includes a sign-on bonus.

Value of benefits granted for the 2018 financial year

	Frank Posnanski (until 15.07.2018)		
	2018	2018 (min)	2018 (max)
Fixed salary	188.611,13	188.611,13	188.611,13
Fringe benefits [1)]	9.146,78	9.146,78	9.146,78
Subtotal	197.757,91	197.757,91	197.757,91
Year-specific variable compensation[2)]	34.294,66	0,00	141.458,35
Multiple year compensation: LTIP (3 years)	0,00	0,00	0,00
Equity-based compensation (MSP)	0,00	0,00	0,00
Subtotal	34.294,66	0,00	141.458,35
Pension expenses	0,00	0,00	0,00
Total compensation	**232.052,57**	**197.757,91**	**339.216,26**

[1)] Fringe benefits include expenses and/or non-cash benefits, such as the provision of a company car, the conclusion and payment of contributions towards various insurance and pension benefits,
[2)] The one-year variable compensation was paid in 2019. Allocations were made to provisions accordingly in 2018.

Value of benefits granted for financial year 2017

	Ronny Verhelst (CEO)			Frank Posnanski (CFO)		
	2017	2017 (min.)	2017 (max.)	2017	2017 (min.)	2017 (max.)
Fixed compensation	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
Total	916,485.59	916,485.59	920,256.57	392,873.40	350,158.42	392,873.40
One-year variable compensation [2)]	50,000.00	0.00	496,875.00	30,000.00	0.00	231,875.00
Multi-year variable compensation: LTIP (3 years) [3)]	100,000.00	0.00	1,125,000.00	50,000.00	0.00	525,000.00
Share-based compensation (MSP)[4)]	343,355.33	0.00	343,355.33	192,123.78	0.00	192,123.78
Total	493,355.33	0.00	1,965,230.33	272,123.78	0.00	948,998.78
Pension expenses	0.00	0.00	0.00	0.00	0.00	0.00
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 and payment of contributions towards various insurance and pension benefits, the payment of living expenses, and the settlement of costs for tax consultancy services.
[2)] The one-year variable compensation was paid in 2018. Allocations were made to provisions accordingly in 2017.
[3)] Projected and calculated proportionate value of the LTI instalments for financial year 2017
[4)] The value of the granted compensation shown is not comparable to the disclosures in the notes to the consolidated financial statements, as here the total option value of the third instalment is taken into account. For Ronny Verhelst, KEUR 96 relates to the actual year 2017. The remainder arises from automatic vesting of the prorated annual values of instalments 1 to 3 due to termination of the contract.

Value of benefits granted for financial year 2017

	Timm Degenhardt		
	2017	2017 (min.)	2017 (max.)
Fixed compensation	200,000.00	200,000.00	200,000.00
Fringe benefits 1)	91,455.69	91,455.69	91,455.69
Total	291,455.69	291,455.69	291,455.69
One-year variable compensation	26,000.00	0.00	150,000.00
Multi-year variable compensation: LTIP (3 years)	0.00	0.00	0.00
Share-based compensation (MSP)2)	204,437.35	0.00	0.00
Total	230,437.35	0.00	150,000.00
Cost of benefits	0.00	0.00	0.00
Benefits under 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 and payment of contributions towards various insurance and pension benefits, the payment of living expenses, and the settlement of costs for tax consultancy services.
2) The value of the granted compensation shown is not comparable to the disclosures in the notes to the consolidated financial statements, as here the total option value of the third instalment is taken into account.

Inflow for the 2018 financial year

	Frank Posnanski (until 15.07.2018)	**Timm Degenhardt**	**Eike Walters (since 25.06.2018)**
Inflow	2018	2018	2018
Fixed salary	188.611,13	600.000,00	96.833,34
Fringe benefits 1)	9.146,78	52.224,00	3.791,49
Subtotal	197.757,91	652.224,00	100.624,83
Year-specific variable compensation2)	69.131,11	41.600,00	0,00
Multiple year compensation: LTIP (3 years)3)	508.017,00	0,00	0,00
Equity-based compensation (MSP)	0,00	0,00	0,00
Other benefits	0,00	200.000,00	0,00
Subtotal	577.148,11	241.600,00	0,00
Pension expenses	0,00	0,00	0,00
Total compensation	**774.906,02**	**893.824,00**	**100.624,83**

1) Fringe benefits include expenses and/or non-cash benefits, such as the provision of a company car or compensation for such a car, contributions towards various insurance and pension benefits.
2) The one-year variable compensation for 2017 was paid in the first quarter of 2018.
3) Payment of the LTIP refers to the instalments for financial years 2015 and 2016 (prorated)

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	0,00
Multiple year compensation: LTIP (3 years)	394.500,00	197.250,00	0,00
Equity-based compensation (MSP)	0,00	0,00	0,00
Subtotal	655.500,00	323.293,75	0,00
Pension expenses	0,00	0,00	0,00
Services from other contracts[3)]	0,00	0,00	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 or compensation for such a car, contributions towards various insurance and pension benefits, living expenses and costs for tax consultancy services.
[2)] The one-year variable compensation for 2016 was paid in the first quarter of 2017.
[3)] The other benefits refer to a consulting agreement prior to permanent employment.

The management board members have an interest in Tele Columbus AG's long-term success through the matching stock programme (MSP). Options granted under this programme are allocated as follows:

Matching Stock Program (MSP)

	Timm Degenhardt, CEO					
	Tranche 3			Tranche 4		
	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 7.78	KEUR 204	78,889	-	-	-
Granted options during the year	-	-	-	EUR 2.81	KEUR 164	225,000
Forfeited options during the year	-	-	-	-	-	-
Exercised options during the year	-	-	-	-	-	-
Expired options during the year	-	-	-	-	-	-
Outstanding options per 31 December	EUR 7.78	-	78,889	EUR 2.81	-	225,000
Exercisable options per 31 December	-	-	-	-	-	-

Matching Stock Program (MSP)

	Eike Walters (since 25 June 2018)		
	Tranche 4		
	Weighted average exercise price	Fair value of options upon grant	Number of options
Outstanding options at 1 January	-	-	-
Granted options during the year	EUR 2.81	KEUR 82	112,500
Forfeited options during the year	-	-	-
Exercised options during the year	-	-	-
Expired options during the year	-	-	-
Outstanding options per 31 December	EUR 2.81	-	112,500
Exercisable options per 31 December	-	-	-

Matching Stock Program (MSP)

	Frank Posnanski (until 15 July 2018)								
	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	KEUR 140	107,500	EUR 8.60	KEUR 229	112,500	EUR 7.78	KEUR 192	112,500
Granted options during the year	-	-	-	-	-	-	-	-	-
Forfeited options during the year	-	-	-	-	-	-	-	-	-
Exercised options during the year	-	-	-	-	-	-	-	-	-
Expired options during the year	-	-	13,437	-	-	42,187	-	-	70,312
Outstanding options per 31 December	EUR 7.01		94,063	EUR 8.60		70,313	EUR 7.78		42,188
Exercisable options per 31 December	-	-	-	-	-	-	-	-	-

Pension benefits granted to Timm Degenhardt in financial year 2018 amounted to KEUR 45 (PY: EUR 0), and to Frank Posnanski KEUR 5 (PY: KEUR 9).

As in the previous year, no advances were paid to management board members in financial year 2018, and there were no loans.

11.2 Compensation of the Supervisory Board

11.2.1 *Supervisory Board compensation system*

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 fixed annual compensation in the amount of KEUR 33 (PY: KEUR 33). The Chairman of the Supervisory Board receives KEUR 75 annually (PY: KEUR 75). Membership and chairmanship of committees are remunerated separately. Each member of the Audit Committee receives an additional KEUR 4 (PY: KEUR 4). The Chairman of the Audit Committee receives an additional KEUR 12 (PY: KEUR 12). The Chairman of the Executive Committee receives an additional KEUR 5 (PY: KEUR 5). If a member of the Supervisory Board is not part of the Supervisory Board or a committee for the entire financial year, compensation is reduced proportionally to the time of service. 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 (PY: KEUR 1) per meeting day. Participation by way of video or telephone link is considered participation in this sense.

Tele Columbus AG reimburses members of the Supervisory Board for expenses incurred in exercising their supervisory board functions as well as value added tax on their compensation.

Members of the Supervisory Board are also included in the company D&O insurance policy maintained by Tele Columbus AG with an appropriate deductible, in accordance with the provisions of the German Stock Corporation Act and the German Corporate Governance Code. The premiums are paid by Tele Columbus AG.

11.2.2 *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 resolution of the shareholders at the annual general meeting held on 10 July 2016 to increase the number of supervisory board members from six to eight members in order to provide the largest shareholder, United Internet, with the required representation on the Supervisory Board. The members were elected by resolution at the annual general meeting on 10 September 2014. In addition, by resolution on 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 of 22 February 2016, as well as Mr Frank Krause and Dr Volker Ruloff. Mr Frank Krause and Dr Volker Ruloff stepped down as members of the Supervisory Board as at 3 October 2018. They have so far not been replaced. Frank Donck stepped down from his position as supervisory board member and from his function as chairman of the supervisory board with effect from 2 April 2019. André Krause was elected as chairman of the supervisory board.

The short appointment period is intended to ensure that the tenure of all eight members of the Supervisory Board ends at the same time. This provides greater flexibility with regard to new appointments or re-election of members of the Supervisory Board to better meet the requirements with regard to diversity, the number of independent members, as well as targets for female representation on the Supervisory Board.

The total compensation of members of the Supervisory Board in financial year 2018 amounted to KEUR 426 (PY: KEUR 353) (excluding VAT). Of this amount, KEUR 290 (PY: KEUR 276) was attributable to fixed compensation for activities on the Supervisory Board. Compensation for committee work amounted to KEUR 25 (PY: KEUR 25).

In financial years 2018 and 2017, Tele Columbus AG entities 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 members of the Supervisory Board for financial years 2018 and 2017 is shown in the following tables:

Compensation of members of the Supervisory Board for 2018

EUR	Fixed compen-sation	Compensation for committee work	Attendance fees	Total compen-sation
Franck Donck (Chairman)	75,000.00	5,000.00	13,000.00	93,000.00
Christian Boekhorst	33,000.00	4,000.00	22,000.00	59,000.00
Dr Susan Hennersdorf	33,000.00	1,000.00	10,500.00	44,500.00
André Krause	33,000.00	12,000.00	23,000.00	68,000.00
Frank Krause	24,750.00	0.00	4,500.00	29,250.00
Yves Leterme	33,000.00	0.00	11,500.00	44,500.00
Catherine Mühlemann	33,000.00	0.00	14,500.00	47,500.00
Dr Volker Ruloff	24,750.00	3,000.00	12,500.00	40,250.00
Total	**289,500.00**	**25,000.00**	**111,500.00**	**426,000.00**

Compensation of members of the Supervisory Board for 2017

EUR	Fixed compen-sation	Compensation for committee work	Attendance fees	Total compen-sation
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**

Berlin, 29 April 2019

Tele Columbus AG, Berlin

Board of Management
- Timm Degenhardt -

Board of Management
- Eike Walters -

Consolidated Financial Statements
for the Financial Year Ended 31 December 2018

in accordance with
International Financial Reporting Standards (IFRS)
as adopted by the European Union

for

Tele Columbus AG

Because amounts are disclosed in thousands of euros, standard commercial rounding may result in rounding differences. In some cases, such rounded amounts and percentages may not correspond 100% to the stated sums when added together. Due to standard commercial rounding, subtotals in tables may differ slightly from non-rounded figures in other sections of the consolidated financial statements.

I. Consolidated Income Statement

KEUR	Notes	2018	2017
Revenue	E.1	494,381	495,756
Own work capitalised	E.2	20,753	16,864
Other income	E.3	24,467	20,545
Total operating income		*539,601*	*533,165*
Cost of materials	E.4	-181,505	-159,150
Employee benefits	E.5	-79,376	-81,469
Other expenses	E.6	-89,171	-95,541
EBITDA		**189,549**	**197,005**
Depreciation and amortisation	E.7	-283,003	-155,610
EBIT		**-93,454**	**41,395**
Equity method income (+) / loss (-)		-5	53
Interest and similar income	E.8	308	137
Interest and similar expense	E.8	-75,655	-57,614
Other financial income (+) / loss (-)	E.9	-2,407	-12,348
Profit (+) / Loss (-) before tax		*-171,213*	*-28,377*
Income taxes	E.10	9,817	12,027
Net loss		**-161,396**	**-16,350**
attributable to shareholders of Tele Columbus AG		-163,848	-18,802
attributable to non-controlling interests		2,452	2,452
Undiluted earnings per share in EUR	F.5	-1.28	-0.15
Diluted earnings per share in EUR	F.5	-1.28	-0.15

The accompanying notes are an integral part of the consolidated financial statements.

II. Consolidated Statement of Other Comprehensive Income

KEUR	Notes	2018	2017
Net loss		*-161,396*	*-16,350*
Other comprehensive income			
Expenses and income that will not be reclassified subsequently to profit or loss			
Remeasurement of gains (+)/ losses (-) on defined benefit plans (after deferred taxes)	**E.17**	434	-110
Total comprehensive income		**-160,962**	**-16,460**
of which attributable to:			
Shareholders of Tele Columbus AG		-163,414	-18,912
Non-controlling interests		2,452	2,452

The accompanying notes are an integral part of the consolidated financial statements.

III. Consolidated Statement of Financial Position

Assets

KEUR	Notes	31 December 2018	31 December 2017
Non-current assets			
Property, plant, and equipment	E.11	639,440	609,869
Intangible assets	E.12	1,258,734	1,389,953
Investments accounted for using the equity method	B.4	411	416
Trade and other receivables	E.14.1	20	80
Other financial receivables	E.14.2	660	1,605
Accruals and deferrals	E.14.2	2,780	3,246
Deferred tax assets	E.10	1,593	2,010
Derivative financial instruments	E.14.2	1,283	1,521
		1,904,921	**2,008,700**
Current assets			
Inventories	E.13	8,615	10,928
Trade and other receivables	E.14.1	56,209	54,728
Receivables due from related parties	F2.2	6	12
Other financial receivables	E.14.2	1,940	2,020
Other assets	E.14.2	19,421	17,485
Current tax assets	E.10	4,712	4,022
Cash and cash equivalents	F.4	26,288	31,767
Accruals and deferrals	E.14.2	3,419	2,917
Assets held for sale	E.15	249	607
		120,859	**124,486**
Total assets		**2,025,780**	**2,133,186**

Equity and liabilities

KEUR	Notes	31 December 2018	31 December 2017
Equity			
Share Capital	E.16	127,556	127,556
Capital reserve		620,838	620,838
Other components of equity		-402,419	-239,165
Equity attributable to shareholders of Tele Columbus AG		*345,976*	*509,229*
Non-controlling interests		8,692	7,958
		354,668	**517,187**
Non-current liabilities			
Pensions and other long-term employee benefits	E.17	9,496	9,833
Other provisions	E.19	2,721	463
Liabilities to banks and from the bond issuance	E.20	1,400,814	1,297,685
Trade and other payables	E.21	120	827
Other financial liabilities	E.23	57,974	37,615
Deferred revenue	E.22	4,452	5,285
Deferred tax liabilities	E.10	33,249	44,876
Derivative financial instruments	E.22	3,840	3,091
		1,512,666	**1,399,675**
Current liabilities			
Other provisions	E.19	9,527	18,626
Liabilities to banks and from the bond issuance	E.20	15,059	43,393
Trade and other payables	E.21	76,383	94,371
Payables due to related parties	F2.2	734	861
Other liabilities	E.23	24,834	27,846
Other financial liabilities	E.23	18,469	11,925
Income tax liabilities	E.10	10,510	15,572
Deferred revenue	E.22	2,931	3,730
		158,447	**216,324**
Total equity and liabilities		**2,025,780**	**2,133,186**

The accompanying notes are an integral part of the consolidated financial statements.

IV. Consolidated Statement of Cash Flows

KEUR	Notes	2018	2017
Cash flow from operating activities			
Net loss		*-161,396*	*-16,350*
Net financial income or expense		77,754	69,825
Income taxes		-9,817	-12,027
Equity method income / loss		5	-53
Earnings before interest and taxes (EBIT)		*-93,454*	*41,395*
Depreciation and amortisation	E.7	283,003	155,610
Equity-settled, share-based employee benefits		578	517
Loss (+) / gain (-) on sale of property, plant, and equipment		-2,383	-1,151
Increase (-) / decrease (+) in:			
Inventories	E.13	2,313	-6,681
Trade and other receivables and other assets not classified as investing or financing activities	E.14.1 E.14.2	-4,943	-12,818
Accruals and deferrals	E.14.2	-36	3,874
Increase (+) / decrease (-) in:			
Trade payables and other liabilities not classified as investing or financing activities	E.21 E.23	-13,633	1,896
Provisions	E.19	-6,146	-15,366
Deferred revenue	E.22	-1,633	-881
Income tax paid		-4,048	-6,841
Cash flow from operating activities		**159,618**	**159,554**
Cashflow from investing activities			
Proceeds from sale of property, plant, equipment		4,594	1,667
Acquisition of property, plant, and equipment	E.11	-103,745	-97,397
Acquisition of intangible assets	E.12	-45,130	-30,000
Interest received		208	85
Acquisition of subsidiaries, net of cash acquired		-	-14,665
Cashflow from investing activities		**-144,073**	**-140,310**

KEUR	Notes	2018	2017
Cash flow from financing activities			
Other changes in consolidated equity		-	110
Payment of financial lease liabilities		-14,379	-10,296
Dividends paid		-1,568	-2,053
Proceeds from loans, bonds, and short or long-term borrowings from banks		720,079	96,000
Transaction costs with regard to loans and borrowings		-16,604	-11,376
Repayment of borrowings		-650,519	-3,059
Interest paid		-53,001	-55,094
Acquisition of non-controlling interests		-7,012	-58,100
Cash flow from financing activities		**-23,004**	**-43,868**
Cash and cash equivalents for the period			
Net increase (+) / decrease (-) in cash and cash equivalents		-7,459	-24,624
Cash and cash equivalents at the beginning of the period		31,767	55,223
Cash and cash equivalents at the end of the period		*24,307*	*30,599*
Increase (+) / decrease (-) from release of restricted cash and cash equivalents during the period		1,982	1,168
Free cash and cash equivalents at end of period		**26,288**	**31,767**

The accompanying notes are an integral part of the consolidated financial statements.

V. Consolidated Statement of Changes in Equity

For the 2018 financial year in KEUR

KEUR	Note	Share capital	Capital reserve	Other changes in equity	Retained earnings	Revaluation reserve IAS 19	Equity attributable to shareholders of Tele Columbus AG	Non-controlling interests	Total equity
Balance at 1 January 2018	**E.16**	**127,556**	**620,838**	**-113,130**	**-123,877**	**-2,159**	**509,229**	**7,958**	**517,187**
Adjustments due to first-time adoption of IFRS 9 (after deferred taxes)				-416			-416		-416
Adjusted balance as at 1 January 2018		**127,556**	**620,838**	**-113,546**	**-123,877**	**-2,159**	**508,813**	**7,958**	**516,771**
Profit (+) / loss (-)					-163,848		-163,848	2,452	-161,396
Other comprehensive income						434	434		434
Total comprehensive income		**-**	**-**	**-**	**-163,848**	**434**	**-163,414**	**2,452**	**-160,962**
Dividends							-	-1,778	-1,778
Change in non-controlling interests							-	59	59
Equity settled share-based payments	**E.18**			578			578		578
Balance at 31 December 2018	**E.16**	**127,556**	**620,838**	**-112,968**	**-287,725**	**-1,725**	**345,976**	**8,692**	**354,668**

For the 2017 financial year in KEUR

KEUR	Note	Share capital	Capital reserve	Other changes in equity	Retained earnings	Revaluation reserve IAS 19	Equity attributable to shareholders of Tele Columbus AG	Non-controlling interests	Total equity
Balance at 1 January 2017	E.16	**127,556**	**620,838**	**-113,647**	**-105,075**	**-2,049**	**527,624**	**7,558**	**535,182**
Profit (+) / loss (-)					-18,802		-18,802	2,452	-16,350
Other comprehensive income						-110	-110		-110
Total comprehensive income		**-**	**-**	**-**	**-18,802**	**-110**	**-18,912**	**2,452**	**-16,460**
Dividends							-	-2,052	-2,052
Equity settled share-based payments	**E.18**			517			517		517
Balance at 31 December 2017	E.16	**127,556**	**620,838**	**-113,130**	**-123,877**	**-2,159**	**509,229**	**7,958**	**517,187**

The accompanying notes are an integral part of the consolidated financial statements.

VI. Notes to the Consolidated Financial Statements

A. General information

A.1 Introduction

Tele Columbus AG, registered at Kaiserin-Augusta-Allee 108, 10553 Berlin, has been listed on the Frankfurt Stock Exchange (Prime Standard) since 23 January 2015.

A.2 Description of business activities

The companies of Tele Columbus AG are fibre-optic network operators operating primarily in the eastern German federal states. The Group's core business is operating and managing broadband cable equipment, in some cases using own satellite receiving equipment for providing residential apartment complexes of various housing companies and their tenants with television and radio signals, internet as well as telephony services. Operation of the equipment includes servicing, maintenance, customer care and payment collection. In addition to operating cable networks, the companies of Tele Columbus AG also offer B2B and construction services. Their B2B business comprises products to provide carrier companies with bandwidth services and business client networking, products to provide business clients with internet and telephony in addition to network monitoring and data centre marketing. Construction services include the installation of fibre optic networks or connecting residential areas to its own backbone.

A.3 Basis of preparation

Applying section 315e of the German Commercial Code (HGB), the consolidated financial statements of Tele Columbus AG as at 31 December 2018 were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

The consolidated financial statements comprise 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 for the 2018 financial year and for the comparative period of 2017.

The Group's functional currency is the euro. Unless otherwise stated, all figures are presented in thousands of euros. Because amounts are disclosed in thousands of euros, standard commercial rounding may result in rounding differences. In some cases, such rounded amounts and percentages may not correspond 100 % to the stated sums when added together, and subtotals in tables may differ slightly from non-rounded figures in other sections of the consolidated financial statements due to standard commercial rounding.

With regard to the financial information contained in the consolidated financial statements, a dash (“-”) means that the item in question is not applicable and a zero (“0”) means that the respective figure has been rounded to zero.

The consolidated financial statements were prepared by the Board of Management of Tele Columbus AG on 29 April 2019 and approved by the Supervisory Board on 29 April 2019.

The consolidated financial statements are based on the going concern assumption.

The consolidated financial statements and the combined management report are published in the German Federal Gazette (*Bundesanzeiger*).

A.4 Presentation of changes compared to 2017

There were no significant changes in accounting policies as compared to the accounting policies applied throughout the Group in the comparative period.

For information on the impact of the initial application of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from contracts with customers” reference is made to the explanations in sections D.2.6 “Financial Instruments” and D.2.10 “Recognition of revenue”. For further changes in accounting policies due to new or revised IFRS standards and interpretations of the IFRIC, please refer to section D.3 “Compliance with IFRS”.

B. Basis of consolidation

B.1 Consolidation methods

B.1.1 Subsidiaries

Subsidiaries are companies controlled by Tele Columbus AG. Tele Columbus AG controls a company when it is exposed to or has rights to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is gained until the date when control ceases.

In preparing the financial statements, all intercompany balances, income and expenses as well as all unrealised gains and losses from transactions within the Group were eliminated in the course of consolidation. The acquisition costs for shares in subsidiaries in the context of corporate acquisitions are offset proportionately in terms of the fair value of the assets acquired and liabilities assumed as at the acquisition date. Any positive difference arising from the offsetting is recognised as goodwill and capitalised in the amount of the interest acquired in the respective subsidiary.

B.1.2 Minority interests (non-controlling interests)

Non-controlling interests are measured at the acquisition date with the proportionate share of the acquired subsidiary’s net assets.

Changes in Tele Columbus AG’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

B.1.3 Loss of control

When Tele Columbus AG loses control of 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 Investments accounted for using the equity method

The interests of the companies of Tele Columbus AG in financial assets accounted for using the equity method include investments in associates and joint ventures.

Associates are companies in which Tele Columbus AG has a significant influence, but no control or joint control in respect to financial and business policy. A joint venture is an arrangement in which Tele Columbus AG exercises joint control with rights to the net assets instead of rights to its assets and obligations for its liabilities.

Associates and joint ventures are initially recognised at cost, which includes the transaction costs. After initial recognition, the consolidated financial statements contain Tele Columbus AG's share in the profit or loss and in other comprehensive income until the time when the significant influence or joint control ends.

B.2 Changes in the consolidated group

B.2.1 Increase in the majority interest in Netzpool Berlin GmbH

On 7 March 2018, the wholly-owned subsidiary of Tele Columbus AG, WTC Wohnen & TeleCommunication GmbH & Co. KG, Unterföhring, acquired 4.55 % of the shares in Netzpool Berlin GmbH, Berlin. The company does not own real estate and does not hold an interest in any other company that owns real estate. This subsidiary is thus wholly owned by the companies of Tele Columbus AG.

The purchase price for the share in the company amounted to KEUR 12 and was fully paid in form of cash.

B.2.2 Sale of JVA Media GmbH

On 1 March 2018, MDCC Magdeburg City-Com GmbH, Magdeburg, sold its 50 % share in JVA Media GmbH, Magdeburg, in the amount of KEUR 12,5. The purchase price amounted to KEUR 600 and was fully paid in form of cash. As at 31 December 2017, JVA Media GmbH was classified as an asset held for sale and recognised at its carrying amount.

B.2.3 Liquidation of BMB Geschäftsführung GmbH

Based on a shareholder resolution on 23 March 2017, BMB Geschäftsführung GmbH, Essen, is liquidated. The resolution was adopted at the notary on 19 December 2018 based on the closing statement of financial position prepared on 18 December 2018. Until the company's final liquidation, the letters "i.L." (in liquidation) will be added to its name. Final liquidation is still outstanding as at 31 December 2018, as the tax return has not yet been approved by the tax authority.

B.2.4 Acquisitions in the previous year

On 29 September 2017, Tele Columbus AG acquired 74.9 % of the shares in MKG-Medienkommunikationsgesellschaft mbH, Essen, and 74.9 % of the shares in Kabelcom.digital GmbH, Lippstadt, via its subsidiary Tele Columbus NRW GmbH, Berlin. On 28 December 2017, Tele Columbus AG acquired 74.9 % of the shares in Kabelmedia.Net-Netzbetrieb GmbH, Lippstadt. Because the acquisition of the shares and the acquisition of individual assets and liabilities can be seen in the same economic context, the entire transaction was classified as a corporate acquisition.

On 11 December 2017, Tele Columbus AG acquired 100 % of the shares in WWcon Wärme-Wohnen-Contracting GmbH, Berlin. The acquisition costs amounted to KEUR 5,513 and were fully paid in form of cash.

Because parts of the corporate acquisition took place close to 31 December 2017, the acquisition costs for both transactions were preliminarily allocated to the assets acquired and the liabilities assumed as at the acquisition date.

No adjustments to the preliminarily calculated figures as at 31 December 2017 were made in the reporting period. The goodwill calculated for the two corporate acquisitions described above therefore remains unchanged.

Besides the matters already described, there were no other changes in the consolidated group in the reporting period.

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; the respective ownership interests correspond to the voting right percentages:

Capital share in %

	2018	2017
ANTENNEN-ELECTRONIC in Berlin und Brandenburg GmbH, Cottbus[1]	100.00	100.00
BBcom Berlin-Brandenburgische Communikationsgesellschaft mbH, Berlin	51.00	51.00
BIG Medienversorgung GmbH, Mönchengladbach[1]	100.00	100.00
BMB Geschäftsführung GmbH, Essen[1]	100.00	100.00
Cable Plus GmbH, Berlin[1, 4]	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 Gesellschaft mit beschränkter Haftung, Frankfurt (Oder)[1]	100.00	100.00
Funk und Technik GmbH Forst, Forst (Lausitz)[1]	100.00	100.00
HLkomm Telekommunikations GmbH, Leipzig[1]	100.00	100.00
kabel.digital.service gmbh, Frankfurt (Oder)[1]	100.00	100.00
Kabelcom Rheinhessen GmbH, Unterföhring[1]	100.00	100.00
Kabelcom Rhein-Ruhr GmbH, Unterföhring	90.00	90.00
Kabelfernsehen München Servicenter GmbH - Beteiligungsgesellschaft, München[1]	100.00	100.00
Kabelfernsehen München Servicenter GmbH & Co. KG, München[1]	100.00	100.00
Kabelcom.Digital GmbH, Lippstadt	100.00	100.00
Kabelmedia.Net-Netzbetrieb GmbH, Lippstadt	100.00	100.00
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	100.00
Martens Deutsche Telekabel GmbH, Hamburg[1]	100.00	100.00
MDCC Magdeburg-City-Com GmbH, Magdeburg	51.02	51.02
MEDIACOM Kabelservice GmbH, Offenbach am Main	98.96	98.96
Mediaport GmbH, München[1]	100.00	100.00
"Mietho & Bär Kabelkom" Kabelkommunikations-Betriebs GmbH, Gablenz[1]	100.00	100.00
MKG-Medienkommunikationsgesellschaft mbH, Essen	100.00	100.00
NEFtv GmbH, Nürnberg[1]	100.00	100.00
Netzpool Berlin GmbH, Berlin	100.00	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 Infrastrukturprojekte GmbH, Berlin[1,2]	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[3]	74.90	74.90
Tele Columbus Ost GmbH, Berlin[1]	100.00	100.00
Tele Columbus Sachsen-Anhalt GmbH, Berlin[1]	100.00	100.00
Tele Columbus Sachsen-Thüringen GmbH, Berlin[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, Unterföhring[1]	100.00	100.00
WTC Wohnen & TeleCommunication GmbH & Co. KG, Unterföhring[1]	100.00	100.00
WTC Wohnen & TeleCommunication Verwaltung GmbH, Unterföhring[1]	100.00	100.00
WWcon Wärme-Wohnen-Contracting GmbH, Berlin[1]	100.00	100.00

1) For the 2018 financial statements, the company used the exemption provisions of sections 264 (3) and 264b HGB.
2) Medienwerkstatt GmbH, Mönchengladbach, changed its name to Tele Columbus Infrastrukturprojekte GmbH and moved its registered office to Berlin in 2018.
3) The acquisition of the company was accounted for using the anticipated purchase method, as there are symmetrical option rights to the outstanding shares of other shareholders.
4) In 2018 the company moved its registered office from Cottbus to Berlin.

With regard to the list of shareholdings in accordance with section 313 (2) no. 4 HGB, please refer to the annex to the 2018 financial statements of Tele Columbus AG.

The following table shows information about subsidiaries with major companies before intragroup elimination:

For the 2018 financial year in kEUR

KEUR	MDCC Magdeburg City-Com GmbH, Magdeburg	Other non-controlling interests	Total
Non-controlling interest (%)	*48.98*	-	
Non-current assets	11,929	167	
Current assets	2,752	1,533	
Non-current liabilities	-4,108	-107	
Current liabilities	-4,031	-1,152	
Net assets	*6,542*	*441*	*6,983*
Carrying amount of non-controlling interest	**2,911**	**232**	**3,144**
Revenue	25,733	4,451	
EBITDA	12,511	1,917	
Expenses and income not considered in EBITDA	-8,569	-872	
Total comprehensive income	**3,942**	**1,045**	**4,987**
Non-controlling interests allocated to EBITDA	6,128	414	6,542
Income and expenses not considered in EBITDA attributable to non-controlling interests	-4,197	-136	-4,333
Cash flow from operating activities	7,279	2,432	
Cash flow from investing activities	-3,683	37	
Cash flow from financing activities	-4,868	-1,966	
of which dividends to non-controlling interests	*-1,568*	*-141*	
Net increase (+) / decrease (-) in cash and cash equivalents	**-1,273**	**504**	**-769**

For the 2017 financial year in kEUR

KEUR	MDCC Magdeburg City-Com GmbH, Magdeburg	Other non-controlling interests	Total
Non-controlling interest (%)	*48.98*		
Non-current assets	13,319	221	
Current assets	2,953	778	
Non-current liabilities	-5,480	-110	
Current liabilities	-4,615	-462	
Net assets	*6,177*	*427*	*6,604*
Carrying amount of non-controlling interest	**2,911**	**237**	**3,148**
Revenue	26,273	4,975	
EBITDA	12,369	2,268	
Expenses and income not considered in EBITDA	-8,249	-2,269	
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**

B.4 *Interests in investments accounted for using the equity method*

Investments in associates and joint ventures have only an immaterial effect on the consolidated financial statements, both individually and in aggregate.

Investments in associates

	Capital share in %	
	31 December 2018	31 December 2017
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	40.00
TV Produktions- und Betriebsverwaltungs GmbH, Jena	40.00	40.00

The carrying amount of investments in associates totals KEUR 411 (2017: KEUR 411) and mainly results from the investment in AproStyle AG, Dresden.

Income from AproStyle AG, which was accounted for using the equity method, amounted to KEUR 0 in the 2018 financial year (2017: KEUR 60).

Joint ventures

	Capital share in %	
	31 December 2018	31 December 2017
GlasCom Salzlandkreis GmbH, Staßfurt-Brumby	50.00	50.00
JVA Media GmbH, Magdeburg	-	50.00

The carrying amount of investments in joint ventures totalled KEUR 1 (2017: KEUR 5).

Tele Columbus has a residual interest in the net assets of GlasCom Salzlandkreis GmbH, Staßfurt-Brumby, and therefore classified this company as a joint venture.

As in the previous year, there was no significant income or expense from joint ventures in the financial year.

C. Accounting principles

Disclosure and measurement

The entities included in the consolidated financial statements of Tele Columbus AG are presented in accordance with uniform IFRS accounting policies for all reporting periods. The consolidated income statement was prepared in accordance with the nature of expense method. The consolidated financial statements were prepared based on historical or amortised cost except for the net defined benefit liability and derivative financial instruments. The net defined benefit liability recognised is determined as the present value of defined benefit obligations less the fair value of plan assets. Derivative financial instruments were measured at fair value through profit or loss.

D. Accounting policies

D.1 Significant estimation uncertainty

The preparation of the consolidated financial statements in accordance with IFRS requires assessment, estimates and assumptions that have a direct impact on the application of accounting policies. The reported amounts of assets and liabilities, the reported contingent assets and liabilities on the reporting date and the reported revenue and expenses during the reporting period are also affected. Although these estimates of management take account of the most recent results to the best of their knowledge, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recognised prospectively.

An explanation of the most important forward-looking assumptions and other major sources of estimation uncertainty as at the reporting date that 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 explanatory notes to the relevant assets and liabilities.

- Impairment of non-amortised non-financial assets (31 December 2018: KEUR 1,039,634; 31 December 2017: KEUR 1,178,050):

  The companies of Tele Columbus AG assess at the end of each reporting period whether there is objective evidence that non-financial assets are impaired. Goodwill and assets under construction are not amortised or depreciated, but are impairment tested annually instead. For impairment testing of goodwill according to IAS 36 as at 31 December 2018, the recoverable amount was measured at fair value less costs to sell for each cash-generating unit. Fair value less costs to sell was measured pursuant to IFRS 13 based on unobservable inputs (level 3 inputs).

- Definition of measurement parameters for the recognition and subsequent measurement of property, plant and equipment (2018: KEUR 639,440; 2017: KEUR 609,869):

  The companies of Tele Columbus AG use various different measurement parameters for the recognition and subsequent measurement of property, plant and equipment (differentiation between maintenance and investment measures, capitalisation of own work, allocation to asset classes, grouping of utilisation units, delimitation of valuation units, assessment of future restoration measures, definition of useful lives and identification of events that lead to the performance of an impairment test). When defining the measurement parameters, management estimates on the basis of technical and economic experience are required. Any individual assets required to be measured as part of these estimates were measured at fair value less costs to sell pursuant to IFRS 13 based on unobservable inputs (level 3).

- Accounting for deferred tax assets (2018: KEUR 1,593; 2017: KEUR 2,010):

  Deferred tax assets are capitalised if it is likely that sufficient taxable income will be generated in the future against which the deductible temporary differences can be offset. The calculation of deferred tax assets requires estimates by the Board of Management about the timing and levels of future taxable income as well as future tax planning strategies.

  Based on the current planning of the companies of Tele Columbus AG, deferred tax assets on temporary differences are generally recognised in the amount of the deferred tax liabilities. In the case of subsidiaries that are independent taxable entities, deferred tax assets are capitalised if their taxable income in future years is expected to be sufficiently high.

D.2 Significant accounting policies

D.2.1 Intangible assets

Acquired intangible assets are measured at cost. Internally generated intangible assets are capitalised at production cost if they comply with the requirements of IAS 38.

Intangible assets with finite useful lives are generally amortised over their estimated useful life (between 3 and 15 years) using the straight line method from the time of their operational readiness. Acquired customer bases are amortised over their estimated useful life – taking account of minimum contract terms – in line with the net realisable value method.

Development expenses for improving and enhancing internally generated software are capitalised insofar as they fulfil the recognition requirements. 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 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 the average period of customer retention of three years. This accounting method according to IA 38 was applied for financial years before 31 December 2017. From 1 January 2018 costs of obtaining a contract are accounted for according to IFRS 15. This did not result in any deviations.

Goodwill and intangible assets with indefinite useful lives are not amortised on a systematic basis but impairment tested annually instead for potential impairment. Further assessments are performed if there is objective evidence of impairment. The impairment test is performed based on the corresponding cash-generating unit.

An impairment loss is recognised in the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. The impairment test is performed based on the cash-generating unit to which goodwill is attributable.

The estimated economic useful lives are reviewed at each reporting date and adjusted as necessary.

Amortisation expenses and impairment losses are recognised in the line item “Amortisation” in the income statement.

Gains and losses on disposals are recognised in the line item “Other income” or “Other expenses”.

D.2.2 Business combinations

For business combinations, capital is consolidated by applying the purchase method pursuant to IFRS 3. Assets and liabilities of the newly acquired subsidiaries that are identified when preparing the opening statement of financial position are recognised at fair value. These also include identifiable intangible assets and contingent liabilities. The remaining difference corresponds to goodwill. Non-controlling interests in the acquired company were provisionally recognised at fair value.

D.2.3 Property, plant and equipment

Property, plant and equipment are valued at acquisition or production cost less accumulated depreciation and accumulated impairment losses. Impairment losses are reversed when there is any indication that a previously recognised impairment loss no longer exists or has decreased.

The cost of acquisition comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are generally depreciated straight-line over a period of three to 15 years. The cable network infrastructure comprises technical facilities with an estimated useful life of between eight and 15 years. If there is a licence agreement, then the remaining term of the licence agreement represents the upper limit for the useful life. Borrowing costs are capitalised if they are directly attributable to the acquisition of a qualifying asset for which the period required to get it ready for its intended use is more than 12 months. If they are not directly attributable, they are expensed in the period incurred.

Customer terminals in the form of modems and receivers are – provided they are not sold to the customer under a contract – recognised as part of the network infrastructure under technical equipment and depreciated over their estimated useful life of three years for modems or two years for receivers. If returned before the anticipated end of the contract, the customer terminal is written down to one euro and allocated to inventories.

Estimated useful lives are reassessed 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 amortised cost, an impairment loss is recognised for property, plant and equipment. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. The impairment test is generally carried out at individual asset level; in some circumstances, an appropriate portfolio may be formed.

Costs for maintenance and repair are recognised in the period in which they are incurred. Costs for property, plant and equipment are recognised as an asset if it is likely that the associated future economic benefits flowing to the company will exceed the benefits that would have been possible without the acquisition.

Straight-line depreciation expenses and impairment losses are recognised as “Depreciation” in the income statement.

Gains and losses on asset disposals are recognised through profit or loss in the line item “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 transfers substantially all the risks and rewards incidental to ownership of an asset, meaning that the leased asset must be capitalised in the statement of financial position of the lessee. Finance lease assets are measured at the commencement of the lease term at the lower of the asset’s fair value and the present value of minimum lease payments. The asset is amortised straight-line 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 finance charge and the reduction of the outstanding liability, so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance leases may also result from sale-and-leaseback transactions. Accordingly, sales transactions under civil law do not result in the disposal of assets if the same assets are leased back under a finance lease and thus have to be capitalised. Any gains on disposal are deferred and allocated to profit or loss over the term of the finance leases.

Leases in which a significant portion of the risks and rewards of ownership 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) necessary for receiving digital television and broadband transmission offers to their customers. Such lease arrangements, in which the companies of Tele Columbus AG are the lessors, are classified as operating leases. Leased CPE of the companies of Tele Columbus AG is accordingly capitalised at cost as property, plant and equipment.

D.2.5 Inventories

Inventories are recognised at the lower of cost and net realisable value. The cost of inventories is 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

IFRS 9 sets out requirements for the recognition and measurement of financial assets, financial liabilities and some contracts for the purchase or sale of non-financial contracts. This standard supersedes IAS 39 *Financial Instruments: Recognition and Measurement*.

In the following the accounting and measurement principles applied from 1 January 2018 according to IFRS 9 are presented:

A financial instrument is any contract that gives rise to both a financial asset of one party and a financial liability or equity instrument of another party. As defined in IAS 32 and IFRS 9, financial instruments include both non-derivative financial instruments (such as receivables, liabilities and shares) and derivative financial instruments.

a) Recognition and initial measurement

Financial assets and liabilities are recognised for the first time when an entity becomes party to the contractual provisions of the financial instrument. Regular-way purchases and sales of financial instruments are recognised on the trade date, i.e. the date on which the companies of Tele Columbus AG commit to purchasing the asset. Regular-way purchases or sales are purchases or sales of financial assets under a contract whose terms require delivery of the assets within the time frame established generally by regulation or convention in the marketplace concerned. With the exception of derivative financial instruments, financial assets are recognised as at their settlement date.

On initial recognition, financial instruments are measured at fair value. Financial instruments that are not categorised as “at fair value through profit or loss” in the context of classification are recognised at fair value including the acquisition or issue of directly attributable transaction costs. Trade receivables without a significant financing component are measured at their transaction price.

b) Classification and subsequent measurement

On initial recognition of financial assets, Tele Columbus makes an allocation to one of the following measurement categories: “at amortised cost”, “at fair value through other comprehensive income – debt”, “at fair value through other comprehensive income – equity” and “at fair value through profit or loss”. With the exception of equity instruments, financial assets are allocated to the measurement categories dependent on the identified business model under which the assets are held and the characteristics of the contractual cash flows. The contractual terms of the financial asset must generate cash flows that are solely “interest and principal payments” on specified dates.

Financial assets are allocated to the category “at amortised cost” if they are held under a business model whose objective is to hold assets and if the payments are solely interest and principal payments and are made on specified dates.

Financial assets are allocated to the category “at fair value through other comprehensive income – debt” if they are held under a business model whose objective is to hold and sell assets and if the payments are solely interest and principal payments and are made on specified dates.

All other financial assets that are not classified as “at amortised cost” or “at fair value through other comprehensive income – debt” as described above are measured at fair value through profit or loss.

The business model is assessed at the portfolio level of the individual financial assets and their objectives. The Group has currently identified the “hold” business model for the financial instruments held.

Financial assets under the “hold” business model and thus in the category “at amortised cost” particularly include trade receivables and other receivables and assets.

Financial assets in the category “at fair value through profit or loss” consist entirely of financial assets held for trading in the sense of primary financial instruments and derivatives.

Equity instruments are generally measured at fair value. On initial recognition of an equity instrument that is not held for trading, Tele Columbus can irrevocably decide to present the change in fair value in other comprehensive income (“at fair value through other comprehensive income – equity”). This decision is made for each individual instrument. The option is not currently exercised.

Financial liabilities are generally classified in the category “at amortised cost”, irrespective of other criteria. If certain conditions are met on initial recognition, a different accounting treatment can be used. In addition to recognition at amortised cost, measurement at fair value through profit or loss is also possible. Derivatives must always be measured at fair value through profit or loss, and it is also possible to exercise the option “at fair value through profit or loss”. This option is not currently exercised. For issued loan commitments, the expected loan losses are also determined if certain conditions are met.

c) Measurement category

Subsequent measurement of financial assets is based on the following measurement categories:

- “At fair value through profit or loss”:

Gains and losses and any interest income and dividends on financial assets that are measured at fair value through profit or loss are recognised in the income statement.

- “At amortised cost”:

  Financial assets measured at amortised cost are measured using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign-currency gains and losses, and impairment losses are recognised in profit or loss. In addition, gains and losses that arise on derecognition are also recognised in profit or loss.

- “At fair value through other comprehensive income – debt”:

  Other debt instruments are measured at fair value. Interest income calculated using the effective interest method, foreign-currency gains and losses, and impairment losses are recognised in the income statement. Other net gains and losses are recognised in other comprehensive income. On derecognition, aggregate gains and losses are reclassified to profit or loss.

- “At fair value through other comprehensive income – equity”:

  Other equity instruments are measured at fair value. Dividends that do not clearly compensate for part of the investment costs are recognised through profit or loss in the income statement. Other net gains and losses are recognised in other comprehensive income and cannot be reclassified to the income statement.

Subsequent measurement of financial liabilities is based on the following measurement categories:

- “At fair value through profit or loss”: Gains and losses and any interest expenses on financial liabilities that are measured at fair value through profit or loss are recognised in the income statement.
- “At amortised cost”: Financial liabilities measured at amortised cost are measured using the effective interest method. Interest expenses and foreign-currency gains and losses are recognised in profit or loss. In addition, gains and losses that arise on derecognition are also recognised in profit or loss.

The fair value of derivative financial instruments is determined by discounting future cash flows at a market interest rate, and by using other common actuarial methods. On initial recognition, the fair value of derivatives is generally zero under conditions in line with the market. Credit risks in relation to specific counterparties are taken into account when measuring derivative financial instruments. If the determined fair value deviates from the transaction price, the difference is amortised over the term of the contract.

The following table and the accompanying information explain the original measurement category pursuant to IAS 39 and the new measurement category pursuant to IFRS 9 as at 1 January 2018 for each class of financial assets and financial liabilities recognised by the Group.

The effects of the initial application of IFRS 9 on the carrying amounts of financial assets as at 1 January 2018 result entirely from the new provisions on the recognition of impairment losses.

Financial assets / Financial liabilities

KEUR	Note	Measurement category according to IAS 39	Measurement category according to IFRS 9	31 December 2017 Carrying amount according to IAS 39	1 January 2018 Carrying amount according to IFRS 9
Financial assets					
Derivative financial assets		At fair value through profit or loss	At Fair value through profit or loss	1,521	1,521
Receivables from related parties	F.2.2	Loans and receivables	Amortised cost	12	12
Trade and other receivables and other financial receivables	E.14.1 E.14.2	Loans and receivables	Amortised cost	58,433	57,832
Cash and cash equivalents		Loans and receivables	Amortised cost	31,767	31,767
Financial liabilities					
Derivative financial liabilities		At fair value through profit or loss	At Fair value through profit or loss	3,091	3,091
Liabilites to banks and from the bond issuance	E.20	Financial liabilities measured at amortised cost	Amortised cost	1,341,078	1,341,078
Payables to related parties	F.2.2	Financial liabilities measured at amortised cost	Amortised cost	861	861
Trade payables	E.21	Financial liabilities measured at amortised cost	Amortised cost	95,198	95,198
Other financial liabilities	E.23	Financial liabilities measured at amortised cost	Amortised cost	3,988	3,988
Lease liabilities	F.1.3	No classification [1)]	No classification [1)]	45,552	45,552

1) Taking account of IFRS 9 2.1 (b), lease liabilities are not assigned to any measurement category. Lease liabilities are excluded from the scope of application of IFRS 13 in accordance with IFRS 13.6(b) and are not allocated to an input hierarchy. They are accounted for in line with the provisions of IAS 17 Leases.

An impairment loss is recognised for financial assets carried at amortised cost when amortised cost exceeds the present value determined on the basis of the instrument's original effective interest rate.

Cash and cash equivalents comprise cash and bank deposits.

Financial assets and liabilities at fair value through profit or loss are derivative financial instruments. Their fair values are calculated based on market parameters or using calculation models based on market parameters.

Derecognition

Financial assets are derecognised when the contractual rights to cash flows from the financial asset have expired or the rights to receive the contractual cash flows from a transaction in which substantially all the risks and rewards incidental to ownership are transferred to a third party or are neither transferred nor retained and there is no control over the financial asset.

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. When the financial liability is derecognised, the difference between the previous carrying amount and the consideration paid (including non-cash assets or liabilities) is recognised in profit or loss.

When there is a substantial modification of terms for existing financial liabilities, the existing financial liability based on the previous terms is derecognised, and the financial liability is recognised based on the changed terms at fair value.

Impairment of financial assets

Tele Columbus recognises expected loan losses for all financial assets measured at amortised cost. The amount of the losses recognised and the interest collected are determined in line with the calculation model and the allocation of the instrument to the respective level.

For all other financial instruments except for trade receivables and contractual assets, the amount of impairment is calculated in line with the “general approach” based on the following three levels:

Level 1: All relevant financial instruments are initially allocated to level 1. The present value of the expected losses from possible defaults within the next twelve months after the reporting date (“12-month loan losses”) is recognised as an expense. The interest income in connection with the financial instrument is calculated by multiplying its gross carrying amount at the start of the period by the effective interest rate calculated as at the time of its recognition. Consequently, the effective interest method is applied on the basis of the carrying amount before taking account of risk provisions.

Level 2: Financial instruments that have a significantly increased credit risk in comparison to their recognition date are allocated to level 2 of the impairment model. The impairment loss corresponds to the present value of the expected losses from possible defaults over the contractual remaining term of the financial instrument (“lifetime loan losses”). Interest income is calculated in the same way as in level 1.

Level 3: If objective evidence of impairment of the financial instrument can be observed in addition to a significantly increased credit risk, then the impairment loss is still measured on the basis of the present value of the expected losses from possible defaults over the contractual remaining term of the financial instrument (“lifetime loan losses”). In contrast to levels 1 and 2, however, interest income is collected on the basis of the net carrying amount, i.e. the gross carrying amount less risk provisions, taking account of the original effective interest rate.

The carrying amount of the asset is reduced through use 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 irrecoverability on a portfolio basis. A portfolio combines receivables with similar risk exposures. Lump-sum specific loan loss provisions are determined based on the age structure of receivables as well as experience with loan losses in the past.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. This reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

Cash and other receivables and assets are subject to the impairment requirements in accordance with the general approach. The (net) carrying amount of these financial instruments represents the maximum default risk in each case.

To determine a significantly increased credit risk as compared to initial recognition, Tele Columbus takes account of appropriate information that is available without requiring excessive costs or effort.

Financial instruments in the general approach are subject to a significantly increased credit risk in the event of a (relative) change in the probability of default of more than 20 %, and a significantly increased credit risk is assumed at the latest when the financial instrument is more than 90 days past due.

For cash, the exemption for financial instruments with a low credit risk is utilised where possible as at the reporting date. A low credit risk is judged on the basis of country and debtor ratings and outlooks, among other information. The requirements for financial instruments with a low credit risk are considered to be satisfied for cash with at least one investment-grade rating (AAA to BBB- at Standard & Poor’s), meaning that the credit risk does not need to be tracked for financial instruments with a low credit risk. For materiality reasons, Tele Columbus does not recognise impairment on cash.

In the case of trade receivables and contract assets, a simplified approach is used for calculating impairment in the amount of lifetime loan losses over the remaining term. Consequently, these financial instruments must at least be allocated to level 2, and if there is objective evidence of impairment they must be transferred to level 3. The simplified approach is also applied for trade receivables and contract assets that contain a financing component pursuant to IFRS 15, as well as for lease receivables. The (net) carrying amount of these instruments represents the maximum credit risk in each case.

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 loss is recognised through use of an allowance account (provision for impairment). The receivables are derecognised when they are classified as uncollectible.

Embedded derivatives are separated from the respective host contracts pursuant to IFRS 9 and recognised as independent instruments under the category “At fair value through profit or loss”. The companies of Tele Columbus AG have embedded derivatives in connection with loan agreements and the bond.

At each reporting date, the financial instruments are examined individually to determine whether there is objective evidence of impairment. If this is the case, Tele Columbus carries out an individual review of the financial instruments. Objective evidence of impairment of a financial asset exists if reliably measurable negative effects on the future cash flows from the asset can be identified.

For example, objective evidence of impairment may include significant financial difficulty of the debtor, defaults and late payments, credit rating downgrades, insolvency or other restructuring processes at the debtor. A financial asset is derecognised if legal collection measures are expected to be generally unsuccessful.

If events occur in a subsequent financial period that indicate that the future cash flows from the financial asset approximate the original level again (e.g. due to an increase in creditworthiness), then a reversal of the impairment loss is recognised in the income statement.

When calculating expected loan losses and assessing the change in the relative probability of default, Tele Columbus takes account of forward-looking macroeconomic factors as well as the characteristics of specific debtors, geographical regions and sectors. Further information on calculating expected loan losses and assessing the relative change in the probability of default is provided in section F.3.2.3 Credit risk (default risk).

Tele Columbus defines a default as a counterparty being unable to meet its contractual obligations in relation to a financial instrument. At this time, the probability of default is 100 % and the contractual cash flows are no longer expected to be collected. The item is also written down, adjusting for any collateral. Further information on defaults is provided in section F.3.2.3 Credit risk (default risk).

The approach according to IAS 39 “Financial Instruments: Recognition and Measurement” applied for financial years before 1 January 2018 is presented below:

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:

	Measurement category	Initial measurement	Subsequent measurement	Recognition of changes in measurement
Financial assets				
1. Derivative financial assets	At Fair value through profit or loss	Fair value	Fair value	Finance income / expense
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 / expense
Financial liabilities				
1. Derivative financial liabilities	At Fair value through profit or loss	Fair value	Fair value	Finance income / expense
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 cost	Amortised cost[1)]	Finance income / expense
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 Leases.

Financial assets valued at amortised purchase costs are impaired if the amortised purchase 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

Employee benefits include benefits due in the short-term as well as benefits due after employment has been terminated, other long-term benefits and termination benefits.

Post-employment benefits are classified as either defined benefit plans or defined contribution plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

Short-term employee benefits

Short-term employee benefits are recognised as an expense in the period in which the benefit is provided. A liability for the anticipated payable amount is recognised if the companies of Tele Columbus AG currently have a legal or constructive obligation to pay this amount due to work performed by the employee in the past and if the amount of the obligation can be estimated reliably.

Share-based payment arrangements

The fair value of the equity-settled share-based payment programmes granted to the employees on the grant date is recognised as expense over the vesting period and equity is increased accordingly. The expensed amount is adjusted in line with the number of claims for which the associated service conditions and non-market-oriented performance conditions are expected to be met, meaning that the amount ultimately recognised is based on the number of claims for which the associated service conditions and non-market-oriented performance conditions are met on the vesting date. For share-based payments with non-vesting conditions, the fair value of the share-based payment is calculated on the grant date to take account of these conditions, and no adjustment is made for differences between the expected results and the actual results.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (e.g. a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans

Defined benefit pension plans are post-employment benefit plans other than defined contribution plans, under which the respective companies are required to provide the agreed 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 other expenses.

Should there be plan assets for defined benefit plans, which are used exclusively to secure retirement benefit obligations, such plan assets are measured at fair value and recognised on a net basis at the value of the pension provisions by using the projected unit credit method. Assets that are not netted are reported as other financial receivables.

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

Agreements for partial retirement benefits

In certain cases, employees of some companies are offered agreements for partial retirement benefits. Such provisions are measured at their present value, considering benefit entitlements of employees based on years of service.

Anniversary obligations

Employees of some companies receive anniversary benefits upon having served the company for a certain number of years. Such provisions are measured at their present value, considering benefit entitlements of employees based on years of service.

Termination benefits

Termination benefits are expensed when the companies of Tele Columbus AG can no longer withdraw the offer of such benefits. They are discounted if they are not expected to be fully settled within twelve months of the reporting date.

D.2.8 Other provisions

According to IFRS, a provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the companies of Tele Columbus AG expect that some or all of the expenditure required to settle a provision will be reimbursed, then the reimbursement is recognised as a separate asset when it is virtually certain that reimbursement will be received. Where the effect of the time value of money is material, provisions relating to future cash flows are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability, to the extent applicable.

D.2.9 Deferred income/revenue

Private grants and prepayments from customers for services that are provided after the balance sheet date are recognised as deferred income/revenue. These funds are released in accordance with contractually agreed terms to revenue or other income.

D.2.10 Recognition of revenue

The Group is required to apply IFRS 15 “Revenue from Contracts with Customers” as at 1 January 2018.

IFRS 15 provides a comprehensive framework for determining whether, in what amount and at what time revenue is recognised. It supersedes existing guidance on the recognition of revenue, including IAS 18 “Revenue”, IAS 11 “Construction Contracts” and IFRIC 13 “Customer Loyalty Programmes”.

For the transition to IFRS 15, the companies of Tele Columbus AG apply the modified retrospective method, meaning that they do not apply the requirements of IFRS 15 to every comparative period presented. Instead, changes in the statement of financial position and the income statement as a result of the initial application of IFRS 15 are explained in the opening statement of financial position of the current period. The companies of Tele Columbus AG apply IFRS 15 only to contracts that were concluded after 31 December 2017 or were not yet concluded as at that date.

In the case of multi-component transactions (e.g. IP, telephony and TV), the total transaction price of the combined contract is allocated to the individual, separate performance obligations on the basis of the pro-rata stand-alone selling prices. This involves calculating the ratio of the stand-alone selling price of each individual component to the sum of the stand-alone selling prices of the contractual performance obligations.

A contract asset is recognised, when Tele Columbus has recognised revenue due to the fulfilment of a contractual performance obligation before the customer paid a consideration or before – irrespective of the due date – the conditions for issuing an invoice and thus the recognition of a receivable are met. This is typically the case with regard to revenue smoothing due to granted rebates at the beginning of an end customer contract.

A contract liability is recognised if a customer paid consideration, or the right to an amount of consideration (i.e. a receivable) becomes due, before Tele Columbus satisfies its contractual performance obligations and thus recognises revenue. Typically, this is the case when up-front fees or other one-time fees are paid in advance, that do not represent consideration for a separate performance obligation.

Contract liabilities and contract assets are to be offset for each customer contract.

Tele Columbus capitalises expenses for sales commissions (contract costs) and amortises these over the estimated customer retention period per customer group and contract type.

When a contract is concluded in the B2C segment, Tele Columbus charges the customer a one-off installation fee that is not reimbursed. Installation does not constitute a separate performance obligation. Furthermore, the customer is not granted any material rights with the installation fee. The installation fee is categorised as a non-refundable upfront fee. Pursuant to IFRS 15, these upfront payments are accrued and – in line with the transfer of the service to the customer – recognised as revenue over the duration of the contract. For reasons of materiality financing components at the level of the individual contract are not considered.

Previously, revenue from installation fees from end-customer business was recognised at a specific point in time. In future, installation fees will be categorised as non-refundable upfront fees. These will be accrued and recognised as revenue over the minimum contract term in accordance with IFRS 15. This results in revenue of KEUR 614 being postponed to subsequent periods. The transition effect with regard to consolidated equity as at 1 January 2018 was considered to be insignificant.

The majority of revenues results from customers which have completed the initial contractual period and receive their services by extension of these contracts with a maximum contract term of one year. No disclosures are made with regard to the remaining performance obligations as at 31 December 2018 that have an estimated original term of one year or less.

With regard to the consolidated statement of financial position as at 31 December 2018, a significant impact on advance payments received (non-refundable upfront fees) was identified. This amounts to EUR 614 thousand. Deferred income/revenue as at 31 December 2018 amounts to KEUR 2,931. Without the application of IFRS 15 it would have amounted to KEUR 2,317.

The table below shows the impact on the consolidated income statement and the statement of other comprehensive income for each item affected based on the introduction of IFRS 15.

2018 in KEUR	Reported	Adjustment	Amount without application of IFRS 15
Continuing activities	-	-	-
Revenue	494,381	-614	494,995
Income taxes	9,817	187	9,630
Net loss	-161,396	-427	-160,969
Total comprehensive income	-160,962	-427	-160,535
Earnings per share in EUR (diluted and undiluted)	-1.28		-1.28

As at 1 January 2018, the transition to IFRS 15 did not result in any remeasurement and reclassification effects through other comprehensive income from the capitalisation of contract costs, as Tele Columbus already capitalised contract costs incurred in previous periods and amortised these over the term of the contract. The carrying amount of the contract costs included in the statement of financial positions as at 31 December 2018 (solely costs to obtain contracts) was KEUR 22,538 (1 January 2018: KEUR 17,135) and mainly consisted of sales commissions to third-party dealers in the direct and indirect sales channels and to employees.

IFRS 15 does not have any significant impact on the Group's accounting policies with regard to other sources of income.

Performance obligations and methods of revenue recognition

Revenue is measured on the basis of the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a good or service to a customer.
The stand-alone selling price system introduced with IFRS 15 results in allocation adjustments between product segments to which revenue shares are allocated in the context of product packages. The effect from the resulting shifts in revenue for the 2018 financial year is as follows:

- Increase in revenue of KEUR 1,417 in "Additional digital services" and of KEUR 612 in "Analogue"
- Decrease in revenue of KEUR 1,679 in "Internet / telephony" and of KEUR 964 in "Receiver rent"

In the following information is given on the type and time of satisfaction of performance obligations from contracts with customers, including significant payment terms, and the associated revenue recognition principles for the individual products and services of the Group.

Analogue, Internet / telephony, Additional digital services

The customer is provided with the analogue connection, the internet / telephone connection and the additional digital service during the contract period. Revenue is recognised over this period and must be paid in advance by the customer (invoices issued on a monthly, quarterly or annual basis).

Pursuant to IFRS 15 revenue is recognised over a specific period. An output-based method in accordance with the services provided to the customer is used for revenue recognition. If these services are performed in different reporting periods under a single agreement, the fee is divided between the services on the basis of the relative stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group offers the services in separate transactions. If no list prices are available, the stand-alone selling prices are estimated in accordance with the requirements of IFRS 15.

According to IAS 18 revenue was recognised evenly over the contractual period. If the services were performed in different reporting periods under a single agreement, the fee was divided between the services on the basis of the relative fair values.

Other transmission fees and miscellaneous feed-in charges

Revenue for other transmission fees and miscellaneous feed-in charges (distribution of programmes to the companies of Tele Columbus AG) is recognised over the contractual period of time. The invoicing intervals (monthly, quarterly or annual) depend on the negotiated contractual terms. Revenue is recognised on a monthly basis and is estimated taking account of the IFRS 15 constraint.

Revenue in accordance with IFRS 15 is recognised over a specific period. Revenue is recognised in conjunction with the provision of the services for the customer (output-based method). Under IAS 18 revenue was recognised evenly over the contractual period.

Construction services

Construction services include installing fibre-optic networks, connecting residential areas to the Group’s own backbone, and expanding or modernising coaxial or fibre-optic infrastructure in residential buildings owned by the customer. Construction services are recognised over the performance period. The length of the performance period depends on the scope of the respective construction service. At individually contractually agreed payment dates, Tele Columbus issues an invoice to the customer in line with the degree of completion of the construction service. Advance payments are also contractually agreed with the customer on an individual basis.

In accordance with IFRS 15 revenue is recognised over a specific period. An input-based method (cost-to-cost method) is used for revenue recognition. Advance payments received are reported under contract liabilities.

If the result of a construction service could be estimated reliably, contract revenue under IAS 18 was recognised in profit or loss in proportion to the degree of completion of the contract. The degree of completion was assessed based on surveys of the work performed. Otherwise, contract revenue was recognised only in the amount of the contract costs incurred that were likely to be collectible. Contract costs were recognised when they were incurred. An expected loss on a contract was recognised immediately in the income statement. Advance payments from customers were reported as deferred income/revenue in the statement of financial position.

Network capacity

Major customers are provided with a contractually agreed bandwidth (transfer capacity) for transmitting data via Tele Columbus infrastructure (networks). In accordance with IFRS 15 revenue is recognised over a specific period. The revenue recognition corresponds with the provision of services to a customer (output-based method). Under IAS 18 revenue was recognised evenly over the contractual period.

Data centre

The customer can use the data centre during the contractual period. Revenue is recognised over this period and must be paid in advance by the customer (on a monthly, quarterly or annual basis).

According to IFRS 15 revenue is recognised over a specific period. An output-based method is used for revenue recognition. The revenue recognition corresponds with the provision of services to a customer (output-based method). Under IAS 18 revenue was recognised evenly over the contractual period.

One-off fees for B2B customers

This item includes revenue arising from the installation of individual facilities at the customer.

In accordance with IFRS 15 revenue is recognised when the service is provided.

Under IAS 18 revenue was recognised when the service was provided.

Antenna / Maintenance

In order to keep the network level 4 infrastructure functional, it is maintained on a regular basis. Payments are made on a monthly basis.

Revenue is recognised over a specific period according to the cost-to-cost method. The related costs are recorded in profit or loss when incurred.

Under IAS 18 revenue was recognised over a specific period.

Hardware Sales

Customers obtain control of hardware when the goods are dispatched from the Group's warehouse. This is when invoices are issued and revenue is recognised. According to IAS 18, revenues were recognised at the time of the transfer of control.

The payment due dates for the services described above is normally between 14 and 30 days.

D.2.11 Impairment of non-financial assets

An intangible asset or an item of property, plant and equipment is impaired when the carrying amount of the applicable cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

D.2.12 Fair value measurement according to IFRS 13

The companies of Tele Columbus AG measure their derivative financial instruments at fair value. The measurement model used is based on a calculation of fair value on the basis of different yield curves and assumed decision trees to take account of different scenarios.

All other assets and liabilities are only recognised at fair value if there are impairment losses or indications of impairment. In such cases, their fair value is measured using an appropriate valuation technique.

In addition, the fair value of financial assets and liabilities measured at amortised cost is reported 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 with the finance and accounting department of the company preparing the statements, which reports directly to the Board of Management. The management of Tele Columbus regularly reviews the most important inputs and measurement parameters. If information from third parties – such as quoted prices from price information services – is used to determine fair value, the management assesses the evidence obtained from the third parties in terms of the compliance of these 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 observable in the market insofar as possible. The inputs used to determine fair value are assigned to different levels of the fair value hierarchy in line with the valuation technique applied:

- 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 for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. If there are transfers between individual levels of the fair value hierarchy, these are assessed as having taken place at the end of the reporting period. Derivatives are generally reported in level 2. In 2018, there were no transfers between level 1 and level 2 of the fair value hierarchy.

D.2.13 Income taxes

Current income taxes

Current income tax assets and liabilities are measured at the amount at which a refund from the tax authority or a payment to the tax authority is expected; they are not discounted. The respective amount is calculated based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The Group operates only in Germany and generates its taxable income there.

Current taxes relating to items that are accounted for directly in equity are not recognised in the income statement but rather in equity. The management regularly assesses individual tax issues to determine whether there is scope for interpretation in view of the applicable tax regulations. If necessary, tax provisions are recognised.

Deferred taxes

Deferred tax assets and liabilities are recognised using the liability method for all temporary differences between the carrying amount of an asset or liability in the statement of financial position (according to IFRS) and its tax base.

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 or of an asset or liability in the context of a transaction that was not a business combination and did not impact either the profit for the period under commercial law or the taxable profit at the time of the transaction. In addition, deferred tax liabilities from taxable temporary differences in connection with investments in subsidiaries, associates and interests in joint arrangements also are not recognised if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets for deductible temporary differences and tax loss carryforwards are recognised only to the extent that it is probable that the respective taxable entity (company or fiscal unity) will generate sufficient taxable profit against which the deductible temporary differences and unused tax losses can be utilised. There is an exception to this in the case of deferred tax assets from deductible temporary differences that arise from the initial recognition of an asset or liability in the context of a transaction that is not a business combination and that did not impact either the profit for the period under commercial law or the taxable profit at the time of the transaction. The same applies to deferred tax assets from deductible temporary differences in connection with investments in subsidiaries, associates and interests in joint arrangements if it is probable that the temporary differences will not reverse in the foreseeable future or that sufficient taxable profit will not be available against which the temporary differences can be used.

The value of deferred tax assets is based on future taxable income generated by the taxable entity (company or fiscal unity), and is reviewed annually. If it is no longer probable that sufficient taxable income will be generated against which the deferred tax assets can be used at least in part, then the recognition for the deferred tax assets is corrected to the appropriate level.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are recognised under non-current assets or liabilities. If changes in assets and liabilities are reported 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 benefits acquired as part of a business combination that do not satisfy the criteria for separate recognition at the acquisition date are recognised in subsequent periods, provided they result from new information about facts and circumstances that existed at the acquisition date. The adjustment is either treated as a decrease in goodwill (provided it does not exceed goodwill) if it arises during the measurement period, or is recognised in profit or loss.

Deferred tax assets and liabilities are offset only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority either for the same taxable entity or for different taxable entities that intend either to settle current tax liabilities and assets on a net basis or to recover the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 highly probable sale transaction within the next twelve months rather than through continuing use. These assets are measured at the lower of their carrying amount and their fair value less costs to sell and are classified as assets held for sale. In this case, depreciation is no longer recognised. Impairment is recognised on these assets if their fair value less costs to sell is lower than their carrying amount. In the event of a subsequent increase in fair value less costs to sell, the previously recognised impairment loss is reversed. The amount of the reversal is limited to that of the impairment loss previously recognised for the assets in question. If the requirements for classification as assets held for sale are no longer met, the assets can no longer be reported as held for sale. In the reporting period, assets held for sale were recognised at the lower of their carrying amount and their fair value less costs to sell at the start of the active search for the buyer. The assets are available for immediate sale on terms that are usual and customary for the sector; a sale is therefore highly probable.

D.3 Compliance with IFRS

Tele Columbus AG has adopted all IFRSs and IFRIC interpretations in the consolidated financial statements for the year ended 31 December 2018, as adopted by the EU, that are effective for financial years commencing on or after 1 January 2018.

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

Standard/ Interpretation		Effective as at	Publication of endorsement by the EU Comission
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01.01.2018	09.11.2017
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 to IFRS 15	01.01.2018	09.11.2017
AIP 2014 - 2016	Annual Improvement Project, annual improvements to IFRS 12	01.01.2018	08.02.2018
AIP 2014 - 2016	Annual Improvement Project, annual improvements to IFRS 1 and IAS 28	01.01.2018	08.02.2018
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	01.01.2018	27.02.2018
Amendments to IAS 40	Transfer of Investment Property	01.01.2018	15.03.2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01.01.2018	03.04.2018

Apart from the application of IFRS 9 and IFRS 15, the standards and interpretations mentioned above did not have any significant impact on the consolidated financial statements as at 31 December 2018. In this context, please refer to the explanatory notes in section D.2.6 “Financial instruments” and section D.2.10 “Recognition of revenue”.

The following table shows the main new or revised standards (IAS/IFRS) and interpretations (IFRIC) that are not required to be applied until subsequent financial years and that the companies of Tele Columbus AG do not intend to apply early. Unless otherwise stated, the effects on the consolidated financial statements are currently being examined. The overview is divided into provisions that have already been endorsed by the EU and provisions that have not yet received EU endorsement. Unless otherwise stated, the adoption date refers to the effective date as specified in the EU endorsement.

Standard/ Interpretation		Effective as at[1)]	Publication of endorsement by the EU Comission
EU Endorsement took place until date of publication			
Amendments to IFRS 9	Prepayment Features with Negative Compensation	01.01.2019	26.03.2018
IFRS 16	Leases	01.01.2019	09.11.2017
IFRIC 23	Uncertainty over Income Tax Treatments	01.01.2019	24.10.2018
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	01.01.2019	11.02.2019
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	01.01.2019	14.03.2019
AIP 2015 - 2017	Annual Improvement Project, annual improvements to IFRS 3, IFRS 11, IAS 12 and IAS 23	01.01.2019	15.03.2019
EU Endorsement pending			
Amendments to References to the Conceptual Framework	IFRS Standards	01.01.2020	open
IFRS 17	Insurance Contracts	01.01.2021	open
Amendments to IFRS 10 und IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	open	open

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

Apart from the new leasing standard IFRS 16 presented below, no other amendments to IFRSs are expected to have a significant impact on the financial reporting of the companies of Tele Columbus AG.

IFRS 16 Leases

IFRS 16 introduces a uniform accounting model under which leases are to be recognised in the lessee's statement of financial position. A lessee recognises a right-of-use asset representing its rights to use the underlying asset and a lease liability representing its obligation to make lease payments. There are exemptions for short-term leases and for leases relating to low-value assets. Lessor accounting is comparable with the current standard – meaning that lessors still classify leases as either finance or operating leases.

IFRS 16 supersedes the existing guidance on leases, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives*, and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is required to apply IFRS 16 Leases as at 1 January 2019. It is not applying the standard early.

The Group intends to apply the "modified retrospective method" (IFRS 16.C5 b)) for the transition to IFRS 16. Under this method, the comparative figures from the previous years are not adjusted and any cumulative effects from the initial application of IFRS 16 are accounted for as adjustments to the opening balance of retained earnings.

The Group intends to make use of the exemption with regard to retaining the definition of a lease for the transition. This means that the Group will apply IFRS 16 to all contracts that were concluded before 1 January 2019 and have been identified as leases pursuant to IAS 17 and IFRIC 4.

As at the date of the initial application of IFRS 16, the Group is a lessee in several leases that are classified as operating leases under IAS 17. These leases relate to both movable and immovable goods. Accordingly, the Group will recognise new assets and liabilities for these leases. The type of expenses in connection with these leases will also change, as the Group now recognises amortisation on rights of use and interest expenses from lease liabilities. The Group analysed current leases as at 1 January 2019 and defined internal administrative processes to ensure the proper application of the new standard starting from the 2019 financial year. According to the current estimate, the Group anticipates an increase in total assets of approximately EUR 25 million as at 1 January 2019 as a result of additional lease liabilities and rights of use. In the statement of comprehensive income, EBITDA is expected to increase by a mid-single digit million range, as the lease payments are no longer reported as an operating expense. Instead additional depreciation / amortisation and interest expense are reported below EBITDA. In the statement of cash flows lease payments made are reclassified from the cash flow from operating activities to the cash flow from financing activities, thus increasing the operating cash flow.

With regard to leases in which the Group is currently the lessee of a finance lease or acts as the lessor, no significant impact is expected as a result of the new standard coming into effect.

E. Explanatory notes to the consolidated income statement and consolidated statement of financial position

E.1 Revenue

KEUR				2018	2017
	TV	Internet & Telephony	Other	Total	Total
Revenue from contracts with customers	**256.230**	**149.058**	**67.949**	**473.237**	**480.910**
Analogue	204.750	-	-	204.750	216.163
Internet / telephony	-	139.502	13.548	153.051	156.282
Additional digital services	28.154	-	-	28.154	26.207
Other transmission fees and miscellaneous feed-in charges	16.526	6.333	2.300	25.160	24.604
Construction services	-	-	23.238	23.238	16.046
Network capacity	-	-	12.254	12.254	18.466
Computing centre	-	-	3.770	3.770	4.411
One-off fees for B2B customers	-	-	8.459	8.459	3.920
Antenna / maintenance	868	760	543	2.171	2.077
Hardware sales	75	27	3.479	3.580	5.198
Other	5.856	2.435	358	8.649	7.536
Revenue from renting	**11.055**	**3.971**	**6.118**	**21.144**	**14.846**
Receiver rent	11.055	3.971	-	15.026	14.846
Network infrastructure rent	-	-	6.118	6.118	-
	267.285	**153.029**	**74.067**	**494.381**	**495.756**

The revenues of the companies of Tele Columbus AG mainly comprise monthly subscription fees and, to a small extent, one-off installation and connection charges for basic analogue and digital cable television as well as premium ancillary digital services. They also include fees for high-speed internet access and telephony charges. Other revenue includes other transmission fees and feed-in charges paid as consideration for the distribution of programmes to the companies of Tele Columbus AG, as well as construction services.

E.2 Own work capitalised

Own work capitalised in the amount of KEUR 20,753 in 2018 (2017: KEUR 16,864) mainly comprises expenses for work performed by own employees in connection with expanding the cable network.

E.3 Other income

KEUR	2018	2017
Income from the de-recognition of liabilities and reversal of provisions	6,399	3,500
Gain on disposal of non-current assets	3,507	2,913
Income from marketing subsidies	2,030	658
Income from sales	1,898	3,296
Income from dunning fees	1,203	2,668
Other income from bad debt	1,045	2,315
Miscellaneous other income	8,385	5,195
	24,467	**20,545**

Payments and increases in value that are not directly related to the corporate purpose are recognised in other income. The increase mainly results from higher income from the derecognition of liabilities and reversal of provisions.

E.4 Cost of materials

KEUR	2018	2017
Cost of raw materials and supplies	-2,978	-7,239
Cost of purchased services / goods	-178,527	-151,911
	-181,505	**-159,150**

The cost of raw materials and supplies relates to goods used for repairs and maintenance.

The cost of purchased services / goods mainly relates to fees for signal delivery, construction services, maintenance costs, commissions, electricity and other services as well as changes in inventories of customer terminals.

E.5 Employee benefits

KEUR	2018	2017
Wages and salaries	-65,200	-66,076
Social contributions and expenses for pension provisions	-10,883	-11,080
Other personnel costs	-3,293	-4,313
	-79,376	**-81,469**

The decrease in wages and salaries is primarily attributable to the lower average number of employees in the 2018 financial year.

E.6 Other expenses

KEUR	2018	2017
Legal and advisory fees	-26,555	-30,460
Advertising	-12,342	-10,728
Impairment on receivables	-9,223	-10,413
IT costs	-8,839	-9,671
Occupancy costs	-8,774	-8,872
Vehicle costs	-3,045	-2,987
Communication costs	-2,818	-3,231
Maintenance	-2,084	-1,387
Travel expenses	-1,724	-2,093
Insurance, fees and contributions	-1,568	-1,595
Office supplies and miscellaneous administrative expenses	-1,283	-1,564
Losses on disposal of non-current assets	-1,124	-1,763
Incidental bank charges	-1,077	-1,184
Miscellaneous other expenses	-8,715	-9,593
	-89,171	**-95,541**

The decrease in other expenses is mainly attributable to lower legal and advisory fees in the context of migrations of the subgroups that were completed during the financial year.

E.7 Depreciation, amortisation and impairment

Depreciation, amortisation and impairment of non-current assets amount to KEUR 283,003 (2017: KEUR 155,610), of which KEUR 124,209 (2017: KEUR 5,167) was attributable to impairment. In the reporting period, impairment losses were recognised only on goodwill, whereas in the previous year there had been impairment losses on trademark rights and customer terminals.

E.8 Interest income and expense

KEUR	2018	2017
Interest and similar income from third parties	308	137
Interest and similar income	**308**	**137**
Interest paid to third parties	-68,834	-49,886
Expenses resulting from compounding of loans and bond under the effective interest rate method	-5,337	-5,390
Expenses resulting from revaluation of interest caps	-1,484	-2,338
Interest and similar expenses	**-75,655**	**-57,614**
	-75,347	**-57,477**

The interest paid to third parties mainly relates to liabilities to banks and liabilities arising from the bond. The year-on-year increase is chiefly due to the transaction costs for the bond issued in May 2018 and the loan additionally concluded in November 2018.

E.9 Other financial income and expenses

KEUR	2018	2017
Value adjustment due to earn-out liability	-2,329	-
Value adjustment due to refinancing	1,218	340
Value adjustment of embedded derivatives	-1,296	3,035
Value adjustment due to the acquisition of non-controlling interests	-	-15,776
Other financial income / expense	-	53
	-2,407	**-12,348**

The year-on-year decline in other finance income and expenses is mainly due to the value adjustment required in 2017 due to the acquisition of non-controlling interests in the fully consolidated subsidiary Kabelfernsehen München Servicenter GmbH & Co. KG, Munich, by Tele Columbus AG.

In connection with the acquisition of shares in a subsidiary and a retroactive variable purchase price adjustment regulated in the share purchase agreement, a financial liability and a corresponding expense in the amount of the anticipated earn-out obligation still to be paid at KEUR 2,329 were recognised.

E.10 Income tax expense

KEUR	2018	2017
Income from deferred taxes	11,192	22,296
Current income tax expenses, current year	-3,118	-10,820
Current income from income tax, previous years	1,743	551
Total income tax result	**9,817**	**12,027**

The following table shows the reconciliation of annual result multiplied by the effective tax rate to income taxes:

KEUR	2018	2017
Earnings before tax (EBT)	-171,213	-28,377
Group's tax rate	30.43%	31.14%
Expected tax expense (-) / income (+)	**52,104**	**8,836**
Adjustments for temporary differences	-635	5,088
Effects due to changes in tax rates	968	-2,559
Adjustments for changes in recognition	-3,554	4,862
Trade tax additions / subtractions	-1,937	-1,747
External corporate tax effects for partnerships	-	-409
Non-deductible expenses	-543	-296
Tax-free income	31	95
Goodwill impairment	-38,225	-
Consolidation effects	167	-2,201
Taxes for previous years	1,743	551
Other differences	-302	-193
Reported income tax expense (-) / income (+)	**9,817**	**12,027**

The overall tax rate of 30.43 % (2017: 31.14 %) corresponds to the weighted tax rate for the consolidated entities. The decrease is due to a change in the trade tax assessment rate for the taxable group.

“Adjustments for recognition changes” particularly result from the fact that interest carryforwards were not capitalised. This was countered by the additional inclusion of trade tax and corporation tax loss carryforwards which is due to the retroactive removal of the regulation regarding the loss of tax loss carryforwards in terms of a change in shareholders of up to 50 %. Thus, the losses that had been reduced in previous years according to section 8c Corporation Tax Act (KStG) have to be taken in to account as of 31 December 2018.

In the financial year, an impairment loss on goodwill was recognised. As deferred taxes on temporary differences resulting from goodwill may not be recognised, the impairment of goodwill recognised in profit or loss results in a corresponding effect in the tax reconciliation.

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

KEUR	31 December 2018	31 December 2017
Property, plant, and equipment	3,682	1,022
Financial assets (without derivatives) and other assets	9,230	5,822
Intangible assets	8,473	9,893
Tax loss and interest carry-forwards	19,710	14,791
Derivatives	1,382	1,324
Liabilities and provisions	8,736	4,726
Offset	-49,620	-35,568
Deferred tax assets	**1,593**	**2,010**
Property, plant, and equipment	-5,074	-2,736
Intangible assets	-50,083	-57,493
Receivables and other assets	-2,023	-2,157
Liabilities and provisions	-25,384	-16,994
Derivatives	-305	-1,064
Offset	49,620	35,568
Deferred tax liabilities	**-33,249**	**-44,876**
Change	11,210	20,569
of which through profit or loss	11,192	22,296
thereof recognised by consolidation (current assets)	184	-
of which not through profit or loss through consolidation (intangible assets)	-	-1,779
of which offset against other comprehensive income (provisions)	-166	52

The deferred tax assets and liabilities recognised in other comprehensive income result from measurement differences in pension provisions. In addition, adjustments relating to the transition to IFRS 9 were recognised in retained earnings as at 1 January 2018, which also led to a corresponding deferred tax effect in retained earnings. All other changes in deferred tax items were recognised as deferred income tax expense/ income.

Deferred tax assets for property, plant and equipment and intangible assets particularly result from higher amounts recognised for these assets in supplementary tax balance sheets and from the effects of intercompany profit elimination within the Group. Deferred tax assets for liabilities and provisions result, in particular, from provisions for onerous contracts that are not tax-deductible and from the recognition of lease liabilities.

Deferred tax liabilities particularly result from the identification of intangible assets (particularly the customer base) in the context of business combinations and from the fair value measurement of property, plant and equipment performed in connection with this.

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

KEUR	31 December 2018	31 December 2017
Temporary differences	6,916	-
Trade tax loss carry-forwards	466	344
Corporate tax loss carry-forwards	468	441
Interest carry-forwards	149,396	127,345

With regard to carry-forwards not including deferred taxes, pre-affiliation trade tax loss carry-forwards of KEUR 18,010, corporation tax loss carry-forwards of KEUR 97,369 and interest carry-forwards of KEUR 67,069 of PrimaCom Holding GmbH are not disclosed.

Not included in the recognition basis for deferred taxes are 5 % of the differences between the recognition of the pro-rata equity of the subsidiaries and the lower corresponding item recognised in the financial statements for tax purposes (outside basis differences) of KEUR 873 (2017: KEUR 1,326). Recognition is not currently planned. On disposal, 5 % of the sales proceeds would be subject to taxation.

E.11 Property, plant and equipment

The following tables show the movements in carrying amounts of property, plant and equipment and intangible assets in the year from 1 January to 31 December 2018, and for the comparative period from 1 January to 31 December 2017.

Movements in intangible and fixed assets during the financial year 2018

KEUR	Acquisition costs: 1 Jan 2018	Additions	Disposals [1]	Reclasses	31 Dec 2018	Accumulated depreciation and amortisation: 1 Jan 2018	Adjustments to opening balance [1]	Unscheduled additions	Reclasses [1]	Reclasses	31 Dec 2018	Net carrying amounts: 31 Dec 2018	31 Dec 2017
I. Intangible assets													
1. Goodwill	1,307,746	-	-	-	1,307,746	148,310	-	124,209	-	-	272,519	1,035,226	1,159,436
2. Concessions, industrial, and similar rights, as well as assets and licenses for such rights and assets	64,107	10,372	117	37,701	112,063	52,893	10,106	-	23	4,673	67,649	44,413	11,214
3. Internally developed software	2,266	155	-	53	2,474	770	53	-	-	-	823	1,651	1,496
4. Customer bases	332,558	-155	121	-	332,282	150,500	31,283	-	-	-	181,783	150,499	182,058
5. Customer commissions	79,513	19,095	268	-	98,340	62,378	13,692	-	268	-	75,802	22,538	17,135
6. Assets under development and advance payments	18,614	15,663	66	-29,804	4,407	-	-	-	-	-	-	4,407	18,614
	1,804,803	*45,130*	*572*	*7,950*	*1,857,312*	*414,851*	*55,134*	*124,209*	*291*	*4,673*	*598,576*	*1,258,734*	*1,389,953*
II. Property, plant, and equipment													
1. Properties	3,093	24	54	-	3,063	1,167	16	-	2 -	-	1,181	1,883	1,926
2. Plant and equipment	1,118,259	55,254	9,263	62,411	1,226,661	616,842	97,984	-	4,836 -	-4,760	705,230	521,431	501,417
3. Other, operating, and office equipment	35,341	7,318	845	4,432	46,246	19,204	5,660	-	432 -	87	24,519	21,727	16,138
4. Assets under construction and advance payments	90,440	79,857	1,054	-74,793	94,450	51	-	-	- -	-	51	94,399	90,389
	1,247,133	*142,454*	*11,216*	*-7,950*	*1,370,420*	*637,264*	*103,660*	*-*	*5,270*	*-4,673*	*730,981*	*639,440*	*609,869*
	3,051,938	**187,584**	**11,788**	**-**	**3,227,732**	**1,052,115**	**158,794**	**124,209**	**5,561**	**-**	**1,329,557**	**1,898,173**	**1,999,822**

[1] Thereof reclassification to the “Assets held for sale” item: Net carrying amount of KEUR 333 (including acquisition costs of KEUR 1,871 and depreciation of KEUR 1,537).

Movements in intangible and fixed assets in financial year 2017

KEUR	Acquisition costs						Accumulated depreciation and amortisation						Net carrying amounts	
	1 Jan 2017	Additions	Additions from changes in consolidated entities	Disposals 1)	Reclasses	31 Dec 2017	1 Jan 2017	Adjustments to opening balance 1)	Unscheduldded additions	Reclasses 1)	Reclasses	31 Dec 2017	31 Dec 2017	31. Dez 16
I. Intangible assets														
1. Goodwill	1,296,553	-	11,193	-	-	1,307,746	148,310	-	-	-	-	148,310	1,159,436	1,148,243
2. Concessions, industrial and similar rights and assets and licenses in such rights and assets	51,838	5,664	-	876	7,481	64,107	41,375	7,479	4,766	727	-	52,893	11,214	10,463
3. Internally developed software	2,152	-	-	-	114	2,266	713	57	-	-	-	770	1,496	1,439
4. Customer base	391,895	13,808	5,890	-41	436	412,070	166,720	46,122	-	-35	-	212,877	199,193	225,175
5. Assets under development and advance payments	16,814	10,529	-	22	-8,707	18,614	-	-	-	-	-	-	18,614	16,814
	1,759,251	*30,001*	*17,083*	*857*	*-676*	*1,804,803*	*357,118*	*53,658*	*4,766*	*692*	-	*414,850*	*1,389,953*	*1,402,133*
II. Property, plant and equipment														
1. Properties	3,091	2	-	-	-	3,093	1,150	17	-	-	-	1,167	1,926	1,941
2. Plant and equipment	1,078,345	39,243	4,257	21,268	17,682	1,118,259	542,233	91,542	356	17,289	-	616,842	501,417	536,112
3. Other equipment, operating and office equipment	33,652	6,291	41	6,101	1,458	35,341	19,736	5,226	45	5,803	-	19,204	16,138	13,917
4. Assets under construction and advance payments	52,771	62,432	-	6,299	-18,464	90,440	51	-	-	-	-	51	90,389	52,720
	1,167,859	*107,968*	*4,298*	*33,668*	*676*	*1,247,133*	*563,170*	*96,785*	*401*	*23,092*	-	*637,264*	*609,869*	*604,689*
	2,927,112	**137,969**	**21,381**	**34,525**	**-**	**3,051,936**	**920,288**	**150,443**	**5,167**	**23,784**	**-**	**1,052,114**	**1,999,822**	**2,006,825**

2) Thereof reclassification to the “Assets held for sale” item: Net carrying amount of KEUR 445 (including acquisition costs of KEUR 3,174 and depreciation of KEUR 2,729).

E.12 Impairment testing of intangible assets and goodwill

The annual impairment test on goodwill and on intangible assets under development pursuant to IAS 36 was performed as at 31 December 2018. There are no other intangible assets with an indefinite useful life.

E.12.1 Result of impairment testing of intangible assets under development

As in the previous year, no impairment was required to be recognised in relation to the assets included in intangible assets under development as at 31 December 2018.

E.12.2 Result of impairment testing of goodwill

Goodwill was impaired in the amount of KEUR 124,209 as at 31 December 2018. This is due to the changes in planning assumptions of Tele Columbus AG. Compared to the previous year in the medium-term revenue is expected to increase in the low single-digit to mid single-digit percentage range whereas Normalised EBITDA should rise in the mid single-digit percentage range. In the medium term, the investment ratio (in terms of revenue) should decline

E.12.2.1 Cash-generating units (CGUs)

Goodwill and intangible assets under development are tested at CGU level: There are three CGUs to which goodwill is allocated: TV (relates to the product segment TV), Internet and Telephony (relates to the product segment “Internet and Telephony”), and HLkomm (relates primarily to the business customer division of the segment “Other”).

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

KEUR	31 December 2018	31 December 2017
TV	391,140	515,349
Internet and Telephony	594,019	594,019
HL komm	50,068	50,068
Total	**1,035,227**	**1,159,436**

The year-on-year decline in goodwill results from an impairment loss of KEUR 124,209 in the TV CGU. The recoverable amount of the TV CGU is determined to be KEUR 841,327.

If the carrying amount of a CCU including goodwill is higher than the recoverable amount, then an impairment loss is recognised in accordance with IAS 36. The recoverable amount was calculated as fair value less costs to sell.

As in the previous year, fair value was determined using the discounted cash flow (DCF) method based on the weighted average cost of capital (WACC). This measurement method is based on the financial planning approved by the management for each segment/CGU over a detailed planning horizon of five years, which is also used for the purposes of managing the segments. The key ratios in this regard are EBITDA (based on revenue and cost development) and investment planning (capex).

Starting with normalised EBITDA and capex – i.e. the key performance indicators – the parameters which were used for normalisation of EBITDA were added again, and free cash flow after tax was determined (taking account of investment planning and planned changes in working capital, among other factors), which is the key variable used for the DCF method during the detailed planning period.

For the period after the detailed planning, a projected sustainable cash flow is derived for each CGU based on the last year of the detailed planning, taking account of planned growth rates of 1.00 % (2017: 1.00 %) for the TV CGU and 1.25 % (2017: 1.25 %) for the Internet and Telephony CGU and the HLkomm CGU.

The assumptions made were derived from sector comparisons and historical experience.

The discount rate was determined based on a risk-free basic interest rate of 1.00 % (2017: 1.25 %) and relevant industry parameters. The WACC after taxes is 5.33 % (2017: 5.63 %) for both the TV and the Internet and Telephony CGU, while the WACC before taxes is 6.95 % (2017: 7.46 %) for the TV CGU and 7.16 % (2017: 7.52 %) for the Internet and Telephony CGU. With regard to the HLkomm CGU, a WACC of 7.56 % (2017: 6.73 %) after taxes and 11.12 % (2017: 9.64 %) before taxes was used. The difference in the interest rate compared to the TV and the Internet and Telephony CGU reflects the slightly elevated risk of this business, particularly with business customers.

E.12.2.2 Sensitivity analysis

The impairment test for goodwill is based on the material assumptions presented in the preceding section. For the sensitivity analysis, the management accordingly defined which changes in these assumptions were possible on the basis of experience and could potentially lead to an impairment loss. In accordance with IAS 36, the calculations were performed on the assumption that these changes do not result in any further changes in parameters (ceteris paribus). In the normal course of business, such changes are correlated with other factors and indicate changes in the way in which the management manages the company.

The following tables show the changes considered possible in relation to the CGUs that could lead to impairment of goodwill (in the case of the Internet and Telephony CGU and the HLkomm CGU) or could increase impairment of goodwill (in the case of the TV CGU) in this scenario. In addition, the following table shows the maximum level of change in the assumption that would not be expected to result in impairment (threshold).

For the TV CGU it was assumed in the previous year that no scenario with regard to investments exists that could lead to an impairment of goodwill in the event of changes in this assumptions. Therefore no comparative figures of the previous year are presented. As it was also assumed in the previous year that there was only one possible scenario for the Internet and Telephony CGU that could lead to impairment of goodwill in the event of changes in assumptions, no comparative figures from the previous year are reported for this CGU in some cases:

KEUR - Sensitivity TV	31 December 2018	31 December 2017
Assumption: increase in interest rate by 3 % to 8.33 %		
possible impairment of carrying amount	-472,664	-316,494
threshold value of change in % points	-0.55	0.59
Assumption: decrease in long-term EBITDA of 15 % to an EBITDA margin of 33 %		
Possible impairment of carrying amount	-310,473	-114,354
threshold value of change in %	10.00	-7.90
Assumption: Increase in long-term capital expenditures by 15 % to an investment ratio of 19 %		
Possible impairment of carrying amount	-205,396	-
threshold value of change in %	-22.95	-
Assumption: no long-term growth, i.e. growth-rate of 0 %		
Possible impairment of carrying amount	-249,152	-35,483
threshold value of growth rate in %	1.68	0.25

KEUR - Sensitivity Internet and Telephony	31 December 2018	31 December 2017
Assumption: increase in interest rate by 3 % to 8.33 %		
possible impairment of carrying amount	-417,667	-39,015
threshold value of change in % points	0.06	2.66
Assumption: decrease in long-term EBITDA of 15 % to an EBITDA margin of 51 %		
Possible impairment of carrying amount	-228,921	-
threshold value of change in %	-0.84	-
Assumption: Increase in long-term capital expenditures by 15 % to an investment ratio of 32 %		
Possible impairment of carrying amount	-99,158	-
threshold value of change in %	1.81	-
Assumption: no long-term growth, i.e. growth-rate of 0 %		
Possible impairment of carrying amount	-182,890	-
threshold value of growth rate in %	1.18	-

Moreover, management does not expect a change in assumptions in the coming year that would adversely affect calculations, and thus lead to impairment of goodwill.

As in the previous year, there are no possible scenarios for any of the parameters in the HL komm CGU that could lead to impairment of goodwill in the event of changes in assumptions.

E.12.3 Result of impairment testing of intangible assets with finite useful lives

Intangible assets with a carrying amount of KEUR 1,258,734 (2017: KEUR 1,389,953) comprise goodwill of KEUR 1,035,227 (2017: KEUR 1,159,436), customer bases of KEUR 150,499 (2017: KEUR 182,058), customer commissions of KEUR 22,538 (2017: KEUR 17,135) and other intangible assets of KEUR 50,471 (2017: KEUR 31,324).

These relate mainly 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, they are only impairment tested if there is any indication of impairment. As in the previous year, there were no indications of possible impairment on other intangible assets with finite useful lives.

E.13 Inventories

KEUR	31 December 2018	31 December 2017
Raw materials and supplies	7,638	7,960
Work in progress	977	2,968
Inventories	**8,615**	**10,928**

Inventories comprise network materials, electronic and mechanical components, spare parts for repairs and maintenance, end-customer hardware and, to a small extent, work in progress.

Impairment losses on inventories are reported in the cost of materials. In the 2018 financial year, impairment amounted to KEUR 319 (2017: KEUR 134).

E.14 Current and non-current assets

Current and non-current assets comprise trade receivables, other financial receivables and other assets, deferred expenses and derivative financial instruments.

E.14.1 Trade and other receivables

KEUR	31 December 2018	31 December 2017
Trade and other receivables - gross	70,252	65,649
thereof contract assets	9,277	-
Impairment losses	-14,023	-10,841
Trade and other receivables - net	**56,229**	**54,808**

Trade receivables mainly include receivables from subscription fees and from signal delivery, transmission and feed-in charges.

Trade receivables include contract assets under IFRS 15 amounting to KEUR 9,277 (1 January 2018: KEUR 3,874). The contract assets mainly relate to claims of the Group for consideration for construction services that were completed but not yet invoiced as at reporting date. These assets have a maturity of up to one year and relate to customer contracts with regard to construction contracts. The increase in the reporting period is mainly due to the project progress.

In addition, there are trade receivables from related parties. Please refer to the explanatory notes in section F.2.2 “Transactions with related parties” in this context.

With regard to trade receivables pledged at their carrying amounts as collateral for liabilities as at 31 December 2018, please refer to the explanatory notes in section E.20 “Liabilities to banks and from the bond issuance”.

E.14.2 Other assets

Other financial receivables chiefly consist of cash deposits for the debit limit, rent deposits, and claims from employer pension liability insurance for pensions that do not qualify as plan assets.

Other assets mainly include advance payments, receivables from input taxes, and creditors with debit balances.

The reported derivative financial instruments relate to two interest caps acquired by Tele Columbus AG in February 2016 and embedded derivatives of the bond issued in May 2018. Please refer to the explanatory notes in section E.20 “Liabilities to banks and from the bond issuance”.

Deferred expenses mainly consist of payments in connection with insurance policies, maintenance contracts and rents.

E.14.3 Impairment of current and non-current assets

Impairment losses are recognised in the line item “Other expenses”. Please refer to the explanatory notes in section F.3.1 “Carrying amounts and net income from financial instruments”.

There are no overdue receivables for which no impairment loss was recognised. Impairment losses were mostly recognised as lump-sum specific loan loss provisions in line with the dunning level and age structure. Further information on counterparty default risk is provided in section F.3.2.3 “Credit risk (default risk)”. Impairment of trade receivables developed as follows (comparative figures for 2017 show the allowance account in accordance with IAS 39):

KEUR	31 December 2018	31 December 2017
Impairment as at 1 January according to IAS 39	**10,841**	**11,418**
Adjustments due to first-time adoption of IFRS 9	601	-
Impairment as at 1 January according to IFRS 9	**11,442**	**-**
Amount written off	-3,364	-4,836
Net-reassessment of impairment	5,945	4,259
Impairment as at 31 December	**14,023**	**10,841**

As in the previous year, no impairment losses were recognised on other current financial assets. For contract assets that are included in “Trade receivables and other receivables” as well as for cash and cash equivalents, no impairment loss was recognised as well.

E.15 Assets held for sale

The assets held for sale reported in the statement of financial position in the amount of KEUR 249 (2017: KEUR 607) consist of non-current assets.

E.16 Equity

The share capital of KEUR 127,556,251 consists of 127,556,251 no-par-value registered shares and has been fully paid. No treasury shares were held as at the reporting date. Compared to the previous year, there were no changes in the share capital or in the treasury shares held.

Authorised capital

In accordance with the resolution by the Annual General Meeting on 15 May 2015, the Board of Management is authorised to increase the company’s share capital with the approval of the Supervisory Board on one or more occasion by a total of up to EUR 1,925,693 by issuing new registered no-par value shares against contributions in cash or in kind (Authorised Capital 2015/I). This corresponds to around 1.5 % of the current share capital. This authorisation applies from 15 September 2015 to 14 May 2020.

Contingent capital

In accordance with the resolution by the Annual General Meeting on 15 May 2015, the company's share capital can be increased contingently by up to EUR 28,345,833 by issuing up to 28,345,833 new registered no-par value shares (Contingent Capital 2015/I). This authorisation ends on 14 May 2020.

Revaluation reserve IAS 19

The revaluation reserve consists of the following components:

31 December 2018

KEUR	Gross value	Deferred taxes	Net value
Revaluation reserve for employee benefits pursuant to IAS 19	-2,536	811	-1,725
	-2,536	**811**	**-1,725**

31 December 2017

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**

An amount of KEUR 578 (2017: KEUR 517) from share-based payment transactions was recognised in equity. Further information can be found in section E.18 "Share-based payment transactions".

Due to the initial application of IFRS 9, an amount of KEUR 416 (after deferred tax) was offset against equity in the opening statement of financial position as at 1 January 2018. This relates to the adjusted impairment loss on trade receivables.

Movements in equity and distributions to non-controlling interests are shown in the consolidated statement of changes in equity.

E.17 Post-employment and other long-term employee benefits

There are pension entitlements for employees of companies that were acquired by Tele Columbus AG in previous financial years. Entitled employees or (former) managers can claim their pensions from the age of 60 onwards if they were employed by the same company for at least five years. Pension benefits can first be claimed between the age of 60 and 65, whereby in some cases it is possible to claim a pension earlier if a reduction is accepted.

Pension benefits may consist of fixed pension benefits and/or pension benefits dependent on salary progression for the person entitled to benefits. In addition, pension benefits may also include benefits for occupational disability or surviving dependants.

Some pension benefits are secured by so-called plan assets, which in the event of insolvency may only be utilised to satisfy the claims of the persons eligible for pension benefits.

Eligible employees do not make individual contributions to such pension benefit plans. The amount of future payments is dependent, in particular, on the increase of pension entitlements when 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 commitments resulting from these plans are financed exclusively by the responsible subsidiary.

The date at which pension entitlements are paid out depends on the individual contractual arrangements for the entitled employees. The point in time when payments commence is not pre-determined insofar as the person entitled to benefits has the possibility of influencing commencement within certain margins.

The period assumed for benefit payments is set by the 2018 guideline tables of Prof. Dr. Klaus Heubeck.

The development of salaries and wages assumed does not have any significant influence on the amount of provisions or payments, as the majority of persons entitled to benefits have already started receiving them.

Long-term employee benefits comprise pension provisions, provisions for partial retirement, and provisions for jubilee or other long-service benefits.

KEUR	31 December 2018	31 December 2017
Pension commitments	7,820	9,046
Commitments for partial retirement and anniversaries	1,676	787
	9,496	**9,833**

Pension obligations and obligations from partial retirement and jubilee falling due in the subsequent financial year amount to KEUR 568 (2017: KEUR 755).

The following table shows the reconciliation of the present value of defined benefit obligations (DBO) to their carrying amounts:

KEUR	31 December 2018	31 December 2017
Present value of defined benefit obligations (DBO)	9,291	11,804
Plan assets	-1,471	-2,758
Pension commitments	**7,820**	**9,046**

The present value of the defined benefit obligations is divided into capital-backed and non-capital-backed pension plans:

KEUR	31 December 2018	31 December 2017
Present value of defined benefit obligations (DBO) – capital-backed plans	2,636	4,519
Present value of defined benefit obligations (DBO) – non-capital-backed plans	6,655	7,285
	9,291	**11,804**

The present value of defined benefit obligations developed as follows during the reporting period:

KEUR	2018	2017
Present value of defined benefit obligations as of 1 January	11.804	12.086
Current service cost	13	131
Interest expense	145	206
Actuarial gains for adjustments made due to experience	-299	-151
Actuarial losses for adjustments made due to demografic changes	78	-
Actuarial gains/ losses for adjustments made due to financial adjustments	-343	281
Benefits paid	-2.107	-749
Present value of defined benefit obligations as of 31 December	**9.291**	**11.804**

As in the previous year the present value is calculated based on a weighted average duration of 12 years. The duration is the weighted average remaining term for which pension benefits are paid to eligible persons.

The benefit payments are expected to be at the level of the 2018 financial year or slightly higher.

The following table shows the movements in plan assets:

KEUR	2018	2017
Plan assets as of 1 January	2,758	2,831
Interest income from plan assets	49	66
Profit or loss on plan assets excluding standard interest income	-	28
Benefits paid	-1,336	-167
Plan assets as of 31 December	**1,471**	**2,758**

Plan assets consist of employer pension liability insurance, the management and capital investment of which are the insurers' sole and exclusive responsibility. Insurance companies predominantly invest in fixed-interest securities and also to some extent in shares and real estate. There is no particular concentration of risk in individual plan asset classes. As in the previous year, no employer contributions are expected in the following year. Plan asset payments expected in the following year amount to KEUR 568 (2017: KEUR 755).

The following expenses were incurred for pension benefits:

KEUR	2018	2017
Current service cost	-13	-131
Net interest expense	-96	-140
	-109	**-271**

Current service costs are recognised under employee benefits. The net interest expense is recognised under interest expenses.

The present value of the pension obligations is calculated based on the following significant assumptions:

%	31 December 2018	31 December 2017
Interest rate	1,7 - 3,29	1,4 – 3,7
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 - 0,5	0,0 – 0,5

Under otherwise identical conditions, a potential change in one of the significant actuarial assumptions that could have been reasonably expected by the reporting date would have changed the defined benefit obligation as follows:

Sensitivity analysis [1)]

	31 December 2018		31 December 2017	
	Defined benefit obligation		Defined benefit obligation	
KEUR	Increase	Decrease	Increase	Decrease
Discount rate (1.00% change)	-7,450	9,433	-8,964	11,432
Future pension increase (0.25% change)	8,430	-8,311	10,312	-9,887

1) The sensitivities were calculated without taking account of plan assets.

Fluctuation and the expected increase in salaries and wages are considered insignificant actuarial assumptions with respect to sensitivity. The anticipated rate of fluctuation and increase in salaries and wages do not have a significant effect due to the low share of active employees.

In 2018, the expenses for defined contribution plans amounted to KEUR 4,967 (2017: KEUR 4,823).

In addition to the plan assets, there are employee pension liability insurance claims of KEUR 1,586 (31 December 2017: KEUR 1,623), which do not qualify as plan assets within the meaning of IAS 19 and are thus are recognised as other financial receivables.

E.18 Share-based payment transactions

As at 23 January 2015, two share-based payment programmes for the long-term, sustainable corporate development of Tele Columbus AG came into effect: the Matching Stock Programme (hereinafter referred to as “MSP”) for the Board of Management and the Phantom Options Programme (hereinafter referred to as “POP”) for selected managerial staff. The MSP and the POP create a long-term incentive to work towards the success of the company.

Description of share-based payment programmes

The MSP and the POP grant an option to shares in Tele Columbus AG, depending on the share price performance and other vesting conditions.

The MSP requires participants to make their own investment in shares of Tele Columbus AG (so-called MSP shares). Each MSP share acquired entitles the bearer to receive 4.5 virtual shares (MSP phantom stocks) per allocated tranche. The number of subscription rights – in this case, MSP phantom stocks – is determined by the Supervisory Board.

The MSP shares are deposited in a blocked securities account for the entire duration of the programme. There are no further restrictions on disposal. The shares thus have full rights to participate in dividends and subscription rights. However, the MSP phantom stocks are subject to a restriction on disposal.

The compensation programme is divided into five MSP tranches. Each tranche of the allocated MSP phantom stocks is subject to a vesting period of four years. The first time an MSP tranche was allocated was on 23 January 2015, with a holding period ending on 22 January 2019. The second MSP tranche was allocated on 23 January 2016 and the holding period will end on 22 January 2020. The other tranches are each allocated on 23 January of the subsequent years. However, the fourth tranche was allocated on 28 September 2018. Depending on the exercise conditions being met, an MSP tranche can be converted into taxable compensation. This compensation must be used to acquire shares in Tele Columbus AG. The shares are purchased at the prevailing market price on the exercise date and are subject to an exercise period of two years that begins when the holding period ends. After the end of the exercise period, subscription rights that have not been exercised expire without substitution. The exercise conditions of each allocated tranche depends on the price trend during the holding period. This is determined from the basis 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 grant 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 defined by the Supervisory Board when the respective tranche is allocated, and amounts to at least 120 % 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 basis price.

The Phantom Options Programme for selected managerial staff does not require participants to make their own investment in shares of Tele Columbus AG. Following approval by the Supervisory Board, each participant is allocated a certain number of phantom options (a POP tranche) by the Executive Board. The other conditions of this programme are similar to those of the MSP.

Determining fair values

The fair values of the issued subscription rights on the grant date were determined by an independent expert based on the binomial options pricing model (Cox-Ross-Rubinstein).

The inputs used when calculating the fair values of the equity-settled share-based payment plans include the following assumptions:

Matching Stock Programme (MSP)

	2015	2016	2017	2018
	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Fair value of the option	EUR 1.30	EUR 2.03	EUR 1.71	EUR 0.73
Share price at valuation date	EUR 7.01	EUR 9.20	EUR 7.90	EUR 2.49
Exercise price	EUR 7.01	EUR 8.60	EUR 7.78	EUR 2.81
Expected volatility	25%	35.6%	31,2%	42,5%
Expected maturity	5 years	5 years	5 years	5 years
Expected dividends	-	-	-	-
Hurdle	130%	130%	130%	120%
Cap	EUR 9.34	EUR 12.74	EUR 12.74	EUR 11.52
Risk-free interest rate (based on German Government Bonds)	-0.1 %	-0.223 %	-0.362 %	-0.186 %

Phantom Options Programme (POP)

	2015	2016	2016	2017	2018
	Tranche 1	Tranche 2	Further	Tranche 3	Tranche 4
Fair value of the option	EUR 1.45	EUR 2.74	EUR 2.07	EUR 1.99	EUR 0.79
Share price at valuation date	EUR 7.01	EUR 9.20	EUR 7.75	EUR 7.90	EUR 2.49
Exercise price	EUR 7.01	EUR 8.60	EUR 8.43	EUR 7.78	EUR 2.81
Expected volatility	25%	35.6%	35.6%	31.2%	41.5%
Expected maturity	5 years	5 years	5 years	5 years	5 years
Expected dividends	-	-	-	-	-
Hurdle	130%	130%	130%	130%	120%
Cap	EUR 30.13	EUR 42.85	EUR 42.85	EUR 30.25	EUR 40.78
Risk-free interest rate (based on German Government Bonds)	-0.1 %	-0.223 %	-0.223 %	-0.362 %	-0.186 %

The expected volatility of the share price of Tele Columbus AG is based on its historical volatility since the IPO.

Reconciliation of outstanding share options

The weighted average exercise prices and the number of share subscription rights for the MSP and the POP are as follows:

Matching Stock Programm (MSP)

	Tranche 1		Tranche 2		Tranche 3		Tranche 4	
	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 1 January	EUR 7.01	268,750	EUR 8.60	225,000	EUR 7.78	247,639	-	-
Granted options during the year	-	-	-	-	-	-	EUR 2.81	337,500
Forfeited options during the year	-	-	-	-	-	-	-	-
options during the year	-	-	-	-	-	-	-	-
Expired options during the year	-	13,437	-	42,187	-	70,312	-	-
Outstanding options as of 31 December	EUR 7.01	255,313	EUR 8.60	182,813	EUR 7.78	177,327	EUR 2.81	337,500
Exercisable options as of 31 December	-	-	-	-	-	-	-	-

Phantom Options Programm (POP)

	Tranche 1		Tranche 2		Further		Tranche 3		Tranche 4	
	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	Weighted average exercise price	Number of options
Outstanding options at 1 January	EUR 7.01	135,549	EUR 8.60	135,549	EUR 8.43	25,000	EUR 7.78	500,000	-	-
Granted options during the year	-	-	-	51,951	-	-	-	-	EUR 2.81	510,000
Forfeited options during the year	-	-	-	-	-	-	-	-	-	-
options during the year	-	-	-	-	-	-	-	-	-	-
Expired options during the year	-	42,805	-	-	-	25,000	-	170,000	-	-
Outstanding options as of 31 December	EUR 7.01	92,744	EUR 8.60	187,500	-	-	EUR 7.78	330,000	EUR 2.81	510,000
Exercisable options as of 31 December	-	-	-	-	-	-	-	-	-	-

The outstanding subscription rights from the first tranche as at 31 December have a weighted average contractual term of four years, while for those from the second, third and fourth tranches this term is five years.

As a result of the MSP and POP programmes, an amount of KEUR 578 (2017: KEUR 517) was recognised as personnel expenses and in equity, as the programmes are to be settled with equity instruments.

E.19 Other provisions

The following table shows the movements in other provisions in the current financial year:

KEUR	1 Jan 2018	Reclass-ifications	Utilisation	Reversal	Additions	Discounting/ unwinding of discount	31 Dec 2018
Additional claim for tax audit risks	7,980	-	2,600	-	828	59	6,267
Restructuring	6,337	-	5,441	187	71	-	781
Litigation provisions	2,128	-	1,269	170	317	-	1,005
Asset retirement obligations	-	-	-	-	1,753	-	1,753
Onerous contracts	115	-	80	34	491	-	491
Retention requirements	503	8	-	8	-	1	504
Termination benefits	117	-	117	-	-	-	-
Warranty provision	238	-	-	-	128	-	365
Other provisions	1,672	-8	635	-	52	-	1,081
	19,089	**-**	**10,142**	**399**	**3,640**	**61**	**12,248**

The other provisions reported as at 31 December 2018 can be divided into current obligations of KEUR 9,527 (2017: KEUR 18,626) and non-current obligations of KEUR 2,721 (2017: KEUR 463).

The companies of Tele Columbus AG have recognised provisions for possible obligations to make additional payments for the settlement of future costs from tax audits at the level of individual subsidiaries.

The restructuring provision accordingly covers all measures taken by the companies of Tele Columbus AG in connection with the integration of acquired subsidiaries for which the companies of Tele Columbus AG have a contractual obligation.

The litigation provisions mainly relate to disputed claims from the enforcement of an obligation to extend business premises.

Provisions for asset retirement obligations were recognised mainly in connection with the new headquarter of the company in Berlin.

Provisions for onerous contracts were mainly recognised in connection with a signal delivery contract for which it can be assumed that the planned future inflows are lower than the payments countering these inflows.

Other provisions chiefly relate to risks from tax audits.

E.20 Liabilities to banks and from the bond issuance

KEUR	31 December 2018	31 December 2017
Liabilities to banks and from the bond issuance - nominal values	1,436,122	1,335,767
Transaction costs	-42,248	-53,526
Accrued interest	3,492	13,342
Liabilities in connection with embedded derivatives	3,449	2,102
Long-term liabilities to banks and from the bond issuance	**1,400,814**	**1,297,685**
Liabilities to banks and from the bond issuance - nominal values	15,940	23,564
Accrued interest	264	17,961
Transaction costs	-1,144	-2,500
Liabilities in connection with outstanding premium interest caps	-	4,368
Short-term liabilities to banks and from the bond issuance	**15,059**	**43,393**
	1,415,873	**1,341,078**

Current and non-current liabilities comprise credit facilities concluded by Tele Columbus AG under the senior facilities agreement and senior secured notes (bond) of KEUR 1,409,980 (2017: KEUR 1,328,373) and other individual loans and liabilities of subsidiaries in the amount of KEUR 5,893 (2017: KEUR 12,705).

E.20.1 Liabilities to banks from the senior facilities agreement

The following credit facilities are available to the Group under the senior facilities agreement: KEUR 707,463 (Term loan facility A2), KEUR 75,000 (Term loan 75m) and a facility of KEUR 50,000 for working capital financing (revolving facility).

The margin is 3.00 % p.a. plus EURIBOR for the Facility A2, 4.25 % p.a. for the Term loan 75m and 3.75 % p.a. for the revolving facility. In addition, the loan agreements include a EURIBOR floor of 0 % for all facilities. For the unused parts of the revolving facility, a commitment fee amounting to 35 % of the applicable margin is calculated, which is payable on a quarterly basis.

The credit facility had not been used as at the reporting date.

For the loans, there is a choice between a one-month, three-month or six-month EURIBOR. As at the reporting date, the Term loan facility A2 was based on the six-month EURIBOR while the Term loan 75m was based on the three-month EURIBOR.

In addition, the company Tele Columbus AG has access to KEUR 650,000 from a bond issued in May 2018 (senior secured notes) with an interest coupon of 3.875 % p.a.

The floors in relation to the EURIBOR and the repayment options are embedded derivatives (hybrid) and are subject to the requirement of separate disclosure and measurement stipulated in IFRS 9. For further information, please refer to section E.3.1 “Carrying amounts and net income from financial instruments”.

As at the reporting dates, the credit facility balances (including outstanding interest) were as follows:

KEUR	31 December 2018	31 December 2017
Senior Tranche A loan (term ending on 15 October 2024) - new -	696,951 [1]	1,284,124
Senior Secured Notes (term ending on 2 Mai 2025)	641,950 [3]	-
Term Loan Facility 75m (term ending on 18 October 2023)	71,863 [4]	-
Capex Facility / Facility B (term ending on 2 January 2020)	-	25,026
Senior Revolving Facility (term ending on 2 January 2021)	- [2]	19,223
	1,410,764	**1,328,373**

1) Contains transaction costs not compounded yet for the term loans in the amount of KEUR -21,352 (2017: KEUR -40,184) and embedded derivatives in the amount of KEUR 1,820 (2016: KEUR 2,102) that result from agreed floors and repayment options in the term loans.

2) Contains any transaction costs not compounded yet for the Revolving Facility in the amount of KEUR 0 (2017: KEUR -1.915).

3) Contains any transaction costs not compounded yet for the Bond in the amount of KEUR -13,090 and embedded derivatives in the amount of KEUR 912, which result due repayment options in bond terms.

4) Contains any transaction costs not compounded yet for the Term Loan 75m in the amount of KEUR -4,314 and embedded derivatives in the amount of KEUR 717 (2017: KEUR 0), which result from agreed floors and repayment options in the term loans.

In accordance with the share and interest pledge agreement dated 3 May 2018, interests in affiliated companies and associates are pledged as collateral for liabilities to banks. Pledges to shares in affiliated companies and associates may be realised in case of maturity of the pledge and if the secured financing instruments are terminated. In addition, loans of the companies of Tele Columbus AG are collateralised with trade receivables.

Value of the loan collateral pledged as at the respective reporting dates:

KEUR	31 December 2018	31 December 2017
Shares in affiliates	1,586,514	1,485,626
Trade receivables	4,852	10,380
	1,591,366	**1,496,006**

E.20.2 Other liabilities to banks

There are other individual contractual loan agreements and liabilities between subsidiaries of Tele Columbus AG and banks. As at the reporting date, these result in financial liabilities of KEUR 5,893 (2017: KEUR 12,705). The term of these loan agreements/liabilities varies between 12 and 83 months. Fixed interest rates between 0.63 % p.a. and 4.22 % p.a. have been agreed for the loans.

E.21 Trade and other payables

KEUR	31 December 2018	31 December 2017
Trade and other payables	76,503	95,198
thereof contract liabilities	8,397	-

Trade payables mainly comprise liabilities in connection with signal delivery contracts, services, and supplies and services that had been received by the reporting date but not invoiced.

As at 31 December 2018 contract liabilities in the amount of KEUR 8,397 (1 January 2018: KEUR 7,980) are included in “Trade and other payables”. In the reporting period revenue was recognised in the amount of KEUR 1,181 which was presented in the balance of contract liabilities as at 1 January 2018.

E.22 Deferred income/revenue and derivative financial instruments

Deferred income/revenue chiefly consists of advance payments from customers and rents already received, as well as investment grants received.

The reported derivative financial instruments relate to embedded derivatives that are linked to loan agreements concluded with banks.

E.23 Other financial liabilities and other liabilities

Other financial liabilities mainly relate to lease payment obligations for the use of infrastructure facilities in the amount of KEUR 63,443 (2017: KEUR 45,552).

Other liabilities mainly relate to value-added tax, customer credit balances, employee bonuses, severance payments and other provisions with characteristics of liabilities.

F. Other explanatory information

F.1 Contingent assets, contingent liabilities and other financial obligations

F.1.1 Purchase commitments

Purchase commitments in connection with capital expenditure and operational expenditure amounted to KEUR 87,826 as at the reporting date (2017: KEUR 72,807).

F.1.2 Guarantees

The guarantees of KEUR 7,126 (2017: KEUR 6,532) mainly consist of rent guarantees and guarantees for licence agreements. In accordance with IFRS requirements, KEUR 6,811 (2017: KEUR 5,248) of these guarantees are not included in the statement of financial position.

F.1.3 Finance leases

The finance leases within the companies of Tele Columbus AG are structured as follows:

Leased asset	Matures in	Term extension option	Purchase option	Contingent lease payments
Plant and equipment	1-12 years	To some extent	No	To some extent
Fixtures and fittings	3-5 years	No	No	No

The following table shows the reconciliation of future minimum lease payments to the present value of finance lease liabilities for office and operating equipment as well as infrastructure facilities:

KEUR	31 December 2018	31 December 2017
Future minimum lease payments	78,846	53,632
Finance costs	-10,308	-8,080
	68,538	**45,552**

The future minimum lease payments under finance leases have the following maturities:

KEUR	31 December 2018	31 December 2017
Less than one year	15,424	11,554
Between one and five years	42,423	23,897
More than five years	20,999	18,181
	78,846	**53,632**

The maturities of liabilities under finance leases are as follows:

KEUR	31 December 2018	31 December 2017
Less than one year	13,203	9,827
Between one and five years	37,019	20,071
More than five years	18,316	15,654
	68,538	**45,552**

The residual carrying amounts of capitalised finance lease assets are as follows:

KEUR	31 December 2018	31 December 2017
Technical equipment	63,539	41,459
Furniture and office equipment	2,037	1,569
	65,576	**43,028**

With regard to the repayment of finance lease liabilities, please refer to the information provided in section IV “Consolidated statement of cash flows”.

F.1.4 Operating leases and other financial obligations

The operating leases within the companies of Tele Columbus AG are structured as follows:

Leased asset	Matures in	Term extension option	Purchase option	Contingent lease payments
Buildings	1-25 years	To some extent	No	No
Plant and equipment	1-16 years	To some extent	No	No
Fixtures and fittings	1-10 years	No	No	No

The future minimum lease payments under operating leases have the following maturities:

KEUR	Lease	Other	31 December 2018
Less than one year	10,603	10,344	20,946
Between one and five years	14,528	22,960	37,488
More than five years	5,461	13,975	19,435
	30,592	**47,278**	**77,870**

KEUR	Lease	Other	31 December 2017
Less than one year	13,797	11,169	24,966
Between one and five years	19,560	28,409	47,969
More than five years	7,962	16,372	24,335
	41,319	**55,951**	**97,270**

In financial year 2018, there were expenses from operating leases and other financial obligations of KEUR 19,297 (2017: KEUR 28,272).

Future minimum lease payments are based on contractual agreements with 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 amounts described above.

Total minimum lease payments under operating and finance leases and other financial obligations thus amount to KEUR 156,716 (2017: KEUR 150,902) as at 31 December 2018.

F.2 Related party disclosures

F.2.1 Legal relationships

Related parties as defined in IAS 24 are all subsidiaries, associates and joint ventures of the companies of Tele Columbus AG, as well as companies with a significant influence over the companies of Tele Columbus AG.

In addition to the members of the Board of Management, persons who are related parties of the companies of Tele Columbus AG also include the members of the Supervisory Board.

F.2.2 Transactions with related parties

Transactions by the companies of Tele Columbus AG included in the financial statements with Tele Columbus AG and its subsidiaries are regarded as transactions with related parties.

The following overview shows receivables and payables with related parties:

KEUR	31 December 2018	31 December 2017
Receivables from related entities, short-term	6	12
Payables to related entities, short-term	235	363
Payables to related persons, short-term	499	498

Receivables from and payables to related parties pertain to services exchanged in the context of operating activities and primarily relate to AproStyle AG, Dresden, and companies of the United Internet Group.

Current liabilities to related parties comprise the compensation of the Supervisory Board.

F.2.3 Expenses and income from transactions with related-party transactions

The following overview shows expenses and income from related-party transactions:

KEUR	2018	2017
Sale of goods and services		
Related entities	448	444
Acquisition of goods and services		
Related entities	-7,635	-4,242
Other		
Related entities		
Other income (+) / expenses (-)	-16	-389

F.2.4 Information on management compensation

The key management personnel at Tele Columbus AG consists of the following individuals:

Name	Financial year 2018	Member of management since / until
Timm Degenhardt	Chief Executive Officer	since 1 September 2017 member of Board of Management; since 1 January 2018 Chief Executive Officer
Eike Walters	Chief Financial Officer	since 25 June 2018 member of Board of Management; since 15 July 2018 Chief Financial Officer
Frank Posnanski	Chief Financial Officer	since 15 September 2014 and until 15 July 2018 Chief Financial Officer

Compensation of the Board of Management

In the current year, the members of the Board of Management received total compensation of KEUR 1,654 (2017: KEUR 2,622). This total compensation comprises pension benefits granted in the financial year in the amount of KEUR 50 (2017: KEUR 120) and the fair value of the share options granted in the amount of KEUR 246 (2017: KEUR 740). The total compensation paid to the former members of the Board of Management in connection with termination of their service contracts amounted to KEUR 1,852.

Individualised disclosures on the compensation of the Board of Management are presented in the compensation report, which forms part of the combined management report. Further information on share-based payment programmes can be found in section E.18 "Share-based payment transactions".

There were no other material transactions, such as rendering services or granting loans, between the companies of Tele Columbus AG and the members of the Board of Management of Tele Columbus AG and their close family members.

The Supervisory Board's claims to compensation in the current year amount to KEUR 426 (2017: KEUR 353).

F.3 Financial instruments and risk management

F.3.1 Carrying amounts and net income from financial instruments

The carrying amounts of the financial instruments, broken down by IFRS 9 category, were as follows as at 31 December 2018:

Financial Instruments by category under IFRS 9

KEUR	Measurement category IFRS 9	31 December 2018	31 December 2017
Financial assets			
At Fair Value through profit or loss	Derivative financial assets	1,283	1,521
Total		**1,283**	**1,521**
Measured at amortised cost	Receivables from related parties	6	12
	Trade receivables and other financial receivables	49,552	58,433
	Cash and cash equivalents	26,288	31,767
Total		**75,846**	**90,212**
Financial liabilities			
At Fair Value through profit or loss	Derivative financial liabilities	3,840	3,091
Total		**3,840**	**3,091**
Measured at amortised cost	Liabilities to banks and from the bond issuance	1,415,873	1,341,078
	Liabilities to associates and related parties	734	861
	Trade payables	68,105	95,198
	Other financial liabilities	7,906	3,988
Total		**1,492,618**	**1,441,125**
No classification	Lease liabilities[1)]	68,538	45,552
Total		**68,538**	**45,552**

[1] Taking account of IFRS 9 2.1 (b), lease liabilities are not assigned to any measurement category. Lease liabilities are excluded from the scope of application of IFRS 13 in accordance with IFRS 13.6(b) and are not allocated to an input hierarchy. They are accounted for in line with the provisions of IAS 17 Leases.

The following table shows the carrying amounts, broken down by items of the statement of financial position, and the hierarchical classification of fair values in accordance with IFRS 13 as at 31 December 2018 and as at 31 December 2017. It does not contain any information on fair value for financial assets and financial liabilities that were not measured at fair value if the carrying amount represents a reasonable approximation of the fair value. Trade receivables and other receivables as well as other trade payables and other liabilities that are classified as held for sale are not included in the following table:

KEUR	31 December 2018			
		Fair value		
	Carrying amount	Level 2	Level 3	Level 3
Financial assets				
Derivative financial assets	1,283		1,283	
Receivables from related parties	6		6	
Trade receivables and other financial receivables	49,552		49,552	
Cash and cash equivalents	26,288		26,288	
Financial liabilities				
Derivative financial liabilities	3,840		3,840	
Liabilities to banks and from the bond issuance	1,415,873		1,331,337	
Liabilities to associates and related parties	734		734	
Trade payables	68,105		68,105	
Other financial liabilities	7,906		7,906	
Lease liabilities [1)]	68,538			

KEUR	Carrying amount	Level 2	Level 3	Level 3
Financial assets				
Derivative financial assets	1,521		1,521	
Receivables from related parties	12		12	
Trade receivables and other financial receivables	58,433		58,433	
Cash and cash equivalents	31,767		31,767	
Financial liabilities				
Derivative financial liabilities	3,091		3,091	
Liabilities to banks and from the bond issuance	1,341,078		1,301,909	
Liabilities to associates and related parties	861		861	
Trade payables	95,198		95,198	
Other financial liabilities	3,988		3,988	
Lease liabilities [1)]	45,552			

[1] Taking account of IFRS 9 2.1 (b), lease liabilities are not assigned to any measurement category. Lease liabilities are excluded from the scope of application of IFRS 13 in accordance with IFRS 13.6(b) and are not allocated to an input hierarchy. They are accounted for in line with the provisions of IAS 17.

The main methods and assumptions used to determine the fair values of financial instruments and classify them in line with the three-level fair value hierarchy are explained below:

Current financial instruments, such as trade receivables and payables and related party receivables and payables, are recognised at their carrying amount, which due to the short maturities of these instruments represents a reasonable approximation of fair value.

Instruments with long maturities are recognised at their present value in the statement of financial position.

The carrying amounts of loans and the bond are not equal to their market values, as the interest rates applicable to these liabilities are not adjusted to the prevailing money market rates until a later date. In the case of lease liabilities as well, the carrying amount is not equal to the fair value (KEUR 68,008; 2017: KEUR 45,383), as interest rates are not adjusted for current money-market rates on a regular basis.

For derivatives, there was the option of economic netting on the basis of the existing framework agreements on derivatives trading. Actual offsetting would take place only in the event of the counterparty becoming insolvent. Therefore, there was no netting of derivatives in the accounts in the current financial year, as was as also the case with other financial assets and financial liabilities.

The carrying amount of derivative financial assets in the category “at fair value through profit or loss” includes two interest-rate caps of Tele Columbus AG. The fair value of the instruments is determined on the basis of an options pricing model (market comparison method), taking account of inputs and parameters that can be observed directly or indirectly on an active market (level 2).

Derivative financial assets

	Reference Amount KEUR	Fair Value as at 31 December 2018 KEUR	Fixed Rate	Duration
Embedded Call in Senior Secured Notes (Bond)	650,000	1,188	3.88%	02.05.2025
Interest Cap 1	550.000	48	0.75%	31.12.2020
Interest Cap 2	550.000	48	0.75%	31.12.2020

Interest caps 1 and 2, which are recognised in the “Other” business model in accordance with IFRS 9, reduce the risk of increased interest payments due to floating-rate financial instruments. These financial instruments cover the Group’s main interest-rate risks from interest-bearing liabilities, but are not classified as hedges for the purposes of hedge accounting in accordance with IFRS.

The loan agreements concluded for credit facilities include embedded derivatives with an interest floor and a repayment option. Although they do not have the role of a derivative in economic terms for the companies of Tele Columbus AG, they are subject to the separation requirement pursuant to IFRS 9 and are therefore classified as separate instruments (at fair value through profit or loss). The instruments are linked to the loan agreements. The model for measuring derivatives subject to the separation requirement determines the market value of the total contracted loan, divided into the host contract and the embedded derivative. The valuation was carried out on the basis of the “Hull White Two Factor” Model using yield curves for risk-free and higher risk investments. The model used was further calibrated in terms of “Swaption”-volatilities and the fair value of the underlying liability.

The following table shows the changes in value of liabilities from credit facilities and the bond as well as the associated derivatives:

KEUR	Senior Tranche A	Capex Facility	Senior Secured Notes - Bond	Basket Facility	Total as of 31.12.2018
Nominal value as of the date of conversion as of 3 May 2018	1.305.000	25.000	-	-	-
Conversion (as at 4 May 2018) and renaming to "Facility A2"	-597.537	-25.000	-	-	-
Nominal value as of the date of conversion from 4 May 2018	707.463	-	650.000	-	-
Provision of Facility 75m as of 9 November 2018	-	-	-	75.000	-
Nominal value of credit facilities and bond as at 31 December 2018	**707.463**	**-**	**650.000**	**75.000**	**1.432.463**
Fair value of embedded derivatives financial debts as at 31 December 2017	-3.091	-	-	-	-
Fair value of embedded derivatives financial assets as of 4 May 2018	-	-	996	-	-
Fair value of embedded derivatives financial debts as of 9 November 2018	-	-	-	732	-
Change in other financial result	-1.363	-	191	-118	-1.296
Fair value of embedded derivatives financial assets as at 31 December 2018	-	-	1.187		1.187
Fair value of embedded derivatives financial liabilities as at 31 December 2018	-4.454	-	-	614	-3.840

As at 31 December 2018, the fair value of the embedded derivatives (measurement level 2) amounted to KEUR -2,598.

In the event of an increase by 0.5 percentage points in credit risk, the fair value of the embedded derivatives would amount to KEUR -3,320.

In the event of a decrease by 0.5 percentage points in credit risk, the fair value of the embedded derivatives would amount to KEUR -1,228.

Compared with the previous year the fluctuations are significantly lower which is due to the decline in market value of two derivatives. Thus the values of the cancellation rights are less sensitive.

Net income (loss) from the different classes of financial instruments is shown in the following table:

1 Jan to 31 Dec 2018

KEUR	Gains (+)/losses(-) 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	-	-	-2,780[2)]	-2,780
Financial assets measured at amortised cost	308	-8,178	-	-7,870
Financial liabilities measured at amortised cost	-71,685	-	1,218	-70,467
No classification [1)]	-2,486	-	-	-2,486
Total	**-73,864**	**-8,178**	**-1,562**	**-83,603**

1) Taking account of IFRS 9 2.1 (b), lease liabilities are not assigned to any measurement category. Lease liabilities are excluded from the scope of application of IFRS 13 in accordance with IFRS 13.6(b) and are not allocated to an input hierarchy. They are accounted for in line with the provisions of IAS 17.

2) Change arising from fair value measurement

1 Jan to 31 Dec 2017

KEUR	Gains (+)/losses(-) 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 cost	-53,353	-	-15,723	-69,076
No classification [1)]	-1,923	-	-	-1,923
Total	**-55,139**	**-10,413**	**-12,018**	**-77,570**

1) Taking account of IFRS 9 2.1 (b), lease liabilities are not assigned to any measurement category. Lease liabilities are excluded from the scope of application of IFRS 13 in accordance with IFRS 13.6(b) and are not allocated to an input hierarchy. They are accounted for in line with the provisions of IAS 17.

2) Change arising from fair value measurement

The interest-rate caps result in a loss due to measurement at fair value of KEUR 1,484 (2017: KEUR 2,338).

F.3.2 Risk management of financial instruments

Tele Columbus AG is exposed to the following risks from the use of financial instruments:

- Liquidity risk (see F.3.2.1)
- Market risk (see F.3.2.2)
- Default risk (see F.3.2.3)

Different financial risks arise from the operating activities of the companies of Tele Columbus AG, in particular liquidity risks, interest-rate risks and default risks. The risk management is designed to identify potential risks and to mitigate their negative impact on the Group's financial performance. To this end, the companies of Tele Columbus AG use financial instruments and credit lines.

Risk management is largely handled by the Treasury department in accordance with the principle of segregation of duties, and 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 written rules for certain areas, such as interest-rate risk, credit risk, the use of derivatives and other financial instruments, and the use of excess liquidity, which are set out primarily in their facility agreements. The management is informed at regular intervals.

Non-derivative financial instruments arise in relation to operating activities, investing and financing activities. They include:

Scope of activities	Material financial instruments
Operational	Trade receivables
Investing	Long-term receivables
Financing	Liquid funds and loans

F.3.2.1 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations with existing liquidity reserves within the time frame required. Liquidity risks may also arise from cash used in operating or investing activities. Liquidity management at Tele Columbus AG aims to ensure that – as far as possible – sufficient liquid funds are always available to be able to meet payment obligations when they fall due, under both normal and strained conditions, without suffering unsustainable losses or damaging the Group's reputation. Liquidity risks from financing activities arise, for example, if cash outflows are required in the short term to settle liabilities but cash from operating activities is insufficient to cover expenses and no other liquid assets are available in sufficient quantity for such repayment.

Liquidity projections for a specific planning horizon and the revolving credit facility of KEUR 50,000 available at Tele Columbus AG for general costs (with a term until 2 January 2021) are designed to ensure a continuous supply of liquidity for operating activities.

The revolving credit facility had not been used as at the reporting date.

Cash and cash equivalents amounted to KEUR 26,288 as at 31 December 2018 (2017: KEUR 31,767).

The following table shows the contractually agreed maturity dates for liabilities to banks and from issuance of the bond; the amounts shown are non-discounted gross amounts:

KEUR	31 December 2018	31 December 2017
Less than one year - not derivative	2,169	27,991
Less than one year - derivative	-	-
Less than one year- interest liabilities (before effects from derivatives)	64,727	60,410
Between one and five years - not derivative	77,701	29,309
Between one and five years - derivative	-	-
Between one and five years- interest liabilities (before effects from derivatives)	200,462	163,598
More than five years- non-derivative	1,358,421	1,306,458
More than five years - derivative	-	-
More than five years- interest liabilities (before effects from derivatives)	16,990	71,058

The financing agreement on granting credit facilities (last amended on 3 May 2018) and the arrangement of the bond contain various covenants whereby the (bond) creditors have the option to call in the loans or bond in the event of non-compliance. Compliance with these covenants as well as capital risk, to which Tele Columbus is exposed as a stock corporation, are continuously monitored by the Board of Management.

As at the reporting date, the liquidity risk in the event of non-compliance with these covenants amounted to KEUR 1,446,168 (31 December 2017: KEUR 1,368,370). The risk of non-compliance with these covenants and associated financial regulations could have a negative impact on the credit availability and going concern assumption for the companies of Tele Columbus AG.

Strategic measures regarding compliance with existing covenants and payment obligations have been initiated in order to ensure the liquidity of the companies of Tele Columbus AG on a long-term basis. Among other measures, the management has expanded the Group-wide cash pooling to all companies.

In the context of Group financing, the companies of Tele Columbus AG also aim to gradually repay financial liabilities using liquidity generated from their operations.

The maturities of payment obligations from trade payables, from liabilities to related parties, from other financial liabilities and from leases are shown in the consolidated statement of financial position and in the notes to the consolidated financial statements; the maturities of the non-current portions of these liabilities – with the exception of the lease liabilities - are between one year and five years.

F.3.2.2 Market risk

Tele Columbus AG is exposed to market risks, particularly due to fluctuations in interest rates. These affect the amount of payment obligations from loan agreements with floating-rate interest. In the 2018 financial year, there was no discernible risk of cash flows being influenced by foreign-currency risks at Tele Columbus AG.

Tele Columbus AG counters market risks by taking out derivative financial instruments. Derivatives as hedging transactions are acquired for hedging purposes only and are primarily used to hedge against cash flow fluctuations.

a) Interest-rate risk

Non-current financial instruments bearing variable interest, for which the interest rate is linked to a market interest rate, such as EURIBOR, are exposed to risks arising from future cash flows. Valuation risks from fixed-rate financial instruments are present only to a small extent.

As well as observing the development of the market price level and actively searching for alternative refinancing, the management of Tele Columbus AG limited interest-rate risk by contractually agreeing interest caps and floors as well as existing termination options.

The identified risks from interest-rate fluctuations for the companies of Tele Columbus AG can be presented on the basis of the following sensitivity considerations:

KEUR	1 Jan to 31 Dec 2018	1 Jan to 31 Dec 2017
Rise of EURIBOR by 0.5 %	-1,495	-2,310
Drop of EURIBOR by 0.5 %	-	-

This calculation is based on floating-rate liabilities as at the reporting date, taking account of derivative financial instruments (interest-rate caps and floors), multiplied by the adjusted interest rate in each case. Given that the one-, three- and six-month EURIBOR is currently below zero already, the decline in interest expense that would result from an additional decrease in EURIBOR interest rates of 0.5 % relates to loans without a EURIBOR interest floor agreement.

b) Foreign-currency risk

Foreign-currency risks mainly result from operating activities in foreign currencies. Tele Columbus AG is not affected by foreign-currency risks and therefore will not provide further details.

F.3.2.3 Credit risk (default risk)

Credit risk represents the risk of a financial loss if a debtor is unable to meet its contractual obligations in relation to a financial instrument. Credit risks at Tele Columbus AG primarily result from trade receivables, other receivables and cash and cash equivalents. Trade receivables are due from other companies and from retail customers. Credit risk is based on the default risk of the contracting party concerned.

Preventative and other measures are taken and debt-collecting agencies are used to mitigate the credit risk of trade receivables.

Preventative measures include an assessment of the creditworthiness of customers with regard to credit ratings, past experience and other factors before entering into a contractual relationship.

Impairment losses are recognised for overdue receivables at varying percentages depending on the dunning level or maturity intervals. The percentages take account of the management's judgement as to the recoverability of the amounts in question. This, in turn, is based largely on past experience. Impairment losses were recognised only for trade receivables in the various reporting periods. Therefore, the companies of Tele Columbus AG assume that all individually unimpaired receivables are recoverable.

Other measures include reminders sent automatically to the customer according to a set procedure. Wholesale customers are sent reminders on an individual basis. The responsible departments decide whether a reminder is to be sent by considering the special agreements made with these customers. If a customer then does not settle the outstanding payments, the case is referred to a debt collection agency, and in the case of commercial customers, solicitors are involved and/or services to that customer are discontinued.

The following table contains information on the estimated default risk and the expected loan losses for trade receivables (lump-sum value adjustment) and other receivables for individuals (individual value adjustment) as at 31 December 2018. The gross carrying amount as well as the valuation allowances only relate to the basis of trade receivables that was used for the calculation of the lump-sum and individual value adjustments and do not apply to receivables collected by debt-collecting agencies.

31 December 2018

KEUR	Loss ratio (weighted average)	Gross carrying amount	Impairment	Direct affect of creditworthiness
not overdue	0 %	5.453	26	No
1 - 60 days overdue	5 %	2.818	145	No
61 - 90 days overdue	14 %	1.429	201	No
91 - 120 days overdue	23 %	2.690	619	No
120 - 360 days overdue	42 %	4.873	2.067	No
more than 360 days overdue	81 %	4.362	3.547	Yes
		21.625	**6.604**	

Tele Columbus AG has chosen the following method:

1. Definition of a default

IFRS 9 contains a rebuttable presumption that a financial asset is in default at the latest when it is 90 days past due (IFRS 9.B5.5.37). For this reason, Tele Columbus AG has determined on the basis of its own reliable historical information that trade receivables can be regarded as in default if they are past due by 360 days or more.

2. Determining the roll rate at which a receivable progresses to the next past-due level

Based on the maturity structure lists for the past 12 months, Tele Columbus AG derives the roll rates at which the respective receivables have progressed from one (past-) due level to the next past-due level. For simplification purposes it is assumed that, for example, receivables not yet due as at 31 January have progressed to the next past-due level – "up to 30 days past due" – in the next month (i.e. as at 28 February). Based on this assumption, the remaining portion of the receivables not yet due as at 31 January has been settled before becoming past due. A roll rate can then be determined on this basis. This represents the probability of a receivable that is not yet due progressing to the next past-due level, "up to 30 days past due". This process is repeated in the same way for all fields of the maturity structure list, resulting in a matrix for the roll rates.

3. Determining the probability of default for receivables in different (past-) due levels

The next step involves determining the probability that a receivable in the respective (past-) due level will default, i.e. that it will become more than 360 days past due. To do so, the roll rates are – for simplification purposes – multiplied by one another.

4. Determining the average probability of default for receivables in different (past-) due levels

To eliminate any non-recurring effects in individual periods, corresponding average figures for the probabilities of default are recognised in the respective (past-) due levels.

5. Calculation of expected loan losses as at 31 December 2018

In the final step, Tele Columbus AG calculates the expected loan losses as at 31 December 2018. Impairment as at 31 December 2018 therefore amounts to KEUR 14,023. The change in value compared to the prior period is recognised in profit or loss.

Trade receivables are written down to the expected recoverable amount in accordance with the procedure for determining lump-sum specific loan loss provisions (see section E.14.3 “Impairment of current and non-current assets”). For other current financial receivables, risk is assessed on a case-by-case basis. In the case of other non-current financial receivables, expected payments are discounted based on the original effective interest rate. The maximum exposure to credit risk as at the reporting date amounted to KEUR 56,235 (2017: KEUR 54,820).

It is assumed that the impaired carrying amount of trade receivables approximates their fair value.

There is no significant risk in relation to the hedges taken out, as they are only concluded with financial institutions with good ratings.

No concentration of credit risks from business relationships with individual debtors or groups of debtors can be identified.

Explanatory notes to the consolidated statement of cash flows

Cash and cash equivalents solely comprise cash and bank deposits.

As in the previous year, no cash or cash equivalents were used to collateralise loans or other liabilities.

KEUR		Other liabilities	Finance Lease Liabilities	Liabilities to banks and from the bond issuance	Non-controlling interests
Statement of financial position as at 1 January 2018		27,846	45,552	1,341,078	7,958
Changes in cash flow from financing activities					
Payments of financial lease liabilities	-14,379		-14,379		
Dividends paid	-1,568				-1,568
Proceeds from loans, bonds, and short or long-term borrowings from banks	720,079			720,079	
Transaction costs with regard to loans and borrowings	-16,604			-16,604	
Repayment of borrowings	-650,519			-650,519	
Interest paid	-53,001			-53,001	
Acquisition of non-controlling interests	-7,012	-7,012			
Total change in cash flow from financing activities	**-23,004**	**-7,012**	**-14,379**	**-45**	**-1,568**
Other changes					
relating to liabilities					
New finance lease contracts			38,350		
Reversal of transactions costs				23,637	
Valuation of derivatives				7,526	
Interest expenses			1,501	43,677	
Interest paid			-2,486		
Other changes		4,000			
Total other changes, relating to liabilities		4,000	37,365	74,840	-
Total other changes, relating to equity		-	-	-	2,302
Statement of financial position as at 31 December 2018		**24,834**	**68,538**	**1,415,873**	**8,692**

F.4 Earnings per share

The calculation of earnings per share is derived from the profit or loss attributable to the shareholders and the average number of shares outstanding. The stock option programmes MSP and POP (see E.18 “Share-based payment transactions”) were included in the calculation of diluted earnings per share. Due to the loss situation at Tele Columbus AG, the employee stock options do not have any dilutive effect on earnings per share.

Determination of the earnings per share

KEUR	1 Jan to 31 Dec 2018	1 Jan to 31 Dec 2017
Profit for the period allocated to shareholders in KEUR	-163,848	-18,802
Weighted average of ordinary shares outstanding (in number of issues)	127,556,251	127,556,251
Undiluted result per share in EUR	-1.28	-0.15
Diluted result per share in EUR	-1.28	-0.15

Determination of weighted average of ordinary shares outstanding

KEUR	1 Jan to 31 Dec 2018	1 Jan to 31 Dec2017
Issued ordinary shares as of 1 January	127,556,251	127,556,251
Weighted average of ordinary shares outstanding	127,556,251	127,556,251

F.5 Segment reporting

Description of segments

The Group reports its operating activities in two product segments: “TV” and “Internet and Telephony”. Internal management reports are prepared for these segments on a quarterly basis for management purposes.

Relationships within individual segments are eliminated.

- “TV” segment

  The Group offers basic as well as premium programmes in the “TV” segment. Basic programmes include analogue as well as digital TV and radio services. The TV packages offered include another 73 digital TV channels, including up to 40 HD-quality stations. This total number of digital stations does not include unencrypted channels.
- “Internet and Telephony” segment

  The Group subsumes internet and telephone services in the “Internet and Telephony” segment. In addition to landline services, the product portfolio also includes mobile communication services. Revenue consists of proceeds from the conclusion of new contracts and installation services as well as monthly contractual and services fees.
- Reconciliation

  Business activities as well as transactions, other events or conditions that are not directly related to the Group’s reportable segments are reported under “Other”.

Expenses and income not allocated to operating segments are largely attributable to the central functions of management, the legal department, personnel department, finance, purchasing and IT. Revenue not allocated to operating segments mainly relates to revenue with business customers and construction services for third parties.

When calculating normalised EBITDA for the individual segments, the following items attributable to central functions were not taken into account:

in KEUR	2018	2017
Revenue B2B customers / construction services	74,067	59,891
Other income	7,525	6,503
Own work capitalised	2,986	1,830
Direct costs	-45,069	-28,855
Personnel expenses	-33,865	-27,363
Other expenses	-31,174	-24,089

Expenses and income are allocated to segments either directly or based on appropriate formulae.

In addition, non-recurring items (for a definition, please refer to the explanatory notes under "Segment reporting") were reported for reconciliation purposes to some extent, because they too cannot be allocated to both segments.

The accounting policies regarding segment reporting, except for the elimination of non-recurring items, are in line with the accounting policies applied to the consolidated financial statements in accordance with IFRS, as adopted by the EU. This applies insofar the accounting policies and definition of segments remain unchanged.

Therefore, reconciliation on the basis of differences between internal measurement and measurement according to IFRS is not necessary; reconciliation is required only with respect to items that are not allocated to reportable segments.

Segment reporting

Explanatory notes to the KPIs used for segments

For the board of management of Tele Columbus Group, normalised EBITDA4) is the central performance indicator which is reported separately for each operating segment in the context of monthly reporting. Normalised EBITDA constitutes earnings before interest (share of profit of equity-accounted investees, interest income, interest expense and other finance income/costs), income taxes, amortisation and impairment losses on fixed and intangible assets. Furthermore, it does not include any non-recurring items. These are defined by the Board of Management as non-recurring, rare or extraordinary

[4)] This ratio is a performance indicator as defined by Tele Columbus AG's management.

expenditure or income if the event is not likely to re-occur over the next two financial years or did not occur at all over the past two financial years. In addition to the ‘non-recurring items’, expenses and income from certain transactions, which by the Board of Management’s definition are not directly related to the provision of services, are also eliminated. This also includes gains and losses on the sale of property, plant and equipment. Any expenses and income associated with these events are deducted from Normalised EBITDA. As these expenses or income do not originate primarily from operating activities or relate to restructuring, they cannot therefore be used to assess operating profit/loss.

The integration of pepcom into the Tele Columbus Group was completed in 2018. Non-recurring expenses in 2018 mainly comprise consulting costs for the harmonisation and optimisation of IT systems and integration costs, severance payments and expenses in connection with impairment of receivables.

Non-recurring expenses in 2017 chiefly related to consulting costs incurred in connection with the harmonisation and optimisation of IT systems, various strategic projects and integration costs, severance payments and other non-recurring personnel expenses, expenses from a tax audit provision, expenses relating to the provisions for onerous contracts in connection with a long-term signal delivery contract, and expenses for the launch and marketing of the new PŸUR brand.

As in the previous year, non-recurring income in 2018 primarily consists of income from the disposal of assets and income from the reversal of provisions for onerous contracts.

The following table contains information on the reportable “TV” and “Internet and Telephony” segments and the non-reportable “Other” segment:

2018 in KEUR	TV	Internet & Telephony	Other	Total
Revenue	267,285	153,029	74,067	494,381
Normalised EBITDA	149,672	111,810	-25,531	235,951
Non-recurring expenses (-) / income (+)	-1,506	30	-44,925	-46,401
EBITDA	**148,166**	**111,840**	**-70,456**	**189,550**

2017 in KEUR	TV	Internet & Telephony	Other	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**

The reconciliation of the reportable segments’ total profit or loss to the consolidated profit or loss before taxes and to discontinued operations is shown in the table below:

KEUR	2018	2017
EBITDA of reportable segments	260,005	273,619
Depreciation and amortisation	-283,003	-155,610
Profit/ loss from investments in associates	-5	53
Other financial income and expenses	-77,754	-69,825
Other	-70,456	-76,614
Profit before taxes	**-171,213**	**-28,377**

The line item “Depreciation and amortisation” includes the impairment loss on the goodwill in the amount of KEUR 124,209 that relates exclusively to the “TV” segment.

Other segment disclosures

Secondary segmentation based on geographical criteria is not performed, 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.6 Disclosures in accordance with HGB

Employees

In the reporting year, the Group employed an average of 1,216 staff (2017: 1,288), of which 1,137 were employees (2017: 1,212), 57 managerial staff (2017: 51) and 23 trainees (2017: 24).

Declaration of compliance with the German Corporate Governance Code in accordance with section 161 AktG

The Board of Management and the Supervisory Board of Tele Columbus AG have issued the required declaration of compliance in accordance with section 161 AktG. This is printed in the 2018 annual report of Tele Columbus AG and has also been made permanently available to the shareholders on the Tele Columbus website at https://www.telecolumbus.com/investor-relations/entsprechenserklaerung.

Auditors' fees

During the financial year, Tele Columbus was provided with the following services by the appointed auditor, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, which had also been appointed in the previous year:

KEUR	31 December 2018	31 December 2017
Audit services	1,551	1,243
Other assurance services	-	525
Other services	15	-
	1,566	**1,768**

F.7 Events after the balance sheet date

Frank Donck stepped down from his position as supervisory board member and from his function as chairman of the supervisory board with effect from 2 April 2019. André Krause was elected as chairman of the supervisory board.

Tele Columbus is currently in the very early stages of evaluating options to take advantage of value creating fibre opportunities in the German market. This may include a new structure of the Group in order to allow for the participation of an investor into Tele Columbus' network assets. However, at this point in time, the investigation remains preliminarily and no decisions have been made. Tele Columbus will only pursue a transaction that is strategically compelling and creates value for its shareholders. There is no certainty that any transaction will be agreed, nor as to the terms or timing of any transaction.

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, which has been combined with the management report for Tele Columbus AG, 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, 29 April 2019

Board of Management

Chief Executive Officer	Chief Financial Officer
- Timm Degenhardt -	- Eike Walters -

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, and the consolidated statement of comprehensive income for the fiscal year from 1 January to 31 December 2018, the consolidated statement of financial position as of 31 December 2018, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year from 1 January to 31 December 2018, 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 2018. In accordance with the German legal requirements, we have not audited the content of the non-financial declaration included in section 9 of the group management report and the content of the declaration of corporate governance included in section 8 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 assets, liabilities, and financial position of the Group as of 31 December 2018, and of its financial performance for the fiscal year from 1 January to 31 December 2018, 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 non-financial declaration included in section 9 of the group management report and the content of the declaration of corporate governance included in section 8 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 legal 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 2018. 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 segments: 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 segments 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 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 segments of the significant entities of the Tele Columbus Group. Our response in the area of revenue from key segments 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 revenue per month 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 on a sample basis. We analyzed the revenue recognition for long-term construction contracts, whether it corresponds to the degree of completion of the underlying projects. In addition, we verified the project calculations methodologically and obtained evidence of the budget figures of total costs as well overall revenue with the help of contractual arrangements.

With regard to the first-time application of IFRS 15, we examined the processes implemented by the Tele Columbus Group in response to the new standard. In assessing the executive directors' analysis of contracts, we paid particular attention to requirements which we expect to have an effect on the accounting in view of the Company's business model. In assessing the contract analysis performed by the executive directors, we evaluated in particular the assessment of various performance obligations. We also examined the allocation of the transaction price to the corresponding performance obligations by verifying samples for clerical accuracy.

We also appraised the disclosures on the effects of the first-time application of IFRS 15 in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations relating to revenue recognition and the disclosures in the notes to the consolidated financial statements.

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 all the carrying amounts of the Group including 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 "Intangible assets" item.

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.

Against the background of the decreasing stock price of the Tele Columbus Group in fiscal year 2018 and the associated indications of a potential impairment of the reported assets, as well as the judgment exercised during measurement, 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 of the current five-year plan with the executive directors, and compared this with the earnings realized in the past. We compared the future cash inflows used in the calculation with the budget, which was approved by the executive directors, comparing it with general and industry-specific market expectations. As far as for the respective group of cash-generating units, a significant portion of the value in use results from the cash flow forecast for the time after the detailed planning period (terminal value phase), for this phase we analyzed the sustainable cash inflows using the segment-specific market development.

We analyzed the derivation of the risk-adjusted capitalization rate with the involvement of our internal valuation experts by analyzing the peer group, comparing in particular market data with external evidence and examining the clerical accuracy of the calculation.

Our assessment of the results of the impairment tests, as prepared by the Tele Columbus Group, was based among other things on an analysis of market capitalization of the Group as of the reporting date. 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 and measurement policies” under D.1 “Significant judgements” and D.2.1 “Intangible assets”.

Explanations to the impairment test are included in the notes to the consolidated financial statements in section E “Notes to the consolidated income statement and consolidated statement of financial position” under E.12 “Impairment test of intangible assets and goodwill”.

3. Recognition of additions to property, plant and equipment

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 2018.

When recognizing additions to property, plant and equipment, there is a demarcation between expenses for assets with many years' of useful lives and those expenses that maintain the potential of assets for 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 demarcation of additions to fixed assets that are capitalized and costs 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 markups 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 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 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 assets liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Furthermore, the executive directors are responsible for the preparation of the 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 assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the 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 25 June 2018. We were engaged by the audit committee of the Supervisory Board on 19 October 2018. We have been the group auditor of Tele Columbus AG 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 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, 29 April 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dahmen	Glöckner
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]